Harry Gwala District Municipality
(Registration number DC 43)
Annual Financial Statements
for the year ended 30 June 2025

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)
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.
Council	
Executive Mayor	ZD Nxumalo
Deputy Mayor	TN Jojozi
Speaker	MSD Mdunge
Chief Whip	N Mhatu
Executive Committee Member	KS Dlamini
Executive Committee Member	SD Bekwa
Executive Committee Member	Z Tshangase
MPAC Chairperson	NW Dladla
MPWF Chairperson	ZP Dlamini
Ordinary Councillors	TSH Gamede
	BL Marnce
	NR Mtshali
	TG Soni
	PN Damoyi
	B Sibeni
	SRL Nzimande
	HA Lukhozi
	HV Msomi
	NH Zaca
	NH Malimela
	ZM Ngidi
	P Memela
	N Dlamini
	BR Memela
	SG Mkhize
	ZR Tshazi
	N Mda
	N Mathe
	X Memela
Traditional leader	VV Zimema
Traditional leader	MB Mjoili
Grading of local authority	Grade 4
Chief Financial Officer (CFO)	Mr KMB Mzimela
Accounting Officer	Mr GM Sineke
Business address	40 Main Street
	Ixopo
	3276

General Information

Postal address	Private Bag X501 Ixopo 3276
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Zuma and Partners Incorporated Seanego Incorporated Mdledle Incorporated Hughes-Madondo Incorporated Ka-Mbonane Cooper
Level of assurance	These financial statements have been prepared in compliance with the applicable requirements of the Municipal Finance Management Act.
Preparer	The annual financial statements were internally compiled by: Mrs S Mkhize-Zitha Deputy Chief Financial Officer

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
HGDA	Harry Gwala Development Agency
MM	Municipal Manager
HGDM	Harry Gwala District Municipality
MANCO	Management Committee
MPWF	Multi-party Women's Forum
MPAC	Municipal Public Accounts Committee
ASB	Accounting Standards Board

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 ended 30 June 2025. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is highly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

In accordance with the provisions outlined in Section 124 (1)(a) of the Municipal Finance Management Act (MFMA), we hereby confirm the inclusion of comprehensive particulars regarding the salaries, allowances, and benefits of political office-bearers and councilors of Harry Gwala District Municipality in the notes to the annual financial statements. These particulars encompass both financial and in-kind components of remuneration, providing a transparent overview of the compensation structure for political office-bearers and councilors. Furthermore, as the accounting officer, I affirmatively declare that the salaries, allowances, and benefits outlined in the annual financial statements are thoroughly examined against the upper limits specified in Section 219 of the Constitution. This evaluation ensures strict adherence to the constitutional framework governing remuneration for political office-bearers and councilors. I can confirm that, to the best of my knowledge, the salaries, allowances, and benefits provided to political office-bearers and councilors fall within the prescribed upper limits established by Section 219 of the Constitution.

The annual financial statements set out on pages 5 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2025 and were signed on its behalf by:

Mr GM Sineke
Municipal Manager

29 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	955 529	858 345
Receivables from exchange transactions	5&6	12 773 155	12 036 379
Receivables from non-exchange transactions	4&6	3 625 084	3 721 751
Statutory receivables	7	10 255 456	4 167 674
Input Vat accruals	8	21 229 582	14 254 618
Cash and cash equivalents	9	262 907 259	209 430 269
		311 746 065	**244 469 036**
Non-Current Assets			
Property, plant and equipment	10	3 218 388 736	2 985 521 095
Intangible assets	11	295 681	405 568
Investments in controlled entities	12	100	100
		3 218 684 517	**2 985 926 763**
Total Assets		**3 530 430 582**	**3 230 395 799**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	179 445 543	107 359 366
Output Vat accruals	14	6 074 566	4 539 785
Consumer deposits	15	3 440 893	3 178 970
Employee benefit obligation	16	2 118 000	1 168 000
Unspent conditional grants and receipts	17	-	10 500 000
		191 079 002	**126 746 121**
Non-Current Liabilities			
Employee benefit obligation	16	32 858 000	29 368 000
Long term payables from exchange transactions	18	-	10 405 815
		32 858 000	**39 773 815**
Total Liabilities		**223 937 002**	**166 519 936**
Net Assets		**3 306 493 580**	**3 063 875 863**
Accumulated surplus		3 306 493 580	3 063 875 863
Total Net Assets		**3 306 493 580**	**3 063 875 863**

* See Note 38

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	77 718 381	72 558 094
Other income	20	1 247 380	1 478 501
Interest revenue	21	42 610 672	38 524 060
Actuarial gains	16	785 000	1 374 000
Total revenue from exchange transactions		**122 361 433**	**113 934 655**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	22	852 401 325	809 851 580
Skills development levy refund		392 880	418 239
Total revenue from non-exchange transactions		**852 794 205**	**810 269 819**
Total revenue	23	**975 155 638**	**924 204 474**
Expenditure			
Bad debts written off	24	17 550 673	29 994 816
Contracted services	25	159 114 663	133 502 229
Depreciation and amortisation	26	114 200 119	98 855 920
Employee related costs	27	261 756 403	256 038 759
Finance costs	28	-	2 153
(Reversal of impairments loss) /Impairment loss	29	5 023 705	149 312 986
Inventory consumed	30	58 826 849	33 597 928
Loss on disposal of assets and liabilities	10	-	1 190 315
Operational costs	31	88 484 236	74 282 959
Remuneration of councillors	32	7 581 271	6 931 900
Transfer payments	33	20 000 000	17 000 000
Total expenditure		**732 537 919**	**800 709 965**
Surplus for the year		**242 617 719**	**123 494 509**

* See Note 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**2 940 381 354**	**2 940 381 354**
Changes in net assets		
Surplus for the year	123 494 509	123 494 509
Total changes	123 494 509	123 494 509
Restated* Balance at 01 July 2024	**3 063 875 861**	**3 063 875 861**
Changes in net assets		
Surplus for the year	242 617 719	242 617 719
Total changes	242 617 719	242 617 719
Balance at 30 June 2025	**3 306 493 580**	**3 306 493 580**

* See Note 38

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		64 569 628	66 102 470
Grants		842 294 205	799 593 239
Interest income		29 821 490	23 397 120
		936 685 323	889 092 829
Payments			
Employee costs		(264 112 676)	(258 795 659)
Suppliers		(280 564 733)	(245 443 374)
Finance costs		-	(2 153)
		(544 677 409)	(504 241 187)
Net cash flows from operating activities	34	**392 007 914**	**384 851 642**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(328 125 105)	(297 661 932)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**53 476 994**	**84 789 710**
Cash and cash equivalents at the beginning of the year		209 430 269	124 640 559
Cash and cash equivalents at the end of the year	9	**262 907 263**	**209 430 269**

The accounting policies on pages 12 to 32 and the notes on pages 33 to 80 form an integral part of the annual financial statements.

* See Note 38

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	71 195 235	8 013 159	**79 208 394**	77 718 381	**(1 490 013)**	47
Other Revenue	1 066 311	345 581	**1 411 892**	1 247 380	**(164 512)**	47
Interest revenue	32 689 659	10 146 177	**42 835 836**	42 610 672	**(225 164)**	47
Actuarial gains	-	-	**-**	785 000	**785 000**	47
Total revenue from exchange transactions	**104 951 205**	**18 504 917**	**123 456 122**	**122 361 433**	**(1 094 689)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	830 229 909	24 796 658	**855 026 567**	852 401 325	**(2 625 242)**	47
Skills development levy refund	387 091	-	**387 091**	392 880	**5 789**	47
Total revenue from non-exchange transactions	**830 617 000**	**24 796 658**	**855 413 658**	**852 794 205**	**(2 619 453)**	
Total revenue	**935 568 205**	**43 301 575**	**978 869 780**	**975 155 638**	**(3 714 142)**	
Expenditure						
Bad debt written	(31 908 435)	(8 022 382)	**(39 930 817)**	(17 550 673)	**22 380 144**	47
Contracted Services	(149 165 312)	(43 335 676)	**(192 500 988)**	(159 114 663)	**33 386 325**	47
Depreciation and amortisation	(101 009 766)	-	**(101 009 766)**	(114 200 119)	**(13 190 353)**	47
Employee costs	(265 764 186)	2 732	**(265 761 454)**	(261 756 403)	**4 005 051**	47
Finance costs	(14 963)	-	**(14 963)**	-	**14 963**	47
Impairment loss	-	-	**-**	(5 023 705)	**(5 023 705)**	47
Inventory Consumed	(41 310 700)	(19 396 484)	**(60 707 184)**	(58 826 849)	**1 880 335**	47
Operational costs	(93 427 310)	(3 525 892)	**(96 953 202)**	(88 484 236)	**8 468 966**	47
Remuneration of councillors	(8 605 929)	941 322	**(7 664 607)**	(7 581 271)	**83 336**	47
Transfer payments	(20 000 000)	-	**(20 000 000)**	(20 000 000)	**-**	47
Total expenditure	**(711 206 601)**	**(73 336 380)**	**(784 542 981)**	**(732 537 919)**	**52 005 062**	
Surplus before taxation	**224 361 604**	**(30 034 805)**	**194 326 799**	**242 617 719**	**48 290 920**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**224 361 604**	**(30 034 805)**	**194 326 799**	**242 617 719**	**48 290 920**	

Harry Gwala District Municipality
(Registration number DC 43)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	758 732	99 613	**858 345**	955 529	**97 184**	47
Receivables from exchange transactions	29 604 707	(8 924 904)	**20 679 803**	12 773 155	**(7 906 648)**	47
Receivables from non-exchange transactions	2 310 928	1 200	**2 312 128**	3 625 084	**1 312 956**	47
Statutory receivables	1 045 119	939 065	**1 984 184**	10 255 456	**8 271 272**	47
Input Vat accruals	36 188 380	(17 023 880)	**19 164 500**	21 229 582	**2 065 082**	47
Cash and cash equivalents	108 784 000	107 000	**108 891 000**	262 907 259	**154 016 259**	47
	178 691 866	**(24 801 906)**	**153 889 960**	**311 746 065**	**157 856 105**	
Non-Current Assets						
Property, plant and equipment	3 270 423 679	(24 024 781)	**3 246 398 898**	3 218 388 736	**(28 010 162)**	47
Intangible assets	677 085	286 326	**963 411**	295 681	**(667 730)**	47
Investments in controlled entities	100	-	**100**	100	**-**	
	3 271 100 864	**(23 738 455)**	**3 247 362 409**	**3 218 684 517**	**(28 677 892)**	
Total Assets	**3 449 792 730**	**(48 540 361)**	**3 401 252 369**	**3 530 430 582**	**129 178 213**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	109 656 542	(930 150)	**108 726 392**	179 445 544	**70 719 152**	47
Output Vat accruals	7 401 813	(2 119 819)	**5 281 994**	6 074 566	**792 572**	47
Consumer deposits	3 521 850	226 619	**3 748 469**	3 440 893	**(307 576)**	47
Employee benefit obligation	-	-	**-**	2 118 000	**2 118 000**	47
	120 580 205	**(2 823 350)**	**117 756 855**	**191 079 003**	**73 322 148**	
Non-Current Liabilities						
Employee benefit obligation	29 399 098	1 136 902	**30 536 000**	32 858 000	**2 322 000**	47
Total Liabilities	**149 979 303**	**(1 686 448)**	**148 292 855**	**223 937 003**	**75 644 148**	
Net Assets	**3 299 813 427**	**(46 853 913)**	**3 252 959 514**	**3 306 493 579**	**53 534 065**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	3 299 813 427	(46 853 913)	**3 252 959 514**	3 306 493 579	**53 534 065**	47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Water, sanitation and other receipts	130 518 635	6 502 404	**137 021 039**	64 569 628	**(72 451 411)**	
Grants	830 617 000	23 224 658	**853 841 658**	842 294 205	**(11 547 453)**	
Interest income	17 434 585	11 037 291	**28 471 876**	29 821 490	**1 349 614**	
	978 570 220	**40 764 353**	**1 019 334 573**	**936 685 323**	**(82 649 250)**	
Payments						
Suppliers and employees	(633 686 123)	(75 093 804)	**(708 779 927)**	(544 677 409)	**164 102 518**	
Finance costs	(142 163)	127 200	**(14 963)**	-	**14 963**	
	(633 828 286)	**(74 966 604)**	**(708 794 890)**	**(544 677 409)**	**164 117 481**	
Net cash flows from operating activities	**344 741 934**	**(34 202 251)**	**310 539 683**	**392 007 914**	**81 468 231**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(322 311 682)	(53 972 419)	**(376 284 101)**	(328 125 105)	**48 158 996**	
Cash flows from financing activities						
Long term payables from exchange transactions	(2 400 000)	-	**(2 400 000)**	-	**2 400 000**	
Increase/(decrease) in consumer deposit	(569 499)	-	**(569 499)**	-	**569 499**	
Net cash flows from financing activities	**(2 969 499)**	**-**	**(2 969 499)**	**-**	**2 969 499**	
Net increase/(decrease) in cash and cash equivalents	19 460 753	(88 174 670)	**(68 713 917)**	53 476 994	**132 596 726**	
Cash and cash equivalents at the beginning of the year	136 855 632	59 760 511	**196 616 143**	209 430 269	**12 814 126**	
Cash and cash equivalents at the end of the year	**156 316 385**	**(28 414 159)**	**127 902 226**	**262 907 263**	**145 410 852**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgemental is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

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

Impairment testing

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

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgements, refer to note on entity combinations.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) 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 heath care retirement and long service awards obligations.

Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for doubtful debts

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

1.6 Property, plant and equipment

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	
• Office		30 years
Furniture and office equipment	Straight-line	
• Office equipment		7 years
• Office furniture		10 years
• Paintings, sculptures, ornaments		10 years
Transport Assets	Straight-line	
• Motor vehicles		7 years
• Trailers and accessories		10 years
• Trucks		10 years
Computer equipment	Straight-line	
• Computer hardware including operation systems		5 years
• Networks		10 years
• Computer software		5 years
Dams/structure	Straight-line	
• Concrete		100 years
• Earth		50 years

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

River	Straight-line	
• Structure - Weir		50 years
• Borehole Establishment		30 years
Pump Stations	Straight-line	
• Structure - buildings		55 years
• Structure - Clarifiers		55 years
• Structure - Filters		55 years
• Electrical		15 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure - Carports		15 years
Perimeter protection	Straight-line	
• Palisade - Concrete		25 years
• Palisade - Steel / Razor wire / Weld mesh		15 years
Reservoirs	Straight-line	
• Structure - Concrete		50 years
• Structure - Galaxy		30 years
• Structure - Steel Tank		30 years
• Structure Jojo		15 years
• Electrical		20 years
• Mechanical		15 years
Underground	Straight-line	
• Chambers		30 years
• Manholes		30 years
• Mechanical		15 years
Water purification works	Straight-line	
• Structure		55 years
• Ponds		55 years
• Electrical		20 years
• Mechanical		15 years
Spring protection	Straight-line	
• Spring		20 years
• Jojo tanks		15 years
• Reticulation		40 years
• Standpipes		20 years
Sewerage pump stations	Straight-line	
• Structure - Buildings		55 years
• Structure - Reactors		55 years
• Structure - Drying beds		55 years
• Structure - Clarifiers chambers		35 years
• Structure - Maturation Ponds		35 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure, Carports		15 years
• Rising mains		40 years
• Gravity mains		40 years
Other machinery and equipment	Straight-line	
• Audiovisual equipments		10 years
• Building air conditioning systems		5 years
• Domestic equipment		5 years
• Kitchen appliances		10 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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 Intangible assets

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

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

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

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

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

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

1.7 Intangible assets (continued)

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.8 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).

1.8 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or

Significant Accounting Policies

1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Classification

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

Class	Category
Short-term Investment Deposits	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Other Debtors	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Consumer Deposit	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

Significant Accounting Policies

1.8 Financial instruments (continued)

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

Significant Accounting Policies

1.8 Financial instruments (continued)

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

Financial liabilities

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

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

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

Presentation

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

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Significant Accounting Policies

1.9 Tax

Value Added Tax

(i) Statutory receivable

Statutory receivables are receivables that:

a) arise from legislation, supporting regulations, or similar means; and

b) require settlement by another entity in cash or another financial asset.

The liability to pay VAT to SARS arises from legislation. As a result, it is a “statutory” arrangement.

The annual financial statements are prepared on accrual basis, however accounts for the statutory receivable/payable on payment basis. Therefore, VAT is receivable or payable to SARS when cash is received or paid.

The amount of VAT receivable from or payable to SARS is calculated as the net amount of output VAT collected and input VAT paid

(ii) Vat accruals

VAT accrual represents VAT still to be collected in cash.

The VAT accrual accounts represent the amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid yet. As there is no transaction to settle with a specific counterparty at this point, the Input VAT Accrual and Output VAT Accruals are not set off.

1.10 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

Significant Accounting Policies

1.11 Inventories (continued)

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

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

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

1.13 Impairment of non-cash-generating assets

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

Assets that generate a commercial return are those that generate positive cash flows which are expected to be significantly higher than the cost of the assets.

Non-cash-generating assets are assets other than cash-generating assets. Non-cash-generating assets are assets that are not used with the objective to generate a commercial return. Instead, they are used to deliver services

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

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

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

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

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

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

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

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

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

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

Identification

Significant Accounting Policies

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

An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount.

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

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

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

Impairment loss is recognised in surplus or deficit

Reversal of impairment loss

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.14 Employee benefits

Identification

Employee benefits

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

1.15 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

Service charges

Service charges relating to water and sanitation are based on consumption. Meters are read on a monthly basis. Revenue on credit metering is recognised when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption are made in the invoicing period in which meters have been read.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

The municipality applies charges for both water and sanitation services in areas connected to the municipal sewer system, with the tariff split as 70% for water and 30% for sanitation.

In areas without a municipal sewer system, no sanitation charges are levied; therefore, 100% metering, whether credit or prepaid, is billed under water charges. Consumers in these areas typically use alternative sanitation solutions such as septic tanks.

Prepaid Revenue

Revenue from the sale of prepaid tokens is initially recognized at the point of sale. At each reporting date, the entity reviews consumption reports to determine any unused credits. If the unconsumed credit is material, revenue is adjusted accordingly, and a corresponding liability is recorded for the remaining credits, to reflect the remaining performance obligation.

Tarrif charges

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

Interest

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Transfers

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

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

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

Fines

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

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

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Segment information

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

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.

1.25 Segment information (continued)

Measurement

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

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

1.26 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

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

1.27 Budget information

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

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

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

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

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.28 Related parties

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

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

Significant Accounting Policies

1.28 Related parties (continued)

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

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

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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 104 (as revised): Financial Instruments

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

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

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

The impact of this amendment is currently being assessed.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Inventories

Water for distribution	955 529	858 345

Key judgements made and assumptions applied

Inventory water includes water purchased or purified and not yet sold at reporting date insofar as it is stored (controlled) in reservoirs at year end.

Inventory water also includes any water purification costs incurred for non-purchased water.

The municipality furthermore assesses whether there is material water purification chemicals and other consumables in hand at year end and discloses them separately on the notes to the annual financial statements. At the end of the financial year ended 30 June 2025 there was no material inventory in hand.

4. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	2 541 505	3 334 238
Salary third party payments -SARS Overpayment	1 083 579	387 513
	3 625 084	**3 721 751**

Receivables from non-exchange transactions above are as follows:		
Gross Balances	5 625 084	5 827 505
Less:Allowances for impairment	(2 000 000)	(2 105 753)
	3 625 084	**3 721 752**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

In 2024 Salary third party payments -SARS Overpayment, is made up of the payment was made to SARS R 382 413 for the late payment of PAYE,UIF and SDL while the application for appeal was already done which was approved in July 2024, overpayment was offset against August SARS Liability and also there was over payment for the payment made to Department of Justice R 5 100 in April 2024 (Children maintenance from some of the employees).

Receivables from non-exchange transactions impaired

Debtor-Kokstad deposits	-	105 753
Cyclone construction - Farmers market	2 000 000	2 000 000
Subtotal	2 000 000	2 105 753
Less: Allowance for impairment	(2 000 000)	(2 105 753)
	-	**-**

During the 2024/2025 financial year management assessed the recoverability of receivables from non exchange transaction due to the lack of movement in their respective accounts. This assesment was performed by evaluating the transaction recorded at initial recognition against the available supporting evidence. It was discovered that these balances lacked supporting evidence. Management took a decision to suggest a write off to the Executive Committee and the write off was approved accordingly.

5. Receivables from exchange transactions

Consumer debtors - Water	9 734 378	8 894 893
Consumer debtors - Sewerage	1 503 352	1 672 800
Consumer debtors - Value Added Tax	1 535 425	1 468 686
	12 773 155	**12 036 379**

6. Consumer debtors disclosure

Gross balances		
Consumer debtors - Water	156 323 615	159 884 663
Consumer debtors - Sewerage	59 536 561	52 716 814
Consumer debtors - Value Added Tax	20 904 431	21 567 428
	236 764 607	**234 168 905**
Less: Allowance for impairment		
Consumer debtors - Water	(146 589 237)	(150 989 770)
Consumer debtors - Sewerage	(58 033 209)	(51 044 014)
Consumer debtors - Value Added Tax	(19 369 006)	(20 098 742)
	(223 991 452)	**(222 132 526)**
Net balance		
Consumer debtors - Water	9 734 378	8 894 893
Consumer debtors - Sewerage	1 503 352	1 672 800
Consumer debtors - Value Added Tax	1 535 425	1 468 686
	12 773 155	**12 036 379**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Water		
Current (0 -30 days)	5 649 862	11 927 145
31 - 60 days	4 412 631	4 427 853
61 - 90 days	2 233 226	2 824 468
91 - 120 days	2 001 255	2 404 844
>120 days	142 026 641	138 300 353
	156 323 615	**159 884 663**

Sewerage		
Current (0 -30 days)	1 389 382	2 563 687
31 - 60 days	1 141 896	772 199
61 - 90 days	714 931	630 456
91 - 120 days	711 813	602 395
> 120 days	55 578 537	48 148 077
	59 536 559	**52 716 814**

Vat		
Current (0 -30 days)	884 137	1 751 926
31 - 60 days	659 289	581 966
61 - 90 days	269 905	306 327
91 - 120 days	236 727	252 108
> 120 days	18 853 662	18 675 101
	20 903 720	**21 567 428**

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2025	2024
Consumers		
Current (0 -30 days)	2 189 280	4 999 824
31 - 60 days	2 161 133	2 454 653
61 - 90 days	1 885 710	2 447 884
91 - 120 days	2 049 775	2 125 788
> 120 days	183 952 013	171 242 898
	192 237 911	**183 271 047**
Industrial/ commercial		
Current (0 -30 days)	664 028	1 206 076
31 - 60 days	536 285	428 865
61 - 90 days	307 125	349 357
91 - 120 days	335 877	354 655
> 120 days	17 174 390	13 680 434
	19 017 705	**16 019 387**
National and provincial government		
Current (0 -30 days)	5 070 074	10 036 858
31 - 60 days	3 516 398	2 898 500
61 - 90 days	1 025 227	964 010
91 - 120 days	564 144	778 904
> 120 days	15 332 437	20 200 198
	25 508 280	**34 878 470**
Total		
Current (0 -30 days)	7 923 381	16 242 758
31 - 60 days	6 213 816	5 782 018
61 - 90 days	3 218 062	3 761 251
91 - 120 days	2 949 795	3 259 347
> 120 days	216 458 840	205 123 530
	236 763 894	234 168 904
Less: Allowance for impairment	(223 990 721)	(222 130 781)
	12 773 173	**12 038 123**
Total debtor past due but not impaired		
Current (0 -30 days)	3 363 861	3 363 861
31 - 60 days	3 238 806	3 238 806
61 - 90 days	359 758	359 758
91 - 120 days	3 707	3 707
> 120 days	2 674	2 674
	6 968 806	**6 968 806**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(222 130 781)	(210 624 726)
Contributions to allowance	(1 859 940)	(11 506 055)
	(223 990 721)	**(222 130 781)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Statutory receivables

Statutory receivable	10 255 456	4 167 674
Current assets	10 255 456	4 167 674

Value Added Tax(VAT) is levied in terms of Value Added Tax Act as amended and administered by South African Revenue Service (SARS)

Output VAT is charged by the municipality on taxable supplies at a rate of 15%.
Input VAT is paid by the municipality on goods and services used for making taxable supplies at a rate of 15%

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.
In assessing whether there is any indication that a statutory receivable, may be impaired, the municipality considers Significant financial difficulty of the debtor (SARS) and defaults in principal or interest payments by the debtor (SARS)

As of 30 June 2025, there were no statutory receivables that were past due nor impaired

8. Input Vat accruals

VAT	21 229 582	14 254 618

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	300	300
Bank balances	76 251 421	41 922 070
Short-term deposits	186 655 538	167 507 899
	262 907 259	**209 430 269**

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for Eskom account	200 000	200 000

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB Current account number- 62022648169	76 251 323	41 927 867	3 390 475	76 251 420	41 922 070	(3 456 198)
FNB call account number- 62032587331	269 281	35 700 000	9 562 219	269 281	35 700 000	9 562 219
FNB call account number - 62095523281	200 000	202 000	25 858 944	200 000	202 000	25 858 944
FNB call account number - 62138538692	-	10 502 000	30 829 245	-	10 502 000	30 829 245
FNB call account number - 62398395204	-	2 000	4 009 721	-	2 000	4 009 721
FNB call account number - 62434145331	3 686	8 667	1 252 178	3 686	8 667	1 252 178
FNB call account number - 62434147072	1 138 734	1 775 981	4 215 598	1 138 734	1 775 981	4 215 598
FNB call account number - 62434151239	74 011 145	46 112 137	12 856	74 011 145	46 112 137	12 856
FNB call account number - 62414264797	80 416	17 518	1 154 044	80 416	17 518	1 154 044
Investec bank call account number - 50006688425	-	-	29 081 540	-	-	29 081 540
FNB fixed term account number - 76204521754	53 314 182	49 086 859	-	53 314 182	49 086 859	-
FNB fixed term account number - 76205904082	-	24 000 000	-	-	24 000 000	-
Nedbank fixed term account number - 7881166592	-	100 737	23 261 236	-	100 737	23 261 236
Standard bank fixed term account number -268610053001	57 638 092	-	-	57 638 092	-	-
Total	**262 906 859**	**209 435 766**	**132 628 056**	**262 906 956**	**209 429 969**	**125 781 383**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 672 272	-	13 672 272	13 672 272	-	13 672 272
Buildings	39 838 978	(17 216 261)	22 622 717	37 529 025	(16 023 012)	21 506 013
Machinery and equipment	10 797 941	(4 351 532)	6 446 409	6 030 720	(3 581 247)	2 449 473
Furniture and office equipment	8 897 905	(5 428 513)	3 469 392	7 374 731	(5 275 477)	2 099 254
Transport assets	55 968 568	(29 255 695)	26 712 873	39 972 733	(23 934 110)	16 038 623
Computer equipment	15 620 693	(11 078 622)	4 542 071	13 932 094	(9 028 716)	4 903 378
Infrastructure: information and communication	996 513	(456 684)	539 829	616 662	(392 505)	224 157
Infrastructure water and sanitation	4 196 279 233	(1 057 331 740)	3 138 947 493	3 705 430 173	(782 321 924)	2 923 108 249
Community	2 257 925	(822 245)	1 435 680	2 257 925	(738 249)	1 519 676
Total	**4 344 330 028**	**(1 125 941 292)**	**3 218 388 736**	**3 826 816 335**	**(841 295 240)**	**2 985 521 095**

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	13 672 272	-	-	-	13 672 272
Buildings	21 506 013	2 309 953	(1 193 249)	-	22 622 717
Machinery and equipment	2 449 473	4 767 221	(770 285)	-	6 446 409
Furniture and office equipment	2 099 254	2 076 809	(706 671)	-	3 469 392
Transport assets	16 038 623	17 221 675	(6 547 425)	-	26 712 873
Computer equipment	4 903 378	1 749 665	(2 110 972)	-	4 542 071
Infrastructure: information and communication	224 157	379 851	(64 179)	-	539 829
Infrastructure water and sanitation	2 923 108 251	320 569 651	(102 613 456)	(2 116 953)	3 138 947 493
Community assets	1 519 676	-	(83 996)	-	1 435 680
	2 985 521 097	**349 074 825**	**(114 090 233)**	**(2 116 953)**	**3 218 388 736**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	13 672 272	-	-	-	-	13 672 272
Buildings	22 699 262	-	-	(1 193 249)	-	21 506 013
Machinery and equipment	1 771 644	1 306 457	(4 186)	(624 442)	-	2 449 473
Furniture and office equipment	1 738 561	1 063 023	(10 882)	(691 448)	-	2 099 254
Transport assets	17 830 502	3 543 097	(245 168)	(5 089 809)	-	16 038 623
Computer equipment	4 391 807	2 186 584	(28 846)	(1 646 166)	-	4 903 378
Infrastructure: information and communication	296 270	-	(3 602)	(68 510)	-	224 157
Infrastructure water and sanitation	2 861 019 828	290 696 490	(771 680)	(89 319 088)	(138 517 301)	2 923 108 249
Community assets	1 758 949	-	(125 952)	(113 321)	-	1 519 676
	2 925 179 095	**298 795 651**	**(1 190 316)**	**(98 746 033)**	**(138 517 301)**	**2 985 521 095**

Capital projects that have been significantly delayed

Construction work in progress has been included in the above mentioned property, plant and equipment, based on the nature of the project being constructed. The following projects have been identified as significantly delayed because they have exceeded the expected completion date. The reasons for the significant delays is budget constraints, termination of contracts and the reprioritisation of projects that the municipality had to implement.

PPE

	30 June 2025 Expenditure to date	**30 June 2024 Expenditure to date**
Infrastructure Water and Sanitation	233 249 542	304 651 881

10. Property, plant and equipment (continued)

Change in estimate

Property, plant and equipment

During the 2024/25 financial year , the municipality assessed and changed the estimate of useful lives for certain Property, Plant and Equipment that were reaching their initial estimated useful lives.
The effect of this revision has increased the depreciation charges for the current and future periods by R528 408.

Details	**Depreciation before the change in estimate**	**Depreciation after change in estimate**	**Effect due to change in estimate**
Movable Assets	69 723	9 584	60 139
Infrastructure Assets	620 520	152 252	468 268
	690 243	**161 836**	**528 407**

Reconciliation of Work-in-Progress 30 June 2025

	Included within Infrastructure	Total
Opening balance	639 523 905	639 523 905
Additions/capital expenditure	304 922 268	304 922 268
Transferred to completed items	(21 237 161)	(21 237 161)
Impairment loss on WIP	(2 116 953)	(2 116 953)
	921 092 059	**921 092 059**

Reconciliation of Work-in-Progress 30 June 2024

	Included within Infrastructure	Total
Opening balance	718 005 013	718 005 013
Additions/capital expenditure	298 048 454	298 048 454
Transferred to completed items	(252 251 103)	(252 251 103)
Impairment loss on WIP	(124 278 459)	(124 278 459)
	639 523 905	**639 523 905**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	36 884 353	43 625 993

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

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	541 591	(245 910)	295 681	595 582	(190 014)	405 568

Reconciliation of intangible assets - 30 June 2025

	Opening balance	Amortisation	Total
Computer software	405 568	(109 887)	295 681

Reconciliation of intangible assets - 30 June 2024

	Opening balance	Amortisation	Total
Computer software	515 455	(109 887)	405 568

12. Interests in other entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 30 June 2024	% ownership interest 30 June 2024	Carrying amount 30 June 2024	Carrying amount 30 June 2024
Harry Gwala Development Agency		Harry Gwala District Municipality	100.00 %	100.00 %	100	100

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	88 613 026	20 529 239
Retentions	62 682 967	59 447 589
Accrued leave pay	16 526 652	16 385 436
Accrued bonus	5 135 829	4 608 264
Debtors with credit balances	6 487 069	6 388 838
	179 445 543	**107 359 366**

14. Output Vat accruals

Output Vat accruals	6 074 566	4 539 785

15. Consumer deposits

Water	3 440 893	3 178 970

As of the year-end date, our annual financial statements reflect a liability related to consumer water deposits. Consumer water deposits represent funds collected from customers as security against potential non-payment of water services or to ensure adherence to the terms of water usage agreements. Throughout the year, changes to the consumer water deposits liability occurs due to various factors, such as new deposits, withdrawals of deposits, or the return of deposits when customers terminate their agreements.

16. Employee benefit obligations

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

Carrying value		
Post-retirement health care benefit liability	(19 767 000)	(16 734 000)
Long service awards	(15 209 000)	(13 802 000)
	(34 976 000)	**(30 536 000)**
Non-current liabilities	(32 858 000)	(29 368 000)
Current liabilities	(2 118 000)	(1 168 000)
	(34 976 000)	**(30 536 000)**

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

1. Bonitas
2. Keyhealth
3. LA Health
4. Samwumed
5. Hosmed

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

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

Opening balance	16 734 000	14 923 000
Net expense recognised in the statement of financial performance	3 033 000	1 811 000
	19 767 000	**16 734 000**

Net expense recognised in the statement of financial performance are as follows:

Service cost	1 353 000	1 214 000
- Current service cost	1 353 000	1 214 000
Interest cost	2 056 000	1 879 000
Actuarial (gains) losses	(376 000)	(1 282 000)
	3 033 000	**1 811 000**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates	11.40 %	12.32 %
Medical aid contribution inflation rate	7.20 %	7.79 %
Net effective discount rate ((medical aid contributions)	3.90 %	4.20 %
Average retirement age	62	62

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit.The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2025.

Post Employment Medical Benefit - DBO **Assumption**	**One percent point increase/One year point increase**	**One percent point decrease/One year point decrease**
Medical Aid Contribution rate	21 509 000	17 496 000
Discount Rate	16 749 000	23 566 000
Post employment mortality	19 273 000	20 252 000

Current Service and Interest Costs **Post Employment Medical Benefit Assumption**	**One percent point increase/One year point increase**	**One percent point decrease/One year point decrease**
Medical Aid Contribution rate	3 753 000	2 977 000
Discount Rate	3 019 000	3 880 000
Post employment mortality	3 322 000	3 493 000

Maturity analysis of DBO (up to 80 years , R millions)

Future year	**Expected benefit payments**	**Future year**	**Expected benefit payments**	**Future year**	**Expected benefit payments**
1	0.175	6-10	7.209	31-40	251.998
2	0.311	11-15	22.073	41-50	234.683
3	0.455	16-20	43.903	51-60	136.904
4	0.499	21-25	72.687	61.70	42.856
5	0.699	26-30	103.493	71-80	5.631

Long service awards

The municipality operate an unfunded defined benefit plan for all its employees. The Municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

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

16. Employee benefit obligations (continued)

Figures in Rand	2025	2024
Opening balance	13 802 000	12 812 000
Expected benefits vesting	(1 069 000)	(1 616 000)
Net expense recognised in the statement of financial performance	2 476 000	2 606 000
Subtotal	15 209 000	13 802 000
Current service cost	1 385 000	1 311 000
Interest cost	1 500 000	1 387 000
Actuarial (gains)/ losses	(409 000)	(92 000)
	2 476 000	**2 606 000**

Key Assumptions Used	2025	2024
Discount rate	9.90 %	11.29 %
General earnings inflation rate	4.90 %	6.42 %
Net effective discount rate	4.80 %	4.58 %
Average retirement age	62	62

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2025.

Long Service Award- BDO Assumption	One percent point increase/ One year point increase	One percent point decrease/ One year point decrease
General Earnings infaltion rate	16 089 000	14 407 000
Discount rate	14 388 000	16 123 000
Average retirement Age	15 941 000	14 408 000

Current Service and Interest Costs Assumption	One percent point increase/ TWO year point increase	One percent point decrease/ TWO year point decrease
General Earnings infaltion rate	3 084 000	2 705 000
Discount rate	2 839 000	2 934 000
Average retirement Age	3 020 000	2 725 000

Maturity analysis of DBO (up to 40 years , R millions)

Future year	Expected benefits vesting	Future year	Expected benefits vesting
1	2.117	6-10	14.333
2	2.532	11-15	16.202
3	2.478	16-20	13.055
4	1.956	21-30	14.718
5	1.693	31-40	1.422

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	-	10 500 000

In 2023/24 financial year the municipality received an advance payment on MIG grant amounting to R10 500 000. This amount was meant to be spent once the conditions relating to 2024/25 financial year were met.

This amount is invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Long term payables from exchange transactions

The Special Investigating Unit (SIU) performed an investigation per the President's proclamation on allegations of financial misconduct. The investigations resulted in SIU billing the municipality an amount of R14.2 million for the services rendered. However due to financial difficulties , the municipality could not afford to pay for
these services.
During the 2018/2019 financial year the municipality entered into an arrangement with the Special Investigating Unit (SIU) to repay the amount owed by the municipality in monthly installment of R200 000. Based on an arrangement made , the amount payable within 12 months after the reporting date was classified as current liability
During 2024/25 ,SIU served the municipality with a letter of demand , demanding the settlement of the outstanding debt of R12 805 816.

Reconciliation of long term payables from exchange transactions

	2025	2024
Opening balance	10 405 816	12 805 816
Subtotal	10 405 816	12 805 816
Reclassification to current liabilities	(10 405 816)	(2 400 000)
	-	**10 405 816**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Service charges

Sale of water	60 733 074	56 395 992
Sewerage and sanitation charges	16 985 307	16 162 102
	77 718 381	**72 558 094**

20. Other income

Insurance refunds	14 756	780 622
Recoveries	233 331	-
Inspection fees	37 522	41 955
Clearance certificate	6 674	8 288
Forfeits: unclaimed monies	786 084	478 418
Tender documents	37 764	169 218
Endowment/ Subdivision fees	131 249	-
	1 247 380	**1 478 501**

21. Interest received

Interest revenue		
Bank	28 011 808	21 988 023
Interest charged on trade and other receivables	14 598 864	16 536 037
	42 610 672	**38 524 060**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Government grants & subsidies

Operating grants		
Equitable share	491 837 000	463 631 000
Expanded public works programme	4 460 000	5 823 000
Financial management grant	1 200 000	1 200 000
Municipal infrastructure grant	33 363 435	4 487 217
Water services infrastructure grant	1 349 755	-
Rural roads asset management system grant	2 498 000	2 391 000
	534 708 190	**477 532 217**
Capital grants		
Municipal infrastructure grant	194 978 565	242 319 363
Water services infrastructure grant	98 650 245	90 000 000
Department of Water and Sanitation	24 064 325	-
	317 693 135	**332 319 363**
	852 401 325	**809 851 580**

Equitable Share

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

Municipal infrastructure grant

Balance unspent at beginning of year	10 500 000	21 176 580
Current-year receipts	217 842 000	236 130 000
Conditions met - transferred to revenue (current year allocation - capital)	(194 577 164)	(242 319 363)
Conditions met - transferred to revenue (current year allocation - operational)	(33 764 836)	(4 487 217)
	-	**10 500 000**

Conditions still to be met - remain liabilities (see note 17).

The municipal infrastructure grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.

The operational expenditure relates to the construction of VIP toilets that are donated to communities and the payment of salaries for the project management unit staff.

Financial management grant

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

Financial management grant is used to implement financial management reforms required by the MFMA.

Expanded public works programme

Current-year receipts	4 460 000	5 823 000
Conditions met - transferred to revenue	(4 460 000)	(5 823 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Government grants & subsidies (continued)

Expanded public works programme grant is used to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Water services infrastructure grant

Current-year receipts	100 000 000	90 000 000
Conditions met - transferred to revenue (current year allocation - capital)	(98 650 245)	(90 000 000)
Conditions met - transferred to revenue (current year allocation - operational)	(1 349 755)	-
	-	-

During the reporting period, an amount of 10 million, which was previously allocated to the municipality as part of the Water Services Infrastructure Conditional Grant, was withheld by the Treasury. This decision stems from the identified lack of performance in meeting the conditions and expenditure requirements associated with the grant.

The water services infrastructure grants used to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services.

The operational expenditure relates to the construction of VIP toilets that are donated to communities.

Rural roads asset management system grant

Current-year receipts	2 498 000	2 391 000
Conditions met - transferred to revenue	(2 498 000)	(2 391 000)
	-	-

Rural roads asset management system grants is utilised to assess traffic management initiatives.

DWS grant

Current-year receipts	24 064 325	-
Conditions met - transferred to revenue	(24 064 325)	-
	-	-

DWS planning, design and related work.

23. Revenue

Service charges	77 718 381	72 558 094
Other income	1 247 380	1 478 501
Interest received	42 610 672	38 524 060
Government grants & subsidies	852 401 325	809 851 580
Skills development levy refund	392 880	418 239
	974 370 638	**922 830 474**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	77 718 381	72 558 094
Other income	1 247 380	1 478 501
Interest received	42 610 672	38 524 060
	121 576 433	**112 560 655**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Transfer revenue		
Government grants & subsidies	852 401 325	809 851 580
Skills development levy refund	392 880	418 239
	852 794 205	**810 269 819**

24. Bad debts written off

Bad debts written off	17 550 673	29 994 816

25. Contracted services

Outsourced Services		
Administrative and Support Staff	10 620 063	12 201 195
Burial Services	207 149	147 981
Business and Advisory	13 163 303	8 724 683
Catering Services	622 028	563 068
Cleaning Services	743 498	559 483
Process audits	4 996 800	6 570 742
Security Services	39 130 011	33 080 394
Sewerage Services	2 773 693	1 873 420
Consultants and Professional Services		
Business and Advisory	8 747 087	6 412 462
Legal Cost	8 269 503	5 516 880
Contractors		
Operational expenses on MIG allocation	25 444 900	-
Catering Services	349 283	218 228
Employee Wellness	25 539	19 872
Event Promoters	278 261	194 000
Graphic Designers	173 913	-
Maintenance of Buildings and Facilities	3 980 007	4 288 164
Maintenance of Equipment	26 970 433	29 742 222
Maintenance of Unspecified Assets	9 515 913	9 766 449
Rural roads site supervision and consulting	3 103 279	2 830 479
VIP toilet - (Ibisi Sewer project)	-	10 792 507
	159 114 663	**133 502 229**

26. Depreciation and amortisation

Property, plant and equipment	114 090 232	98 746 033
Intangible assets	109 887	109 887
	114 200 119	**98 855 920**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs

Basic	158 893 561	148 362 530
Bonus	11 322 775	10 668 058
Medical aid - company contributions	11 461 551	10 904 865
Unemployment Insurance Fund	1 064 129	1 042 730
Leave pay provision charge	1 755 609	1 020 255
Health care retirement benefit	3 409 000	3 093 001
Pension fund - company contributions	22 977 286	21 591 302
SALGBC - company contributions	58 782	58 234
Travel, motor car, accommodation, subsistence and other allowances	16 175 960	27 346 721
Overtime payments	24 083 375	21 206 787
Long-service awards	2 458 243	2 393 786
Housing benefits and allowances	647 318	651 577
	254 307 589	**248 339 846**

Remuneration of municipal manager - Mr GM Sineke

Annual Remuneration	1 131 076	1 261 364
Car Allowance	213 018	189 727
Cellphone Allowance	19 449	19 449
Housing Allowance	120 483	66 621
Rural Allowance	57 986	49 063
	1 542 012	**1 586 224**

Remuneration of chief finance officer - Mr KMB Mzimela

Annual Remuneration	1 051 884	1 087 883
Car Allowance	44 179	37 780
Housing Allowance	106 495	106 738
Rural Allowance	47 399	40 720
Cellphone Allowance	19 449	19 449
	1 269 406	**1 292 570**

Figures in Rand	2025	2024

27. Employee related costs (continued)

Remuneration of social services executive director - Miss NNF Buthelezi and Miss TT Mahlaba

Annual Remuneration	478 652	939 504
Car Allowance	119 029	184 601
Rural Allowance	26 920	40 720
Cellphone Allowance	11 346	19 449
Leave payout	85 081	-
Housing Allowance	98 413	133 440
	819 441	**1 317 714**

Miss NNF Buthelezi resigned on 31 December 2024

Miss T Mahlaba was acting from 1 January to 31 May 2025.

Miss T Mahlaba was appointed on 1 June 2025.

Miss T Mahlaba's June2025 salary is included above.

Remuneration of corporate services executive director - Mrs TT Magaqa

Annual Remuneration	909 014	995 585
Car Allowance	247 171	211 435
Cellphone Allowance	19 449	19 449
Contributions to medical aid	48 000	48 000
Rural Allowance	47 399	41 597
	1 271 033	**1 316 066**

Remuneration of water services executive director - Mr L Gwala

Annual Remuneration	833 736	589 452
Car Allowance	239 994	131 975
Cellphone Allowance	19 449	12 966
Housing Allowance	130 226	86 817
Rural Allowance	47 399	27 435
	1 270 804	**848 645**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

Remuneration of infrastructure executive director - Mr N Biyase

Annual Remuneration	837 936	977 257
Car Allowance	371 334	300 359
Rural Allowance	47 399	40 629
Cellphone Allowance	19 449	19 449
	1 276 118	**1 337 694**

28. Finance costs

Overdue accounts	-	2 153

29. Impairment loss

Impairments		
Property, plant and equipment	2 116 953	138 517 301
Trade and other receivables	7 223 521	15 810 780
	9 340 474	**154 328 081**
Reversal of impairments		
Trade and other receivables	(4 316 769)	(5 015 095)
Total impairment losses (recognised) reversed	**5 023 705**	**149 312 986**

30. Inventory consumed

Consumables: Water treatment works chemicals	24 855 976	4 930 318
Consumables: Other	21 080	15 770
Materials and supplies	705 472	770 125
Bulk purchases - water	33 244 321	27 881 715
	58 826 849	**33 597 928**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Operational costs

Advertising	2 134 977	2 749 350
Auditors remuneration	5 765 462	4 572 278
Bank charges	128 633	126 651
Commission paid	588 656	595 416
Hire	1 119 188	1 187 789
Insurance	2 179 727	2 391 989
Fleet	1 048 653	1 920 410
Motor vehicle expenses	432 996	452 669
Fuel and oil	12 398 267	12 947 235
Printing and stationery	2 064 728	1 137 382
Protective clothing	4 116 482	2 740 053
Software expenses	5 527 810	4 633 657
Staff welfare	119 998	62 752
Subscriptions and membership fees	109 626	121 918
Telephone and fax	4 366 795	3 630 359
Transport and freight	-	561 854
Travel - local	4 153 890	2 989 816
Electricity	36 638 785	24 422 215
Event registration fees	238 271	710 698
Rental of offices	417 167	480 698
Assets less than capital threshold	77 864	-
Skills development levy	2 011 390	1 983 835
Learnership	-	166 868
Signage	36 910	-
SALGA fees	2 807 961	2 767 545
Workmen's Compensation Fund	-	929 522
	88 484 236	**74 282 959**

32. Remuneration of councillors

Executive Mayor	1 058 244	1 031 614
Deputy Executive Mayor	876 381	835 847
Executive Committee members	1 680 532	1 385 483
Speaker	876 382	823 795
Councillors allowances	1 669 330	1 622 309
Chief Whip	481 021	464 818
Meeting allowance	483 929	359 736
Travel and accommodation	455 452	408 298
	7 581 271	**6 931 900**

In-kind benefits

The Mayor, Deputy Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

The Mayor and the Speaker have two full-time bodyguards driving with them and one relief protector.

The Mayor is allocated a driver and one back up vehicle.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Transfer payments

Transfer payments - Harry Gwala Development Agency	20 000 000	17 000 000

The transfers from the district municipality to its municipal entity are carried out to provide the necessary financial resources for the day-to-day operational activities of the entity. These funds are intended to support various functions, projects, and initiatives that contribute to the provision of essential services to the community and the achievement of our organizational goals.

34. Cash generated from operations

Surplus	242 617 719	123 494 509
Adjustments for:		
Depreciation and amortisation	114 200 119	98 855 920
Gain on sale of assets and liabilities	-	1 190 315
Impairment deficit	5 023 705	149 312 986
Bad debts written	17 550 673	29 994 816
Movements in retirement benefit assets and liabilities	4 440 000	2 801 001
Capital assets purchases on credit	(20 949 720)	(1 133 719)
Changes in working capital:		
Inventories	(97 184)	(142 560)
Consumer debtors	(21 194 201)	(20 691 123)
Other receivables from non-exchange transactions	96 667	47 160
Statutory receivables	(6 087 782)	(2 417 102)
Payables from exchange transactions	72 086 178	(2 143 381)
VAT	(5 440 183)	15 595 516
Unspent conditional grants and receipts	(10 500 000)	(10 676 580)
Consumer deposits	261 923	763 884
	392 007 914	**384 851 642**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	424 054 477	460 375 193

Total capital commitments		
Already contracted for but not provided for	424 054 477	460 375 193

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	424 054 477	460 375 193

This committed capital expenditure relates to water and sanitation projects that have been awarded and will be financed by conditional grants gazetted and funds internally generated.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Contingencies

Contingent liabilities

Mdlebeni Trading (Pty) Ltd	-	10 000
Unitrade 1047 CC T/A Isidingo Security Services	-	500 000
Unlawful arrest and detention	-	210 000
Water scheme project	-	150 000
Impande Consulting engineers	56 499 504	56 499 504
Lerumo Lantate Training and Development Services	1 000 000	1 000 000
Lakani Projects Pty Ltd	65 000	3 500 000
Mahlasela and Sons Property	300 000	500 000
Zana Manzi Services Proprietary Limited	-	400 000
Telela Matutyana & Siviwe Desi	63 722	63 722
Rheochem (Pty) Ltd	138 546	138 456
Egxeni Engineering T/A Umpisi Construction	9 952 815	-
Ziyanda Consulting	2 455 731	-
Makhaotse Narasimulu	421 169	-
	70 896 487	**62 971 682**

Figures in Rand	2025	2024

36. Contingencies (continued)

The municipality has no present obligations on the above matters.
These are all possible obligations dependent on court outcomes.

Mdlebeni Trading (Pty) Ltd

The service provider was claiming an amount of R1 254 000 against the municipality for an alleged breach of contract .The plaintiff has taken no further steps to prosecute its claim. The previous attorney's of the plaintiff have withdrawn. Arrangements for the pre-trial conference are being made. There hasn't been no movement since the withdrawal of the attorney's by the plaintiff.

Unitrade 1047 CC T/A Isidingo Security Services

This matter involves a damages claim instituted by Unitrade, relating to the awarding of a tender. The matter has been defended. A pre-trial conference has been held however the plaintiff has taken no steps to enroll the matter for trial. There were no steps taken by the plaintiff even in the previous financial year. The probability of any outflows on this matter has become remote.

Unlawful arrest and detention

This matter is in relation to the alleged unlawful arrest and detention of Mr. Mdladlana.As a results Mr. Mdladlana claims the damages of R500 000. The matter is in the stage of recover. In a process to depose the discover deposit. The plaintiff on the matter is , since deceased. .The probability of any outflows on this matter has become remote.

Water scheme project

This is a matter where the Khuzwayo family has demanded payment of R2 000 000 as compensation for the Municipality's construction of water treatment plant on parts of its property .The Municipality may have to pay the family , far less than what they initially demanded.

Impande Consulting Engineers

Impande issued summons against the municipality relating to the termination of their contract on which they were appointed on the panel , tender bid number 749/HGDM/2021, for services related to immovable and movable assets management.

Impande issued summons against the municipality relating to the account alleged to be in arrears as they had already provided the services to the municipality on their contract on which they were appointed on the panel , tender bid number 749/HGDM/2021, for services related to immovable and movable assets management.

Impande applied to review and set aside the appointment of the engineers named TSI ,under the tender number 749/HGDM/2021.

Lerumo Lantate Training and Development Services

Harry Gwala District` Municipality has a civil claim instituted by Lerumo Lantate Training and Development Services at the Pietermaritzburg High Court, under case number: 9372/2022P. The claim amount is R 736 319.90 and interests from the date of demand Contingent liability is fair valued at R1 000 000.

Notes to the Annual Financial Statements

36. Contingencies (continued)

Lakani Projects (PTY) LTD

The municipality is engaged in legal proceedings initiated by Lakani Projects(PTY) Ltd. regarding the construction of VIP toilets in Umzimkhulu.Lakani projects had instituted actions against the municipality , alleging contractual and project related issues. The municipality is defending itself against the legal claim brought forth by Lakani Projects (PTY) Ltd. There hasn't been not much activity , then the estimate of the contingent liability is reduced.

Mahlasela And Sons Property Limited

The municipality is currently involved in legal proceedings initiated by Mahlasela and Sons pertaining the right to use of land for the construction of a water project. Mahlasela and sons applied for an interdict from the court to stop the municipality from proceeding with the water projects works in Summerfield. The municipality is defending itself against the legal claim brought forth by Mahlasela and sons.

Zana Manzi Services Proprietary Limited

Zana Manzi Services Proprietary Limited instituted an action against the Municipality, claiming an amount of R 4 546 489,78 the interest from the date of demand and costs of suit.

Telela Matutyana & Siviwe Desi

Action for damages arising from a motor vehicle collision as a result of an excavation within the municipal boundaries. The road does not belong to Harry Gwala District Municipality.

Rheochem (Pty) Ltd

Claim against the Municipality for rental of chemical containers as well as holding over damages for not returning same to supplier in the sum of R 138 546.25.

The Present Trading & Project CC

This is an application for the return of certain goods that were confiscated by the Municipality.The future financial impact cannot be estimated at this point.

Town and Around Cilvil

Matter was finalised. Application for review was dismissed with cost.

Egxeni Engineering T/A Umpisi Construction

The consultant sued the municipality for outstanding fees totaling to R9 952 818.02. The matter is being defended.

Ziyanda Consulting

The consultant (Ziyanda Consulting)sued the municipality for the outstanding fees totaling to R2 455 731.22.The matter is currently defended.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Contingencies (continued)

Makhaotse Narasimulu

The consultant sued the municipality for outstanding fees totaling to R421 168.82.The matter is currently defended.

Mazwi Aaron Nene & Others

Mazwi Aaron Nene and Others instituted a legal claim against the municipality over a water project. Municipality is defending itself against this claim in court . The claimant is suing the municipality for a water project that was not completed. The future financial impact cannot be estimated at this point

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Related parties

Related party transactions

Transfer payments to related parties		
Harry Gwala Development Agency	20 000 000	17 000 000

The transfer to the municipal entity is meant to assist the entity's day to day operations. No conditions are attached to these transfers except that these amounts should be spend according to the approved budget.

Key management information

Class	Description	Number
Accounting Officer	Municipal manager	1
Executive management	Executive management	5
Councillors	District Mayor	1
Councillors	Deputy Mayor	1
Councillors	Speaker	1
Councillors	Ordinary councillors and traditional leaders	25

Remuneration of management

Management class: Councillors

30 June 2025

Name	Basic salary	Cellphone allowance	Travelling allowance	Medical aid contributions	Pension contributions	Total
Executive Mayor	811 799	43 200	202 950	295	-	1 058 244
Deputy mayor	649 432	43 200	162 358	-	21 391	876 381
Speaker	649 432	43 200	162 358	-	21 392	876 382
EXCO members	1 216 101	129 600	310 880	266	23 685	1 680 532
Chief Whip	343 654	43 200	93 737	431	-	481 022
Other councillors	1 918 423	216 000	455 713	1 111	17 464	2 608 710
	5 588 841	**518 400**	**1 387 996**	**2 103**	**83 932**	**7 581 271**

Notes to the Annual Financial Statements

Figures in Rand

37. Related parties (continued)

30 June 2024

Name	Basic salary	Cellphone allowance	Travelling allowance	Medical aid contributions	Pension contributions	Total
Executive Mayor	778 134	45 600	197 692	10 188	-	1 031 614
Deputy mayor	608 385	45 600	158 156	-	23 706	835 847
Speaker	597 973	45 600	158 156	-	22 066	823 795
EXCO members	954 103	136 800	248 149	10 660	35 771	1 385 483
Chief Whip	324 274	45 600	87 791	7 153	-	464 818
Other councillors	1 761 379	228 000	346 944	3 200	51 013	2 390 536
	5 024 248	**547 200**	**1 196 888**	**31 201**	**132 556**	**6 932 093**

Refer to page 2 "General information (Council)"

Management class: Executive management

Refer to note 27

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and Segment reporting that have been affected by prior-year adjustments:

Statement of financial position

30 June 2024

	Note	As previously reported	Correction of error	Restated
Vat Receivables	8	13 857 907	24 599	13 882 506
Payable from exchanged transactions	13	(107 150 527)	(208 840)	(107 359 367)
Accumulated depreciatiom Infrastructure water and sanitation	10	(781 786 708)	(535 216)	(782 321 924)
Accumulated amortisation	11	(282 119)	92 106	(190 013)
Accumulated surplus		(3 075 295 721)	11 252 981	(3 064 042 740)
Infrastructure water and sanitation	10	3 716 222 681	(10 792 507)	3 705 430 174
		(234 434 487)	**(166 877)**	**(234 601 364)**

Statement of financial performance

30 June 2024

	Note	As previously reported	Correction of error	Restated
Contracted services	25	122 533 973	10 968 256	133 502 229
Operational expenses	31	74 274 467	8 492	74 282 959
Depreciation	26	98 210 817	535 216	98 746 033
Amortisation	26	201 993	(92 106)	109 887
Surplus for the year		**295 221 250**	**11 419 858**	**306 641 108**

38. Prior-year adjustments (continued)

Errors

The following prior period errors adjustment occurred:

Vat receivables

There were accruals, relating to 2023/24 financial year, that were identified and recorded after the AFS submission. The input vat amount on these accruals amounted to R24 599..

Accumulated depreciation

During 2024/25 financial year, it was discovered that the Clysdale project was completed in 2023 financial year. The accumulated depreciation is therefore accounted for up to the year ending June 2024.

Infrastructure Water and Sanitation

During the 2024/25 financial year, when the unbundling of the Ibisi project was conducted, it was noted that VIP toilets amounting to R10 792 507 were constructed together with the sewer line project. VIP toilets are not capital assets of the municipality and therefore had to be expensed. The 2023/24 comparative is thus restated.

Trade payables and other payables

There were accruals, relating to 2023/24 financial year, that were identified and recorded after the AFS submission. They amounted to R208 839.

Operational costs

There were accruals, relating to 2023/24 financial year, that were identified and recorded after the AFS submission. Expenditure relating to operational costs amounted to R8 492.

Contracted Services

There were accruals, relating to 2023/24 financial year, that were identified and recorded after the AFS submission. Expenditure relating to contracted services amounted to R175 749.

Figures in Rand	2025	2024

38. Prior-year adjustments (continued)

During the 2024/25 financial year, when the unbundling of the Ibisi project was conducted, it was noted that VIP toilets amounting to R10 792 507 were constructed together with the sewer line project. VIP toilets are not capital assets of the municipality and therefore had to be expensed. The 2023/24 comparative is thus restated.

Depreciation

During 2024/25 financial year, it was discovered that the Clysdale project was completed in 2023 financial year. Depreciation expense is thus provided for the 2023/24 financial year.

Amortisation

In the period ending 30 June 2024, A correction is done during 2025 financial of impairment loss incorrectly allocated to amortisation.

Splitting of vat disclosure

In 2024/25 financial year , the municipality adopted the ASB guidance in the classification and presentation of VAT , based on the principles in GRAP 104 on Financial

Instruments and GRAP 108 on Statutory Receivables.

38. Prior-year adjustments (continued)

Statutory Receivable is separately disclosed from the VAT Accruals. Input VAT Accrual and Output VAT accrual are not offset; they are separately presented. VAT Receivable presented in the prior year was restated to show the separate presentation.

Change in Accounting Policy

Nature of Change

In the prior financial year, Value Added Tax (VAT) balances were presented on a net basis in the Statement of Financial Position. This approach resulted in the offsetting of Input VAT and Output VAT, with the net amount disclosed under statutory receivables or payables.

Current Year Treatment

During the current financial year, the municipality reviewed its accounting policy for VAT presentation, as per ASB guidance to enhance transparency and compliance with the principles of **GRAP 1: Presentation of Financial Statements**; **GRAP 104: Financial Instruments and GRAP 108 Statutory Receivables.**

As a result, VAT accounts are now disclosed separately as follows:
i) **VAT Accruals** represents the amounts that are associated with transactions that are yet to be settled.
1. Input VAT accruals; representing VAT recoverable on goods and services acquired.
2. Output VAT accruals; representing VAT payable on taxable supplies made.

ii) **Statutory Receivable** – representing amounts due from SARS in respect of VAT refunds.

Reason for Change

The change was implemented to provide more relevant and reliable information to users of the financial statements by clearly distinguishing between VAT components, improving comparability and compliance with applicable GRAP standards.

Impact on Financial Statements

The change in accounting policy has been applied retrospectively in accordance with **GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors**.

Comparative figures have been restated to reflect the separate disclosure of VAT accounts. The effect of the restatement is as follows:

- Prior year statutory receivable/payable has been reclassified into Input VAT Accrual, Output VAT Accrual, and Statutory Receivable.
- There is no impact on net assets or surplus/deficit for the prior year.

Comparative Figures

Comparative figures have been restated to reflect the separate disclosure of VAT accounts. The restatement does not affect the Statement of Financial Position.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Prior-year adjustments (continued)

Statement of Financial Position Previously Presented	**2025**	**2024**
VAT Receivable	-	13 857 907

Statement of Financial Position -Restated	**2025**	**2024**
Input VAT Accrual	21 229 582	14 254 618
Statutory Receivable	10 265 139	4 167 674
Output VAT Accrual	(6 074 566)	(4 539 785)
	25 420 155	**13 882 507**

Explanation:

- Previously, VAT was presented as a single net amount of **R13 857 907** under VAT receivable

- Under the new policy, Input VAT Accrual, Output VAT Accrual and Statutory Receivable are disclosed separately.

- There is **no impact on net assets or surplus/deficit**.

39. Risk management

Financial risk management

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

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The management of liquidity risk is essential for the financial well-being and sustainability of the Municipality. Liquidity risk refers to the potential inability to meet short-term financial obligations as they fall due. The primary objectives of the Municipality's liquidity risk management are to ensure the availability of funds to meet financial obligations, optimize cash flow forecasting to anticipate and address liquidity needs and mitigate the impact of unforeseen events on the municipality's financial position.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2025		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		-	-	-	-
Trade and other payables		179 445 541	-	-	-
Consumer deposits	-	3 440 893	-	-	-
Output Vat accruals	-	6 074 566	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	10 500 000	-	-	-
Trade and other payables	107 359 367	-	-	-
Long-term payable from exchange transactions	2 400 000	2 400 000	7 200 000	805 816
Consumer deposits	3 178 970	-	-	-
Output Vat accruals	4 539 785	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2025	30 June 2024
Cash and cash equivalents	262 907 259	209 430 269
Receivables from exchange transactions	236 764 607	234 168 905
Receivables from non-exchange transactions	5 625 084	5 827 505
Input Vat accruals	21 229 582	14 254 618

39. Risk management (continued)

Market risk

Interest rate risk

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

40. Going concern

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

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 municipality continue to receive conditional grants and equitable share allocations as gazetted for the ongoing operations for the municipality.

41. Events after the reporting date

On 28 August 2025 , the municipal council set and the following resolutions were taken.
Based on the investigations performed by the MPAC, the council resolved to write off the irregular expenditure incurred amounting to R112 551 945 relating to historical contracts and the unauthorised expenditure amounting to R127 976 270 incurred in 2023/24.
Council resolved to adopt the 2024/25 adjustment budget for unforeseen expenditure incurred.

42. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	127 976 270	9 691 677
Add: Unauthorised expenditure - current	34 469 121	127 976 270
Amount written off - prior period	(127 976 270)	(9 691 677)
Closing balance	**34 469 121**	**127 976 270**

The council approved the write off of unauthorised expenditure incurred in the prior financial year amounting to R127 976 270

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

	2025	2024
Non-cash	34 292 350	127 976 270

Analysed as follows: non-cash

	2025	2024
Employee related cost	-	1 597 968
Depreciation and amortisation	18 985 161	-
Bad debts written off from non-exchange transaction	741 715	-
Employee benefit obligation actuarial valuations	5 225 000	4 175 001
Impairment loss	9 340 474	121 012 986
Loss on disposal of Fixed and intangible assets	-	1 190 315
Assets less than capitalised threshold and contract builders	176 772	-
	34 469 122	**127 976 270**

The nature of the overspending is primarily attributed to non-cash items, namely employee related costs , actuarial assumptions on employee benefit obligations and loss on disposal of assets and liabilities. These items were incurred centrally and were not allocated and spread across multiple departments. Management chose to record them under one vote, namely Vote 3 Budget and Treasury Office. It's crucial to note that, in total, the budget has not been overspent when accounting for these non-cash items.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Fruitless and wasteful expenditure

Opening balance as previously reported	8 169 322	8 167 169
Add: Fruitless and wasteful expenditure identified - current	112 054	2 153
Closing balance	**8 281 376**	**8 169 322**

Details of fruitless and wasteful expenditure

Interest paid on Eskom account	-	2 153
delivery costs, staff costs and legal fees	112 054	-
	112 054	**2 153**

44. Irregular expenditure

Opening balance as previously reported	-	3 503 831
Add: Irregular expenditure - current	241 846 476	147 693 369
Less: Amount written off - current	(112 551 945)	(147 693 369)
Less: Amount written off - prior period	-	(3 503 831)
Closing balance	**129 294 531**	**-**

The council approved the write off of irregular expenditure incurred in the current financial year amounting to R112 551 945.

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

Competitive bidding process not followed and panel allocation not fair	211 065 071	104 035 674
Supplier in service of the state	110 791	-
Incorrect application of SCM delegations	6 237 534	20 831 498
Local content incorrectly applied	18 862 838	22 826 197
Change of scope	4 980 242	-
Possible tender splitting	390 000	-
Reasons for deviation not justifiable	200 000	-
	241 846 476	**147 693 369**

Competitive bidding process not followed is comprised of payments in the current year for old multi year contracts and payments made to suppliers on a panel.

Awards made to close family members of persons in service of the state

During 2023/24 f financial year , the municipality conducted business with the supplier whose spouse is employed by the municipality. The supplier was requested to fill in MBD 4 and declare any known interest , however , the interest was not declared and the municipality appointed the supplier Njana(pty) ltd was appointed for the supply and delivery of blankets. The award amount was R194 350.

Name
The name of the spouse employed by the municipality is Sthembile Mbanjwa.

Position
Ms Sthembile Mbanjwa is executive secretary to Executive Director : Corporate Services.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 807 961	2 767 545
Amount paid - current year	(2 807 961)	(2 767 545)
	-	-

Material losses

Water losses	12 859 420	11 163 386

The water losses of 36.57% (2023/24 :37.5 %) is calculated on the system input volume of 3 521 996 kl (2023/24 : 3 267 336 kl) purchased at an average price of R9.984 (2023/24 : R9.118) per kl and total units sold amounting to 2 233 993,2 kl (2023/24 :2 043 012 kl). Total water stock losses amounts to 1 280 003 kl (2023/24 : 1 224 324 kl)

The following are the major root causes for the water losses:

1. Ageing infrastructure around the District also causes water losses, there are still asbestos and cement pipes that are still under ground and they keep bursting most of the times.

2. Illegal connections especially in rural areas and informal settlements.

Audit fees

Current year subscription / fee	5 765 462	4 572 278
Amount paid - current year	(5 765 462)	(4 572 278)
	-	-

PAYE and UIF

Current year subscription / fee	41 956 689	41 491 387
Amount paid - current year	(41 956 689)	(41 491 387)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	34 438 837	32 496 167
Amount paid - current year	(34 438 837)	(32 496 167)
	-	-

SALGBC

Current year subscription/fee	58 782	58 232
Amount paid - current year	(58 782)	(58 232)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Deviation from supply chain management regulations

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

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

There are the deviations during the 2024/2025 financial year as follows:

Reason for deviation

Supply chain management processes followed, however, at least three quotations were not obtained	121 500	-
impossible and impractical to follow the supply chain manegement processes	2 409 973	-
Emergency procurement of water chemicals to prevent the future water quality failures and ensure quality supply of water to the community of Underberg.	-	18 802
	2 531 473	**18 802**

47. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2025	2024

47. Budget differences (continued)

The variances between approved and adjustment budget were as a reult of the council approval and council approval was made on 25 February 2025.

The excess of actual expenditure over the final budget of 5% is considered acceptable by management.

1. Service charges - It is below 5%.

2. Other revenue- We could not sell the tender documents and render other services as we anticipated.

3. Interest revenue - It is below 5%.

4. Actuarial gain and losses- These none cash items were not budgeted for.

5. Government grants and subsidies - It is below 5%.

6. Skills development levy refund - It is below 5%, however we overspent due to claim will be approved in the next financial year.

7. Bad debt written off- The plans were that after installation of the smart meters we will write off the debts, howver that exercise was not done and we will peroform it in 2025/26 Financial year.

8. Contracted services- The main contribution for underperformance is the cost containment measures implemented on the Contracted Services.

9. Depreciation and amortisation- We underbudgeted, becuase we never expected to have some of the projects completed during the financial year.

10. Employee related costs- It is below 5%.

11. Finance costs- Over budgeting, there is arrangement with Government Department not to pay interest on overdue account.

12. Impairment loss- We never anticipated to have the impairment as we had very high impairment in the previous year.

13. Inventory consumed- we underbudgeted for Bulk water due to disagreement in some of Ugu invoices which were not considerd to be expensiture but towards the end of the year were recorded as accruals pending the finalization of the diagreement.

14. Operational costs- The main contribution for underperformance is the cost containment measures implemented on the Contracted Services.

15. Remuneration of councillors- It is below 5%.

16. Tranfer payments - We transferred as per their budget.

17. Inventory - We underbudgeted, It is water level which is not easy to be closer to budget accurately .

18. Receivables from exchange transactions - We will investigate negative adjustment budget

19. Receivables from non exchange transactions, we were expecting to write off some, however only eight thousands was written off and expecting another write off during 2026 financial year.

20. Statutory vat- We anticipated to make payment during the year, however a lot of payments were done on last month of the financial year that increase vat refundable for June 2025.

21. Input Vat accruals- We anticipated the higher accruals due to financial constraint during the year, however we afforded to use vat refund funds to pay for some of the expenditure.

22. Cash and cash equivalent- We collected some interest on our investment and received some fund from DWS which the

47. Budget differences (continued)
expenditure was not paid by 30 June 2025.

23. Property, property and equipment- We underbudgeted, we anticipated to complete some of the assets in the following year, however the teams in the ground completed a month earlier .

24. Intangible assets- A service provider was appointed in May 2025 and there were challenges in the softwares required for the system which delayed to activate a system and it will be done during the 2026 financial year.

25. Payble from exchange tranactions- The invoices for maintenance were only submitted by 30 June 2025 and we could not pay same day and are paid during 2026 financial year.

26. Consumer deposits- We overbudgeted, due to anticipated that the consumers with the tenants will request addition prepaid smart meters which has more costs to be paid for by the consumers.

27. Employee benefit obligation - Under budgeted, There are changes included cause increase due to the revised GRAP standard which were not anticipated.

28. Output Vat accruals- We underbudgeted, we anticipated that we will have the amnesty during the year which it was moved to 2026 Financial year and it was impractical to adjust so late in the year.

48. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Trading services, Community services and Governance and administration. 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.

Aggregated segments

The municipality is organised and reports to management on the basis of three major functional areas: Trading services, Community services and Governance and administration. 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.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Governance and administration	Administration and support services
Community services	Disaster, health and environmental services
Trading services	Water and Sanitation

48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2025

	Governance and administration	Community services	Trading services	Total
Revenue				
Revenue from non-exchange transactions	493 429 880	-	359 364 325	852 794 205
Revenue from exchange transactions	30 019 098	37 522	92 304 813	122 361 433
Total segment revenue	**523 448 978**	**37 522**	**451 669 138**	**975 155 638**
Entity's revenue				**975 155 638**
Expenditure				
Bad debts written off	741 715	-	16 808 958	17 550 673
Contracted services	69 131 099	3 762 334	86 221 231	159 114 664
Debt impairment	-	-	5 023 704	5 023 704
Depreciation and amortisation	8 410 906	843 621	104 945 592	114 200 119
Employee related cost	86 224 222	28 014 923	147 517 258	261 756 403
Inventory consumed	62 772	663 781	58 100 297	58 826 850
Operational cost	48 794 880	2 368 940	37 320 417	88 484 237
Remuneration of councillors	7 581 269	-	-	7 581 269
Transfers and subsidies	-	20 000 000	-	20 000 000
Total segment expenditure	**220 946 863**	**55 653 599**	**455 937 457**	**732 537 919**
Total segmental surplus/(deficit)	**302 502 115**	**(55 616 077)**	**(4 268 319)**	**242 617 719**
Assets				
Segment assets	257 562 012	3 660 961	2 975 844 059	3 237 067 032
Additions to non-current assets	85 895 210	(843 621)	208 311 961	293 363 550
Total segment assets	**343 457 222**	**2 817 340**	**3 184 156 020**	**3 530 430 582**

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

	Governance and administration	Community services	Trading services	Total
Total assets as per Statement of financial Position				**3 530 430 582**
Liabilities				
Segment liabilities	(231 438 810)	-	7 501 807	(223 937 003)
Total liabilities as per Statement of financial Position				**(223 937 003)**

30 June 2024

	Governance and administration	Community services	Trading services	Total
Revenue				
Revenue from non-exchange transactions	465 249 239	-	345 020 580	810 269 819
Revenue from exchange transactions	24 845 302	41 955	89 047 398	113 934 655
Total segment revenue	**490 094 541**	**41 955**	**434 067 978**	**924 204 474**
Entity's revenue				**924 204 474**

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

Expenditure				
Bad debts written off	29 994 816	-	-	29 994 816
Contracted services	56 083 285	4 314 771	73 104 173	133 502 229
Depreciation and amortisation	7 240 026	921 065	90 694 828	98 855 919
Employee related cost	83 362 895	30 948 048	141 727 818	256 038 761
Finance costs	2 153	-	-	2 153
Inventory consumed	43 681	742 214	32 812 033	33 597 928
Operational cost	45 949 205	2 288 876	26 044 878	74 282 959
Remuneration of councillors	6 931 900	-	-	6 931 900
Transfers and subsidies	-	17 000 000	-	17 000 000
Loss disposal of fixed and intangible assets	47 516	357 736	785 063	1 190 315
Impairment loss	-	-	149 312 986	149 312 986
Total segment expenditure	**229 655 477**	**56 572 710**	**514 481 779**	**800 709 966**
Total segmental surplus/(deficit)	**260 439 064**	**(56 530 755)**	**(80 413 801)**	**123 494 508**
Assets				
Segment assets	190 687 125	3 953 523	2 921 668 564	3 116 309 212
Additions to non-current assets	71 623 483	(292 562)	42 755 666	114 086 587
Total segment assets	**262 310 608**	**3 660 961**	**2 964 424 230**	**3 230 395 799**
Total assets as per Statement of financial Position				**3 230 395 799**
Liabilities				
Segment liabilities	(163 340 966)	-	(3 178 970)	(166 519 936)
Total liabilities as per Statement of financial Position				**(166 519 936)**

Measurement of segment surplus or deficit, assets and liabilities

48. Segment information (continued)

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Information about geographical areas

In accordance with GRAP 18.32, the municipality is required to report certain geographical information. However, due to practical constraints and excessive costs associated with obtaining the necessary information, the entity is unable to provide the specific details related to external revenues, total expenditure, and non-current assets for the geographical areas in which it operates. The decision not to disclose this information is based on the assessment that the cost to develop such information would be prohibitively high.

49. Principal-Agent Arrangement

Description of the arrangement

Harry Gwala District Municipality entered into a principal-agent arrangement with Utilities World (Pty) Ltd, in 2019 for the provision of prepaid water services. Under this arrangement, Utilities World (Pty) Ltd acts as an agent on behalf of the municipality to facilitate transactions with third parties (consumers) for the sale of prepaid tokens**.**

Role Assessment

The municipality has assessed the arrangement and concluded that it is the principal, as it retains the rights and obligations associated with the provision of water services. Utilities World (Pty) Ltd acts as the agent, performing transactions on behalf of the municipality.

Significant Terms and Conditions

- Utilities World (Pty) Ltd is responsible for managing the prepaid water system, including sales and distribution of tokens.
- The municipality retains responsibility for water supply and bears the associated risks and rewards.
- The agent earns a service fee as stipulated in the contract.

Purpose of the Arrangement

The arrangement was established to improve efficiency in the sale and management of prepaid water services and enhance revenue collection.

Risks and Benefits

- Risks: The municipality bears the risk of non-consumption of prepaid water units and system failures.

- Benefits: Improved revenue collection and streamlined service delivery through the agent’s infrastructure.

Financial transactions

Utilities Africa bills the municipality, 4.8% commission of the cash collected from the sale of prepaid tokens by third parties.

HGDM paid the commission totaling **R588 656** during the 2024/25 financial year.

Cost Implication

The cost implication for the municipality on the termination of the principal-agent arrangement is that the municipality may be liable to pay termination fees as per the agreed upon SLA.