NGQUSHWA LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality Ngqushwa Local Municipality is a South African category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act 56 of 2003 and other legislation.
Nature of business and principal activities	Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure, Economic Development and Community Services.
Executive Committee	S Maneli- Mayor
	D.Ncanywa- Speaker
	A.Nodikida- Chief Whip and Member of Executive Committee
	M.Gqo- MPAC Chairperson
	L.Mdabula-Member of the Executive Committee
	S.Nyaniso-Member of the Executive Committee
Councillors	T.Dinginto
	S. Maswana
	N. Jako
	N. Lawu
	M. Luzipho
	X. Magini (Term ended on the 6th May 2025)
	L. Mcoboki
	S. Mhlakane
	N. Mlotana
	N. Mtati
	P. Nodala
	L. Nomatye
	B. Ntabeni
	N. Ntsunguzi
	N. Seti
	R.Taylor
	N.Totyi
Traditional Leaders	Z. Njokweni (Chief)
	MM. Matomela (Prince)

General Information

Grading of local authority	1
Chief Finance Officer (CFO)	Mr. T.Fundira
Accounting Officer	Mr. N. Mgengo
Registered office	Corner of N2 and R345 Road Peddie 5640
Business address	Corner of N2 and R345 Road Peddie 5640
Postal address	P.O. Box 539 Peddie 5640
Bankers	First National Bank Standard Bank
Auditors	Auditor General of South Africa
Attorneys	External Panel of Attorneys Ms. Vuyiseka Cengani (Internal Acting -Legal Advisor) Mr. Mfundo Mabangula (Internal-Legal Advisor)
Contact number	040 673 3095
Email addresses for the municipality	nmgengo@ngqushwamun.gov.za tfundira@ngqushwamun.gov.za

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The reports and statements set out below comprise the Annual Financial Statements presented to the Council of Ngqushwa Local Municipality:

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Abbreviations used:

AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
ASB	Accounting Standards Board
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DEDEATA	Department of Economic Development Environmental Affairs and Tourism
EPWP	Expanded Public Works Programme
EXCO	Executive Committee
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practices
HDF	Housing Development Fund
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standard Boards
LGSETA	Local Government Sector Education and Training Authority
MDRG	Municipal Disaster Recovery Grant
MEC	Members of the Executive Council
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
PMS	Performance Management System
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WSP	Workplace Skills Plan

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss 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 ended 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 external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements.

The Annual Financial Statements set out on pages 6-85 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025:

Mr. N. Mgengo
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	15,458,590	15,458,590
Operating lease asset	4	3,899,986	3,394,941
Receivables from non-exchange transactions	5	28,775,669	23,007,307
VAT Input Accrual	6	650,463	2,260,579
Receivables from exchange transactions	7	3,545,249	2,186,238
Cash and cash equivalents	8	13,395,606	50,693,544
Prepayments	9	-	876,378
		65,725,563	**97,877,577**
Non-Current Assets			
Investment property	10	34,868,765	34,665,765
Property, plant and equipment	11	320,758,835	316,252,150
Heritage assets	12	3	3
		355,627,603	**350,917,918**
Total Assets		**421,353,166**	**448,795,495**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	25,268,465	25,792,063
Payables from non-exchange transactions	14	1,442,808	1,304,829
VAT payable	17	1,749,532	1,155,953
Employee benefit obligation	15	918,000	655,000
Unspent conditional grants and receipts	16	644,209	11,170,580
		30,023,014	**40,078,425**
Non-Current Liabilities			
Employee benefit obligation	15	5,125,000	4,706,000
Provisions	18	13,457,207	13,005,493
		18,582,207	**17,711,493**
Total Liabilities		**48,605,221**	**57,789,918**
Net Assets		**372,747,945**	**391,005,577**
Accumulated surplus		372,747,954	391,005,585
Total Net Assets		**372,747,954**	**391,005,585**

* See Note 56

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	1,954,939	1,863,370
Rental of facilities and equipment	20	1,073,825	1,170,686
Agency fees	21	416,618	408,703
Licences and permits	22	2,140,415	1,450,010
Construction contracts	23	6,097,636	2,608,696
Other revenue	24	1,696,670	600,759
Interest on outstanding debtors	25	494,128	595,672
Interest received - investment	26	5,149,457	6,925,421
Total revenue from exchange transactions		**19,023,688**	**15,623,317**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	22,751,313	21,083,233
Interest on Outstanding Debtors	25	3,413,138	2,455,254
Transfer revenue			
Government grants	28	166,942,997	151,353,850
Fines and penalties	29	3,957,600	673,300
Other transfer revenue	30	984,893	974,261
Insurance claim received	31	24,324	12,999
Total revenue from non-exchange transactions		**198,074,265**	**176,552,897**
Total revenue		**217,097,953**	**192,176,214**
Expenditure			
Employee related costs	32	(101,991,981)	(90,818,600)
Remuneration of councillors	33	(11,518,936)	(11,144,188)
Depreciation	34	(19,748,570)	(18,218,807)
Finance costs	35	(473,767)	(544,534)
Impairment	36	(7,277,604)	(1,257,632)
Contracted services	37	(46,524,073)	(30,855,372)
General Expenses	38	(47,685,742)	(42,447,252)
Loss on disposal of assets and liabilities	39	(337,909)	(119,920)
Total expenditure		**(235,558,582)**	**(195,406,305)**
Operating surplus (deficit)		**(18,460,629)**	**(3,230,091)**
Loss (gain) on disposal and revaluation of assets(Fair value)	39	(203,000)	(221,500)
Deficit for the year		**(18,257,629)**	**(3,008,591)**

* See Note 56

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	394,724,526	394,724,526
Adjustments		
Correction of errors	(710,350)	(710,350)
Balance at 01 July 2023 as restated*	**394,014,176**	**394,014,176**
Changes in net assets		
Surplus for the period	(3,008,591)	(3,008,591)
Total changes	(3,008,591)	(3,008,591)
Opening balance as previously reported	**391,005,585**	**391,005,585**
Restated* Balance at 01 July 2024	**391,005,583**	**391,005,583**
Changes in net assets		
Surplus for the year	(18,257,629)	(18,257,629)
Total changes	(18,257,629)	(18,257,629)
Balance at 30 June 2025	**372,747,954**	**372,747,954**

Note(s)

* See Note 56

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Billed services		20,146,528	21,955,273
Government Grants		166,942,997	151,353,850
Interest income		5,367,948	7,450,945
Receipts from other services		16,367,657	7,886,415
		208,825,130	188,646,483
Payments			
Payments to and on behalf of employees and councillors		(111,678,027)	(100,865,029)
Cash paid to suppliers for goods and services		(105,307,783)	(72,769,764)
Finance costs		(22,053)	(8,603)
		(217,007,863)	(173,643,396)
Net cash flows from operating activities	49	**(8,182,733)**	**15,003,087**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(29,139,529)	(31,366,575)
Proceeds from sale of property, plant and equipment	11	24,324	12,999
Net cash flows from investing activities		**(29,115,205)**	**(31,353,576)**
Net increase/(decrease) in cash and cash equivalents		**(37,297,938)**	**(16,350,489)**
Cash and cash equivalents at the beginning of the year		50,693,544	67,044,033
Cash and cash equivalents at the end of the year	8	**13,395,606**	**50,693,544**

* See Note 56

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,659,718	-	**1,659,718**	1,954,939	**295,221**	55.1
Construction contracts	-	-	**-**	6,097,636	**6,097,636**	55.5
Rental of facilities and equipment	791,813	-	**791,813**	1,073,825	**282,012**	55.2
Interest received (trading)	-	600,000	**600,000**	494,128	**(105,872)**	55.6
Agency fees	610,002	-	**610,002**	416,618	**(193,384)**	55.3
Licences and permits	2,694,565	-	**2,694,565**	2,140,415	**(554,150)**	55.4
Other revenue	5,027,654	-	**5,027,654**	1,696,670	**(3,330,984)**	55.7
Interest received - investment	6,529,393	-	**6,529,393**	5,149,457	**(1,379,936)**	55.8
Total revenue from exchange transactions	**17,313,145**	**600,000**	**17,913,145**	**19,023,688**	**1,110,543**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44,715,793	-	**44,715,793**	22,751,313	**(21,964,480)**	55.9
Interest on Outstanding Debtors	5,731,030	(600,000)	**5,131,030**	3,413,138	**(1,717,892)**	55.10
Transfer revenue						
Government grants	164,777,436	12,900,581	**177,678,017**	166,942,997	**(10,735,020)**	55.11
Fines and penalties	685,060	-	**685,060**	3,957,600	**3,272,540**	55.12
Other transfer revenue	-	-	**-**	984,893	**984,893**	55.13
Insurance claim received	-	-	**-**	24,324	**24,324**	55.14
Total revenue from non-exchange transactions	**215,909,319**	**12,300,581**	**228,209,900**	**198,074,265**	**(30,135,635)**	
Total revenue	**233,222,464**	**12,900,581**	**246,123,045**	**217,097,953**	**(29,025,092)**	
Expenditure						
Employee related costs	(93,015,833)	(6,078,483)	**(99,094,316)**	(101,991,981)	**(2,897,665)**	55.15
Remuneration of councillors	(11,825,856)	306,920	**(11,518,936)**	(11,518,936)	**-**	55.16
Depreciation and amortisation	(18,249,976)	(1,104,968)	**(19,354,944)**	(19,748,570)	**(393,626)**	55.17
Finance costs	(520,652)	(40,316)	**(560,968)**	(473,767)	**87,201**	55.18
Debt Impairment	(3,504,943)	304,301	**(3,200,642)**	(7,277,604)	**(4,076,962)**	55.19
Contracted Services	(43,226,324)	(18,890,718)	**(62,117,042)**	(46,524,073)	**15,592,969**	55.20
Loss on disposal of assets	-	-	**-**	(337,909)	**(337,909)**	55.21
General Expenses	(30,939,272)	(4,656,939)	**(35,596,211)**	(47,685,742)	**(12,089,531)**	55.22
Total expenditure	**(201,282,856)**	**(30,160,203)**	**(231,443,059)**	**(235,558,582)**	**(4,115,523)**	
Operating surplus	**31,939,608**	**(17,259,622)**	**14,679,986**	**(18,460,629)**	**(33,140,615)**	
Fair value adjustment	-	-	**-**	(203,000)	**(203,000)**	55.23
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**31,939,608**	**(17,259,622)**	**14,679,986**	**(18,257,629)**	**(32,937,615)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	15,440,330	18,260	**15,458,590**	15,458,590	**-**	55.23
Operating lease asset	-	4,060,000	**4,060,000**	3,899,986	**(160,014)**	55.24
Receivables from non-exchange transactions	19,925,280	11,614,643	**31,539,923**	28,775,669	**(2,764,254)**	55.25
VAT input accrual	16,725,610	3,179,097	**19,904,707**	650,463	**(19,254,244)**	55.26
Receivables from exchange transactions	2,611,947	875,221	**3,487,168**	3,545,249	**58,081**	55.27
Cash and cash equivalents	53,452,070	(29,665,625)	**23,786,445**	13,395,606	**(10,390,839)**	55.28
	108,155,237	**(9,918,404)**	**98,236,833**	**65,725,563**	**(32,511,270)**	
Non-Current Assets						
Investment property	35,952,378	(2,273,654)	**33,678,724**	34,868,765	**1,190,041**	55.29
Property, plant and equipment	326,541,393	988,921	**327,530,314**	320,758,835	**(6,771,479)**	55.30
Heritage assets	1,187,640	(1,187,637)	**3**	3	**-**	55.31
	363,681,411	**(2,472,370)**	**361,209,041**	**355,627,603**	**(5,581,438)**	
Total Assets	**471,836,648**	**(12,390,774)**	**459,445,874**	**421,353,166**	**(38,092,708)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	27,204,100	(1,458,032)	**25,746,068**	25,268,465	**(477,603)**	55.32
Payables from non-exchange transactions	1,800,000	(1,800,000)	**-**	1,442,808	**1,442,808**	55.33
VAT payable	1,213,377	-	**1,213,377**	1,749,532	**536,155**	55.35
Employee benefit obligation	-	2,706,000	**2,706,000**	918,000	**(1,788,000)**	55.34
Unspent conditional grants and receipts	-	-	**-**	644,209	**644,209**	55.36
	30,217,477	**(552,032)**	**29,665,445**	**30,023,014**	**357,569**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	5,125,000	**5,125,000**	55.37
Provisions	17,262,100	7,100,000	**24,362,100**	13,457,207	**(10,904,893)**	55.38
	17,262,100	**7,100,000**	**24,362,100**	**18,582,207**	**(5,779,893)**	
Total Liabilities	**47,479,577**	**6,547,968**	**54,027,545**	**48,605,221**	**(5,422,324)**	
Net Assets	**424,357,071**	**(18,938,742)**	**405,418,329**	**372,747,945**	**(32,670,384)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	418,357,059	(13,213,751)	**405,143,308**	372,747,949	**(32,395,359)**	55.40
	418,357,059	**(13,213,751)**	**405,143,308**	**372,747,949**	**(32,395,359)**	
Funds and reserves	6,000,000	-	**6,000,000**	-	**(6,000,000)**	
Total Net Assets	**424,357,059**	**(13,213,751)**	**411,143,308**	**372,747,949**	**(38,395,359)**	

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						
Billed Services	38,418,880	(1,119,187)	**37,299,693**	20,146,527	**(17,153,166)**	55.40
Government Grants	164,777,436	12,900,581	**177,678,017**	166,942,997	**(10,735,020)**	55.41
Interest income	6,529,393	-	**6,529,393**	5,367,948	**(1,161,445)**	55.42
Receipt from other services	5,654,563	-	**5,654,563**	16,367,657	**10,713,094**	55.43
	215,380,272	**11,781,394**	**227,161,666**	**208,825,129**	**(18,336,537)**	
Payments						
Employee costs	(189,219,366)	(32,724,898)	**(221,944,264)**	(111,678,027)	**110,266,237**	55.44
Suppliers	-	-	**-**	(105,307,783)	**(105,307,783)**	55.45
Finance costs	(520,652)	501,652	**(19,000)**	(22,053)	**(3,053)**	55.46
	(189,740,018)	**(32,223,246)**	**(221,963,264)**	**(217,007,863)**	**4,955,401**	
Net cash flows from operating activities	**25,640,254**	**(20,441,852)**	**5,198,402**	**(8,182,734)**	**(13,381,136)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(49,797,004)	16,949,975	**(32,847,029)**	(29,139,529)	**3,707,500**	55.47
Proceeds from sale of property, plant and equipment and investment property	5,118,820	-	**5,118,820**	24,324	**(5,094,496)**	55.48
Net cash flows from investing activities	**(44,678,184)**	**16,949,975**	**(27,728,209)**	**(29,115,205)**	**(1,386,996)**	
Net increase/(decrease) in cash and cash equivalents	(19,037,930)	(3,491,877)	**(22,529,807)**	(37,297,939)	**(14,768,132)**	55.49
Cash and cash equivalents at the beginning of the year	72,490,000	(26,490,000)	**46,000,000**	50,693,544	**4,693,544**	55.50
Cash and cash equivalents at the end of the year	**53,452,070**	**(29,981,877)**	**23,470,193**	**13,395,605**	**(10,074,588)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical, useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

•The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
•Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
•The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method, which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

•Cost of items with a similar nature currently in the Municipality's asset register;
•Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
•Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

•The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
•The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

•Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
•Interest rates (investment rate) linked to prime was used to calculate the effect of the time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by the Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

Post-retirement medical obligations, Long service awards

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Impairment of Receivables

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

Impairment of statutory receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4 Investment property

Includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (I.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:
- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

- Land held for a currently undetermined future use;

- A building owned (or held by under a finance lease) and leased out under one or more operating leases;

- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;

- A building that is vacant but is held to be leased out under one or more operating leases;

- Property that is being constructed or developed for future use as investment property

Accounting Policies

1.4 Investment property (continued)

Subsequent measurement - fair value model

Investment property is subsequently measured using the fair value model.

Investment property is carried at fair value, representing open market value determined by external valuers.
Land is not depreciated as it as it is considered to have an indefinite useful life.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

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

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	15 - 80 years
Plant and machinery	Straight-line	10 years
Furniture and fixtures	Straight-line	5 - 19 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 18 years
Computer equipment	Straight-line	3 - 18 years
Security equipment	Straight-line	5 - 15 years
Other equipment	Straight-line	5-15 years
Infrastructure	Straight-line	See detail below
- Roads paved	Straight-line	80 years
- Roads graded	Straight-line	4-80 years
- Electricity (Street lights and High masts)	Straight-line	7 - 25 years
Minor assets		Immediately
Park facilities	Straight-line	5 - 60 years
Maintenance equipment	Straight-line	10 - 16 years
Landfill sites	Straight-line	69 - 80 years
Work-in-progress		Not depreciated

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

With regards to Land the Municipality makes reference to the principles contained within IGRAP 18 whereby legal title though an indicator of control does not necessarily always confer control itself. As a result, the Municipality assesses the control with regards regard to all land that it has legal title over to determine if it has the right to direct access to land, and to restrict or deny the access of others to land, by determining whether it can
**Direct the use of the land’s future economic benefits or service potential to provide services to beneficiaries
**exchange, dispose of, or transfer the land; and/or
**use the land in any other way to generate future economic benefits or service potential.

1.6 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Accounting Policies

1.6 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

1.7 Financial instruments

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

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 collectability.

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.

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 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.

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

A financial asset is past due when a counterpart has failed to make a payment when contractually due.
The Accounting standards Boards issued the Revised Standard of Grap 104 on Financial Instruments, which becomes effective for financial periods beginning on or after 1 April 2025.The municipality has assessed the expected impact of the revised standard and conducted that it will not have a material effect on the financial statement.

Accounting Policies

1.7 Financial instruments (continued)

This assessment is based on the following consideration:

- The Municipality's financial instruments are simple and primarily measured at amortised cost,consisting mainly of cash and cash equivalents,trade and other receivables,and trade and other payables
- The revised classification and measurement requirements are aligned with municipality's current accounting policies,and no reclassification of financial assets or liabilities is expected.
- The revised standard introduces the expected-credit-loss(ECL) model;however , the municipality already applies a historical loss-rate approach that is consistent with the simplified lifetime ECL model permitted in the revised GRAP 104.
- The municipality does not hold complex instruments such as derivatives , investments measured at fair value, financial guarantees,loan commitments , or instruments with embedded derivatives that would require significant additional measurement or disclosure.
- Risk Disclosure required by the revised standard are already addressed through the municipality's existing credit risk, liquidity risk and interest rate risk disclosures, and no significant expansion in disclosure is expected.

Based on the above , the municipality expects that the adoption of the revised Standard will not result in material adjustments to the recognition,Measurement or disclosure of financial instruments.

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
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions	Financial asset measured at amortised cost
Other operating lease	Financial asset measured at amortised cost
Cash and Cash Equivalents	Fair value

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

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-Exchange Transactions	Financial liability measured at amortised cost

1.8 Statutory receivables

Identification

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

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 a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

Accounting Policies

1.8 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.8 Statutory receivables (continued)

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

1.8 Statutory receivables (continued)

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

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

1.9 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.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

The cost of inventories of items that are not ordinarily inter-changeable 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.

1.10 Inventories (continued)

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

1.13 Employee benefits

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

1.13 Employee benefits (continued)

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

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

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

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

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 cell phones) for current employees.

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

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

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

1.14 Provisions and contingencies

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

1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

1.15 Capital 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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

1.17 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.

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

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

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

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

Recognition

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

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

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.

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.

1.18 Investment income

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

Accounting Policies

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

1.24 Budget information

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

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

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

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

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.

1.25 Related parties

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

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

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

1.25 Related parties (continued)

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.

1.26 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.

1.27 Value Added Tax (VAT)

The municipality accounts for value added tax on accrual basis but pays to/claims from SARS on a payment basis.

1.28 Accounting by principals and agents

Identification

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

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

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

Recognition

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

1.29 Segment information

A segment is an activity of an entity:

1.29 Segment information (continued)

- 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.

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

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

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

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.

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. 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.

These reportable segments as well as the goods and/or services for each segment are set out below:
Community Services - Traffic and Law Enforcement, Solid Waste and Public Amenities, Security Services and Environmental Management.
Technical Services -Civil Services, Building and Housing and Public Works Roads

1.30 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

1.31 Cash and cash equivalents

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.32 Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the 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:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board’s decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

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

The municipality expects to adopt the revisions for the first time in the annual financial statements when the effective date is mandotory.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the revisions will have a material impact on the municipality's Annual Financial Statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

It is unlikely that the revisions will have a material impact on the municipality's Annual Financial Statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

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

The most significant changes to the Standard affect:

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

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits.

The objective of this Standard is to prescribe the accounting and disclosure for Heritage Assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

3. Inventories

Land held for distribution	15,458,590	15,458,590

Inventories consist of RDP houses not yet transferred and informal settlements on municipal land.

4. Operating lease asset

Leases for Land	3,899,986	3,394,941

The municipality leases land to tenants under leases covering periods ranging from 3-30 years. The leases are subject to escalation clauses as per lease agreements, resulting in straight-lining of the rentals received and receivable. The amount included above represents the difference between the actual rentals received and the calculated straight-line lease.

Minimum lease payments receivable		
Within one year	503,490	466,763
In second to fifth year inclusive	1,990,116	1,936,714
Later than 5 years	22,648,101	23,174,748
	25,141,707	**25,578,225**

5. Receivables from non-exchange transactions

Property Rates	14,818,557	13,068,743
Interest on Property Rates	17,630,397	14,234,425
Less: Impairment on Property Rates and Interest	(11,564,136)	(9,953,011)
Other Receivables	7,890,851	5,657,150
	28,775,669	**23,007,307**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

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

0-30 days	1,304,963	1,167,480
31-60 days	522,188	437,813
61-90 days	495,928	412,586
91-120	490,997	398,877
121-150 days	459,085	386,971
>151 days	29,175,792	24,499,439
	32,448,953	**27,303,166**

Summary of Total Debtors (Exchange and Non-Exchange) By Customer Classification:

Residential		
0-30 days	634,503	384,815
31-60 days	231,259	231,722
61-90 days	214,310	211,408
91-120 days	213,167	196,799
>151 days	198,800	193,776
	10,571,353	9,406,860
Less: Allowance for impairment	(9,094,011)	(7,919,175)
	2,969,381	**2,706,205**

Business		
0-30 days	428,031	253,246
31-60 days	131,491	117,294
61-90 days	113,518	100,339
91-120 days	111,876	86,180
>151 days	107,077	82,541
	4,218,395	3,592,278
Less: Allowance for impairment	(2,470,130)	(2,033,837)
	2,640,258	**2,198,041**

Government		
0-30 days	510,797	444,293
31-60 days	241,565	190,669
61-90 days	239,171	185,675
91-120 days	233,204	175,798
121-150 days	213,168	180,662
>151 days	17,046,005	14,095,250
	18,483,910	**15,272,347**

Total receivables from non-exchange transactions	28,775,669	23,397,449

The long outstanding debtors' balances (>150 days) for the Government category relate to interest calculated on outdated/old valuations of properties.

Total debtors past due but not impaired

0-30 days	1,573,332	827,012
31-60 days	604,315	600,954
61-90 days	566,999	500,915
91-120 days	558,248	429,199
121-150 days	519,046	506,027
>151 days	31,835,753	26,399,025
	35,657,693	**29,263,132**

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment allowance

Opening balance	10,983,352	10,095,251
Contribution to allowances	1,724,317	888,101
	12,707,669	**10,983,352**

Total Debtors (Exchange and Non-exchange)

Balances net of credit balances		
Balances inclusive of credit balances	35,657,692	30,129,606
Gross up credit balances	1,442,808	1,304,828
	37,100,500	**31,434,434**

6. VAT Input Accrual

VAT Input Accrual	650,463	2,260,579

Included in the above line item are the following items:		
Vat input control account	650,463	2,260,579

7. Receivables from exchange transactions

Gross balances		
Refuse	933,961	940,154
Rent	549,078	453,387
Interest on Overdue Accounts	1,725,699	1,432,896
Other receivables	1,480,044	390,142
	4,688,782	**3,216,579**

Less: Allowance for impairment		
Refuse	(912,371)	(805,628)
Rent	(82,281)	(69,081)
Interest on Overdue Accounts	(148,881)	(155,632)
	(1,143,533)	**(1,030,341)**

Net balance		
Refuse	21,590	134,526
Rent	466,797	384,306
Interest on Overdue Accounts	1,576,818	1,277,264
Other receivables	1,480,044	390,142
	3,545,249	**2,186,238**

Refuse		
Current (0 -30 days)	238,217	221,718
31 - 60 days	80,821	57,544
61 - 90 days	69,940	51,132
91 - 120 days	60,808	48,630
121 - 365 days	55,174	44,973
> 365 days	2,055,151	1,786,640
	2,560,111	**2,210,637**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Receivables from exchange transactions (continued)

Other receivables		
Riley Auctioneers	824,675	-
Siya and Aya engineers	212,111	-
Staff debtors	235,775	182,659
Sky metro	205,873	205,873
New Connection (adm)	1,610	1,610
	1,480,044	**390,142**

Rental		
Current (0 -30 days)	30,151	42,172
31 - 60 days	1,305	7,058
61 - 90 days	1,131	5,030
91 - 120 days	6,443	4,750
121 - 365 days	4,787	4,221
> 365 days	187,067	126,274
	230,884	**189,505**

Interest on overdue Account		
> 365 days	417,744	426,929

Fair value of consumer debtors

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, - (Reconciliation of segment expenditure to the Statement of Financial Performance: -) were past due but not impaired.

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

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Current account	279,181	3,191,522
Other cash and cash equivalents	13,116,425	47,502,022
	13,395,606	**50,693,544**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. 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 Main Account-62022000898	279,181	3,191,522	62,661,801	279,181	3,191,522	62,661,801
FNB Rates Account-62414349763	333,856	632,925	4,384,297	333,856	632,925	4,384,297
Petrol Card Account	294,211	420,617	(2,065)	294,211	420,617	(2,065)
FNB Investment account-76203514734	-	15,813	-	-	15,813	-
Standard Bank Fixed Deposit Account-088628604-010	5,270,504	43,064,072	-	5,270,504	43,064,072	-
FNB Investment Account-63076296350 (MIG)	3,469,116	942,043	-	3,469,116	942,043	-
FNB Investment Account-63076293190 (FMG)	708,902	699,755	-	708,902	699,755	-
FNB Investment Account-63076291722 (MDRG)	973,404	1,252,270	-	973,404	1,252,270	-
FNB Investment Account-63076295310 (INEP)	371,402	417,664	-	371,402	417,664	-
FNB Investment Account-63076294122 (EPWP)	1,524	56,862	-	1,524	56,862	-
Standard Bank Fixed Deposit Account-088628604-009	1,693,505	-	-	1,693,505	-	-
Total	**13,395,605**	**50,693,543**	**67,044,033**	**13,395,605**	**50,693,543**	**67,044,033**

9. Prepayments

	2025	2024
SALGA Annual Fees	-	876,378

SALGA Annual Subscriptions fees are for the next financial year which is 2025. The municipality was to receive a discount for the membership fees if they paid before the start of the 2025 financial year. The expense was then incurred as a prepaid expense.

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	34,868,765	-	34,868,765	34,665,765	-	34,665,765

Reconciliation of investment property - 30 June 2025

	Opening balance	Fair value adjustments	Total
Investment property	34,665,765	203,000	34,868,765

Reconciliation of investment property - 30 June 2024

	Opening balance	Fair value adjustments	Total
Investment property	34,444,265	221,500	34,665,765

	2025	2024
Fair value of investment properties	203,000	221,500

The effective date of the revaluation was wednesday,02 July 2025. Revaluation were performed by an independent valuer, Umhlaba Valuers, and registered as a professional valuer in terms of valuers act (registration no 28163).
Investment property relates to land and buildings as such no repairs and maintenance or other operating expenditure is incurred with respect to Investment Property.

There is no Investment Property which is in the process of being constructed or developed.

As there is no Investment Property which is in the process of being constructed or developed, there is no Investment Property that is taking a significant longer time to complete than expected.

There is no Investment Property where construction or development has been halted.

There are no contractual obligations to purchase, construct or develop Investment Property or for repairs, maintenance or enhancements.

No impairment losses or reversals are noted with respect to Investment Property.

There is no Investment Property used in Service Concession Agreements.

No items of Investment Property have been pledged as security.

Investment Property relates to land and buildings and is not depreciated.

Land controlled, but the Municipality does not have legal ownership or custodianship

	2025	2024
Carrying value of land included in the carrying value of Investment property	320,150	320,150

The above relates to 6 properties for which there is no registered title deed, but for which the Municipality exercises control through lease or other binding agreements as well as having the ability to restrict others from accessing economic benefits and service potential.

10. Investment property (continued)

Land not controlled, but the Municipality is the legal owner/custodian

Refer to the Property, Plant and Equipment, note 11 for details regarding these properties.

11. 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	8,436,140	-	8,436,140	8,436,140	-	8,436,140
Buildings	171,765,755	(73,512,770)	98,252,985	168,951,906	(68,699,555)	100,252,351
Plant and Equipment	12,226,055	(7,269,522)	4,956,533	11,008,663	(6,482,958)	4,525,705
Office Furniture	2,132,876	(1,541,868)	591,008	1,953,876	(1,408,175)	545,701
Motor Vehicles	15,071,219	(6,177,982)	8,893,237	15,340,973	(6,156,018)	9,184,955
Office Equipment	1,832,155	(1,639,248)	192,907	1,826,803	(1,574,546)	252,257
IT Equipment	6,789,904	(4,159,898)	2,630,006	7,093,620	(3,946,334)	3,147,286
Infrastructure	371,355,453	(208,491,585)	162,863,868	355,873,619	(197,953,642)	157,919,977
Maintenance Equipment	2,340,411	(852,415)	1,487,996	2,242,409	(651,457)	1,590,952
Security Equipment	2,010,058	(951,263)	1,058,795	2,010,058	(783,212)	1,226,846
Other Equipment	429,021	(78,466)	350,555	429,021	(265,597)	163,424
Capital Works in Progress	27,034,547	(4,394,025)	22,640,522	20,123,919	-	20,123,919
Park Facilities	14,231,505	(5,827,222)	8,404,283	14,231,505	(5,348,868)	8,882,637
Minor assets	1,153,226	(1,153,226)	-	1,051,267	(1,051,267)	-
Total	**636,808,325**	**(316,049,490)**	**320,758,835**	**610,573,779**	**(294,321,629)**	**316,252,150**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	8,436,140	-	-	-	-	-	-	8,436,140
Buildings	100,252,351	-	-	2,813,909	-	(4,660,936)	(152,339)	98,252,985
Plant and Equipment	4,525,705	1,217,392	-	-	-	(786,564)	-	4,956,533
Office Furniture	545,701	173,400	-	-	-	(128,093)	-	591,008
Motor Vehicles	9,184,955	1,258,374	(305,626)	-	-	(1,244,466)	-	8,893,237
Office Equipment	252,257	53,032	-	-	-	(112,382)	-	192,907
IT Equipment	3,147,286	791,559	(32,284)	-	-	(1,276,555)	-	2,630,006
Infrastructure	157,919,977	26,000	-	15,455,523	-	(10,537,632)	-	162,863,868
Maintenance Equipment	1,590,952	104,752	-	-	-	(207,708)	-	1,487,996
Security Equipment	1,226,846	-	-	-	-	(168,051)	-	1,058,795
Other Equipment	163,424	233,000	-	-	-	(45,869)	-	350,555
Capital Works in Progress	20,123,919	25,180,061	-	-	(18,269,433)	-	(4,394,025)	22,640,522
Park Facilities	8,882,637	-	-	-	-	(478,354)	-	8,404,283
Minor assets	-	101,959	-	-	-	(101,959)	-	-
	316,252,150	**29,139,529**	**(337,910)**	**18,269,432**	**(18,269,433)**	**(19,748,569)**	**(4,546,364)**	**320,758,835**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	8,436,140	-	-	-	-	-	-	8,436,140
Buildings	94,148,199	-	-	10,454,908	-	-	(4,350,756)	100,252,351
Plant and Equipment	5,502,125	-	(275)	-	-	-	(976,145)	4,525,705
Office Furniture	377,102	377,710	(50,294)	-	-	-	(158,817)	545,701
Motor Vehicles	6,910,695	3,401,628	(5,532)	-	-	-	(1,121,836)	9,184,955
Office Equipment	368,479	37,750	(16,963)	-	-	-	(137,009)	252,257
IT Equipment	2,164,639	1,679,619	(4,823)	-	-	-	(692,149)	3,147,286
Infrastructure	158,515,520	-	-	9,383,431	-	-	(9,978,974)	157,919,977
Maintenance Equipment	1,148,592	603,180	(658)	-	-	-	(160,162)	1,590,952
Security Equipment	999,701	321,877	(284)	-	-	-	(94,448)	1,226,846
Other Equipment	262,608	-	(41,091)	-	-	-	(58,093)	163,424
Capital Works in Progress	15,028,200	27,751,739	-	-	(19,838,340)	(2,817,680)	-	20,123,919
Park Facilities	9,362,311	-	-	-	-	-	(479,674)	8,882,637
Minor assets	-	10,748	-	-	-	-	(10,748)	-
	303,224,311	**34,184,251**	**(119,920)**	**19,838,339**	**(19,838,340)**	**(2,817,680)**	**(18,218,811)**	**316,252,150**

Assets subject to finance lease (Net carrying amount)

Other equipment	350,555	163,424

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Work-in-progress Disclosure

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)		
Roads	5,337,898	6,846,492
Land and buildings	3,016,526	960,566
Electricity	-	2,076,830
Landfill	687,525	687,525
Parks	13,598,573	8,994,143
Water	-	558,363
	22,640,522	**20,123,919**

Reconciliation of Work-in-Progress 30 June 2025

30 June 2025	Land and buildings	Electricity	Roads	Landfill	Water	Total
Opening balance	9,954,709	2,076,830	6,846,492	687,525	558,363	20,123,919
Additions	9,474,272	2,638,911	13,066,878	-	-	25,180,061
Transfer out	(2,813,909)	(4,715,742)	(10,181,419)	-	(558,363)	(18,269,433)
Other changes	(294,537)	-	(4,099,488)	-	-	(4,394,025)
	16,320,535	**(1)**	**5,632,463**	**687,525**	**-**	**22,640,522**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 30 June 2024

30 June 2024	Buildings	Electricity	Roads	Landfill	Water	Landfill	Total
Opening balance	7,182,776	148,143	7,009,755	687,525	-		15,028,199
Additions	13,226,841	4,746,367	9,220,169	-	558,363		27,751,740
Write-off	-	-	-	-	-		-
Transfer out	(10,454,908)	-	(9,383,432)	-	-		(19,838,340)
Other changes	-	(2,817,680)	-	-	-		(2,817,680)
	9,954,709	**2,076,830**	**6,846,492**	**687,525**	558,363		**20,123,919**

No items of Property, Plant and Equipment are considered to be taking a significantly longer period of time to complete than expected.

No items of Property, Plant and Equipment are noted where construction or development has been halted.

We have recognised impairment losses in the current financial year, relating to vandalised projects.

There have been reassesments of useful lives on Property, Plant and Equipment aligning same with approved Municipal asset management policy.

No items of Property, Plant and Equipment are subject to Service Concession Arrangements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Land which the Municipality controls without legal ownership or custodianship

Carrying value of land included in the carrying value of Property, plant and equipment	283,500	283,500

The above relates to 4 properties for which there is no registered title deed but which houses municipal buildings (offices and community halls), they are thus being used for municipal purposes. The Municipality is assessed as being in control of the economic benefits and service potential with respect to the items as they have the right to direct access to land, and to restrict/deny the access of others.

Land not controlled by the Municipality, however the Municipality is the legal owner/custodian

Number of parcels: 26		
	-	-

Included in the above are 16 properties relating to housing projects which have been allocated as housing in terms of the National Housing Program and are thus not considered to be under the control of the Municipality in terms of the Housing Guideline and IGRAP18.

The remaining 10 properties are not considered to be under the control of the Municipality as the usage of the properties pertains to non-municipal activities such as schools, clinics and private enterprises.

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monuments	3	-	3	3	-	3

Reconciliation of heritage assets - 30 June 2025

	Opening balance	Total
Historical Monuments	3	3

Reconciliation of heritage assets - 30 June 2024

	Opening balance	Total
Historical Monuments	3	3

All the municipality's heritage assets are held under a freehold interest and no heritage asset have been pledged as security for any liabilities of the municipality. The heritage assets comprise of the Dick King Memorial site, a Fingo Milkwood Tree and Fort Peddie Tower Complex.

These are not income generating assets and shown on the face of the statement of financial position at a nominal value of R 1 each.

No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

These heritage assets have not been revalued due to their fair value not being easily and reliably measured due to the lack of a market for these assets.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	6,845,964	8,571,361
Accrued Leave Pay	7,768,240	6,073,494
Other payables	747,451	1,287,763
Accrued Bonus	2,367,235	2,229,091
Retentions	7,539,575	7,630,354
	25,268,465	**25,792,063**

14. Payables from non-exchange transactions

Receivables with credit balances	1,442,808	1,304,829

All receivables with credit balances have been reallocated to Payables from non-exchange transactions to achieve fair presentation.

15. Employee benefit obligations

Long Service Awards

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

The actuarial valuation of the long service awards accrued liability was carried out by Arch Actuarial Consulting. The assumptions used in the valuation are outlined below:

Key Assumptions:
1. Discount Rate - 10.0%
2. General earnings inflation rate (long-term) - 5.0%
3. Net effective discount rate - 4.8%
4. Pre-retirement mortality rate of SA 85-90
5. Average retirement age of 62 years.

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

Carrying value		
Opening balance	(5,361,000)	(4,829,000)
Current service costs	(677,000)	(569,000)
Utilisation	655,000	731,000
Change in discount factor	(573,000)	(512,000)
Actuarial(loss)/gain for the period	(87,000)	(182,000)
	(6,043,000)	**(5,361,000)**

Non-current liabilities	(5,125,000)	(4,706,000)
Current liabilities	(918,000)	(655,000)
	(6,043,000)	**(5,361,000)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Sensitivity analysis

The liability at the valuation date was recalculated to show the effect of:
i) A 1% increase and decrease in the assumed general earnings inflation rate;
ii) A 1% increase and decrease in the discount rate;
iii) A two-year increase and decrease in the assumed average retirement age of eligible employees; and
iv) A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

The table below summarises the results of the sensitivity analysis:

Assumption	Change	Liability	%Change
Central assumption		6,043,000	
General earnings inflation rate	+1%	6,392,000	6%
	-1%	5,724,000	-5%
Discount rate	+1%	5,719,000	-5%
	-1%	6,403,000	6%
Average retirement age	+2yrs	6,278,000	4%
	-2yrs	5,757,000	-5%
Withdrawal rates	x2	4,937,000	-18%
	x0.5	6,770,000	12%
		-	

For defined benefit plans, the employer has an obligation to provide agreed-upon benefits, and therefore, the municipality bears the actuarial and investment risks covering the following risk areas:

Actuarial Risk: The risk that the ultimate cost of benefits will be higher than expected due to variables like employee turnover, mortality rates, and future salary increases.
Investment Risk: The risk that the plan assets' return will be insufficient to cover the promised benefits, requiring additional employer contributions.
Market Risk: Changes in market conditions (e.g., interest rates, asset valuations) that can significantly impact the present value of the obligation or the fair value of plan assets.
Funding Risk: Potential requirements to increase contributions to cover shortfalls in funding.
Legislative/Regulatory Changes: The potential impact of changes in laws or accounting standards on plan obligations and funding requirements.

Other assumptions

	2025	2024	2023	2022	2021
Defined benefit obligation	6,043,000	5,361,000	4,829,000	4,503,000	4,127,000

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	(1)
EPWP	(1)	-
Municipal Disaster Relief Grant	-	11,170,581
INEP	625	-
Small Towns Revitalization	643,585	-
	644,209	**11,170,580**

See note 28 for reconciliation of grants from National/Provincial Government.

17. VAT payable

Vat output control account	1,749,532	1,155,953

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Provisions

Reconciliation of provisions - 30 June 2025

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Site	13,005,493	451,714	13,457,207

Reconciliation of provisions - 30 June 2024

	Opening Balance	Change in discount factor	Total
Provision for Rehabilitation of Landfill Site	12,469,562	535,931	13,005,493

Rehabilitation of Landfill Site Provision

The Provision for Rehabilitation of Landfill Sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers specialising in Landfill Sites valuations.

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated Decommission Date (Year)	2025	2024
Peddie	2029	16,513,661	16,051,103

Notes to the Annual Financial Statements

Figures in Rand

18. Provisions (continued)

General costs determination

Our model is based on the minimum requirements for waste disposal by landfill of the Department of Water Affairs(1998), as amended by recent regulations. The model provides a reliable best possible estimates of closure of cost in terms of paragraph 49 of GRAP 19. This model defines all of the various types of expenses that a project will incur(labour,equipment,materials, adminstration costs, etc) along with an estimation of the value of each expense.

Function	Value	Description
Rate	5.25% pa	Interest rate per period
nper	4 years for Peddie	The total number of payment periods in an annuity
Pmt	0	The paymet made for each annuity ; it cannot change over the life of the annuity
Fv	Future value	Future cost rehabilitation
Type	0	When payments are due.In this case ,0 indicates the payment is due at the end of the period.

Financial assumption used

1.Units costs for each of the cost elements are obtained annually by means of a commercial quotation.

2. The CPI is used for determing the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used is based on the 5-year average CPI that includes the financial year-end date.
Cost estimates escalation based on the average CPI(5.16%) of the past 5 year obtatined from StatsSA

Table 1-5 year CPI analysis

June to June	20/21	21/22	22/23	23/24	24/25	Average
CPI	4.90%	7.40%	5.40%	5.10%	3.00%	5.16%

Grap 19 states that where the effect of the time value is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation.

In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be pre-tax rate that reflects current market assessments of the time value of money, and the risk specific to the liability.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Provisions (continued)

Normally corperate bond rates are used to determine the discount rate.In line with GRAP 19 defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity(Municipality).

Therefore, government bond rates are considered a more appropriate indicator of risk associated with entity then the corporate bond rates to determine the discount rate. Government bond rate most consistent with the estimated term of the liability should be used.As inflation-linked RSA retail bond rates have longer terms that fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill publised at the end of the quarter that includes the financial year end date was used.

For this landfill, the rate associated with the maximum period of 5 years was used,i.e 5.25% above CPI.

Key financial assumptions used

Assumption	2024-25	-
CPI	5.16%	-
Discount Rate	5.25%	-

The landfill site rehabillitation is with 5 years and CPI and discount rates of five year term were used.

19. Service charges

Refuse removal	1,954,939	1,863,370

20. Rental of facilities and equipment

LAND AND OFFICES		
Various Rentals	1,073,825	1,170,686

Included in the above rentals are operating lease rentals at straight-lined amounts of R1 055 209 (30 June 2024 R1 075 031.21.

21. Agency fees

Amount received on behalf of the principal	2,042,118	3,789,253
Revenue the principal is entitled to	(1,625,500)	(3,380,550)
	416,618	**408,703**

The Municipality and the Department of Transport entered into an agreement for the transfer of registration and licensing of motor vehicles functions, wherein the Municipality will be entitled to the collection fee of 19%, including VAT for all fees collected in terms of the agreement entered into.

All receipts on behalf of the principal were paid over during the year. There are no receivables or payables from agency transactions.

22. Licences and permits

Drivers' Licences	1,824,434	1,236,269
Learners' Licences	315,981	213,741
	2,140,415	**1,450,010**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Construction contract

2025

Project	**Cost incurred**	**Recognised in surplus**
Rural Electrification projects in terms of INEP	6,097,639	6,097,639

2024

Project	**Cost incurred**	**Recognised in surplus**
Rural Electrification projects in terms of INEP	2,608,696	2,608,696

Integrated National Electrification Programme (INEP) provides capital subsidies to municipalities to address the electricification backlog of all existing and planned residential dwellings, and the installation of relevant bulk infrastructure.

24. Other revenue

Insurance claims from loss of property, plant and equipment	81,950	448,074
Sundry Income	1,484,563	35,515
Building Plan Fees	20,335	17,446
Commission	109,822	99,724
	1,696,670	**600,759**

25. Interest earned on Outstanding Debtors

Interest earned on outstanding debtors		
Interest earned on outstanding debtors-exchange transactions	494,128	595,672
Interest earned on outstanding debtors-non-exchange transactions	3,413,138	2,455,254
	3,907,266	**3,050,926**

26. Interest received - investment

Interest received - investment		
Interest from investments	5,149,457	6,925,421

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Property rates

Rates received

Gross Property Rates	23,137,027	21,455,031
Less: Rebates	(385,714)	(371,798)
	22,751,313	**21,083,233**

Valuations

Residential	402,723,600	393,280,600
Commercial	260,606,000	258,313,000
Government	110,432,200	110,432,200
Municipal	95,545,500	95,545,500
Farm agricultural	362,918,400	362,918,400
Place of Worship	10,277,500	10,277,500
Vacant Land	143,618,800	143,490,300
Other	401,362,500	401,362,500
	1,787,484,500	**1,775,620,000**

Valuations on land and buildings within the boundaries of the municipality are performed every 5 years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last supplementary valuation (SV5) came into effect on 01 April 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies

Operating grants		
Equitable share	108,015,000	102,706,000
Expanded Public Works Programme	1,448,001	1,490,000
Municipal Disaster Relief Grant	26,426,581	15,359,419
Finance Management Grant	3,000,000	3,100,000
EPWP DEDEATA	2,000,000	-
	140,889,582	**122,655,419**
Capital grants		
Municipal Infrastructure Grant	25,797,000	28,698,431
Small Town Revatilisation	256,415	-
	26,053,415	**28,698,431**
	166,942,997	**151,353,850**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58,927,997	51,657,850
Unconditional grants received	108,015,000	102,706,000
	166,942,997	**154,363,850**

Equitable Share

In terms of section 227 of the Constitution, this is an unconditional grant and is used by the Municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the Municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

Equitable Share		
Allocation for the year per Division of Revenue Act	108,015,000	102,706,000
Amount actually received	(108,015,000)	(102,706,000)
	-	-

Municipal Infrastructure Grant

Balance unspent at beginning of year	(1)	4,285,430
Current-year receipts	25,797,001	24,413,000
Conditions met - transferred to revenue	(25,797,000)	(28,698,431)
	-	**(1)**

Conditions still to be met - remain liabilities (see note 16).

The grant was used for the construction of infrastructure assets.

The grant was received from National Treasury.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Expanded Public Works Programme Grant

Current-year receipts	1,448,000	1,490,000
Conditions met - transferred to revenue	(1,448,000)	(1,490,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was received from the National Department of Roads and Public Works for job creation efforts where labour intensive delivery methods can be maximised.

EPWP DEDEATA

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

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	11,170,581	6,200,000
Current-year receipts	15,256,000	20,330,000
Conditions met - transferred to revenue	(26,426,581)	(15,359,419)
	-	**11,170,581**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Integrated National Electrification Programme Grant

Current-year receipts	7,013,000	3,000,000
Conditions met - transferred to revenue	(7,012,375)	(3,000,000)
	625	**-**

Finance Management Grant

Current-year receipts	3,000,000	3,100,000
Conditions met - transferred to revenue	(3,000,000)	(3,100,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Small Towns Revitalisation

Current-year receipts	900,000	-
Conditions met - transferred to revenue	(256,415)	-
	643,585	**-**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Fines and penalties

Traffic fines issued during the year	3,957,600	673,300

30. Other transfer revenue

Library Subsidy	787,000	500,000
LG Seta transfer	197,893	474,261
	984,893	**974,261**

31. Insurance claims received

Gain on property plant and equipment replacement	24,324	12,999

Non-cash insurance claim received to replace an asset.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs

Basic Salaries	69,605,265	63,877,013
Annual Bonus (13th Cheques)	5,197,440	4,977,941
UIF	460,088	434,553
SDL	793,423	728,644
SALGA BC Levies	32,349	30,096
Redemption of Leave	2,693,113	613,691
Cell phone Allowance	695,997	637,914
Shift Allowance	272,268	277,657
Motor car, accommodation and other allowances	64,063	55,681
Overtime payments	339,997	492,176
Long-service awards	771,960	763,401
Acting allowances	745,950	617,842
Housing Allowances	96,087	137,745
Medical Aid Contributions	4,043,740	3,842,090
Pension Fund Contributions	10,151,196	9,459,753
Subsistence and Travel	6,029,045	3,872,403
	101,991,981	**90,818,600**

Remuneration: Municipal Manager

Annual Remuneration	790,650	750,400
Annual Bonus	60,000	60,000
Backpay	64,374	58,070
SDL	12,855	12,390
UIF	2,125	2,125
Travel Allowance	239,171	239,171
Medical Allowance	107,503	107,503
Housing Allowance	71,669	71,669
Bargaining Council	143	137
	1,348,490	**1,301,465**

Remuneration of former: Chief Finance Officer

Backpay	-	46,457
SDL	-	465
UIF	-	177
	-	**47,099**

Remuneration of current: Chief Financial Officer

Annual Remuneration	656,383	562,192
Backpay	57,572	17,695
Annual Bonus	50,557	-
Travel Allowance	259,862	231,126
SDL	10,786	8,621
UIF	2,125	1,948
Cellphone Allowance	106,167	97,320
Bargaining Allowance	143	125
Subsistence and Travel	1,680	-
	1,145,275	**919,027**

Remuneration of Former Director: Corporate Services

Contributions to UIF, Medical and Pension Funds	-	39,835
Other	-	398
	-	177
	-	**40,410**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs (continued)

Remuneration of the Former Director: Technical Services

Annual Remuneration	-	662,370
Bonus	-	34,000
Backpay	-	57,138
Travel Allowance	-	20,000
Cell Phone Allowance	-	4,926
Housing Allowance	-	32,171
Medical Allowance	-	17,516
Provident Allowance	-	56,232
SDL	-	9,093
UIF	-	886
Bargaining Levy	-	46
Termination Leave	-	87,990
	-	**982,368**

Remuneration of Director: Community Services

Annual Remuneration	605,608	572,782
Bonus	60,000	60,000
SDL	8,186	7,939
UIF	2,125	2,125
Bargaining Council	143	137
Travel Allowance	104,904	104,904
Medical Allowance	99,048	99,048
Provident Fund Allowance	93,827	93,827
Backpay	53,770	51,948
	1,027,611	**992,710**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs (continued)

Remuneration of Current Director: Corporate Services

Annual Remuneration	668,517	631,957
Cellphone Allowance	81,339	81,339
Bonus	42,000	14,000
Travel Allowance	101,113	101,113
Backpay	57,572	13,501
Provident Allowance	180,000	180,000
SDL	11,103	10,017
UIF	2,125	2,125
Bargaining Council	143	137
S & T Claim	-	200
Kms Tax	3,779	2,371
	1,147,691	**1,036,760**

Remuneration of Director: Technical Services

Annual Remuneration	581,875	-
Travel Allowance	180,000	-
SDL	7,259	-
UIF	1,594	-
Bargaining Levy	108	-
	770,836	**-**

Director Technical services was appointed on the 01 October 2024

33. Remuneration of councillors

Mayor	1,055,078	1,039,698
Speaker	854,160	841,703
Chief Whip	469,578	464,669
MPAC Chair	458,255	452,309
Exco	946,310	874,943
Other Councillors	6,202,002	6,041,716
Ward Committees	1,533,553	1,429,150
	11,518,936	**11,144,188**

Additional information

The Remuneration of Councillors is based on the upper limit as per Government Gazette.

The Mayor and the Speaker each have the use of separate Council-owned vehicles and are provided with an office and secretarial support at the cost of the Council for official duties. The Mayor and the Speaker have designated drivers.

There were no in-kind benefits declared nor received by the Councillors.

Included in the Remuneration of Councillors are costs relating to balances owing to councillors as per Government Gazette Nr. 49142.

34. Depreciation

Property, plant and equipment	19,748,570	18,218,807

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. Finance costs

Interest on late payment of suppliers	22,053	8,603
Finance costs on Landfill Site Provision	451,714	535,931
	473,767	**544,534**

36. Impairment

Debt impairment	2,399,416	1,070,100
Bad debts written off	331,826	187,532
Impairment of Assets	4,546,362	-
	7,277,604	**1,257,632**

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

Debt impairment reconciliation		
Contribution to debt impairment provision-service charges and property rates	2,057,942	1,075,632
Contribution to debt impairment provision-traffic fines	673,300	182,000
Discount scheme and interest write off	(331,826)	(187,532)
	2,399,416	**1,070,100**

Impairment of Peddie sportfields,Bhongweni community hall and Glenmore internal roads

Impairment of Assets		
Assets were impaired on Work in progress owing to losses incurred	4,546,362	-

The impairment of assets relates to three projects that were delayed in their completion process and ultimately vandalised, resulting in losses incurred in between the periods that lapsed before work resumed.

37. Contracted services

Presented previously		
Repairs and Maintenance - PPE	29,346,010	19,602,401
Other Contractors	17,178,063	11,252,971
	46,524,073	**30,855,372**

As per GRAP 17 (Paragraph 88), repairs and maintenance amounting to R29 346 010 (30 June 2024 R19 602 401): relates to repairs and maintenance to property, plant and equipment. Included in contracted services is the expenditure for INEP.

Figures in Rand	2025	2024

38. General expenses

Accommodation Expenses	2,706,182	2,405,056
Advertising	126,183	294,718
Auditors remuneration	5,268,990	4,763,743
Bank charges	78,583	43,247
Computer expenses	54,074	51,000
Legal expenses	4,527,703	3,162,169
Audit committee fees	454,133	466,416
Hire	76,452	49,542
Consultation and Professional Fees	1,192,574	1,706,103
Conferences and seminars	833,628	736,759
Medical expenses	-	23,920
Motor vehicle expenses	323,912	349,937
Fuel and oil	4,189,425	3,620,286
Catering	1,266,977	1,265,856
Printing and stationery	455,804	296,432
Learnerships and interns	1,614,548	1,599,583
Software expenses	1,664,798	1,538,294
Employee Assistance Programme	200,875	144,537
Subscriptions and membership fees	891,979	32,829
Telephone	1,551,971	1,310,791
Training	2,058,393	1,953,406
Refuse	306,000	298,870
Electricity	3,834,914	1,658,689
Water - municipal use	3,660,698	2,947,336
Uniforms	582,804	1,475,456
Agriculture	68,563	441,833
EPWP Casuals labours	331,354	2,147,150
Gifts	1,466,286	110,520
COIDA Fees	1,280,960	937,020
Special Programmes Unit	2,956,474	2,863,989
Financial Management Enhancement	1,879,855	2,040,409
Consumables	176,194	160,622
Miscellaneous expenses	1,604,456	1,550,734
	47,685,742	**42,447,252**

39. Loss/(gain) on Disposal and Revaluation of Assets

Loss on disposal of assets during the year. Fair value adjustment of Investment Property determined by an Independent Valuer`10.

Loss on disposal of assets	337,909	119,920

Fair Value		
Fair value adjustement of investment property	(203,000)	(221,500)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Commitments

Authorised capital expenditure

Capital Projects		
• Commitments	34,330,752	36,152,967
Operational Projects		
• Commitments	-	1,916,810
Total capital commitments		
Capital Projects	34,330,752	36,152,967
Operational Projects	-	1,916,810
	34,330,752	**38,069,777**

Total commitments

Total commitments		
Authorised expenditure	34,330,752	38,069,777

The committed expenditure relates to property, plant and equipment and operational will be financed through Municipal Grants, existing cash resources and funds internally generated.

41. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

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

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

Liquidity risk

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

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Risk management (continued)

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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

Financial instrument	30 June 2025	30 June 2024
Receivables from exchange transaction	2,065,205	1,796,096
Receivables from non-exchange transactions	9,318,271	6,047,292
Cash and cash equivalents	13,395,606	50,693,544
Payables from exchange transactions	15,132,990	17,489,479
Payables from non-exchange transactions	1,442,808	1,304,829

Market risk

Interest rate risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Significant accounting policies

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.
. Credit risk
. Liquidity Risk; and
. Market risk

Market risk
Market Risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Risk management (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The municipality does not have any financing facilities and expects to meet its obligations from operating cash flows and proceeds of maturing financial assets and to maintain current debt to equity ratio.

Credit risk management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

42. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 372,747,954 and that the municipality's total liabilities do not exceed its assets.

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.

43. Fruitless and wasteful expenditure

Opening balance as previously reported	13,641,759	13,578,139
Add: Fruitless and wasteful expenditure identified - current	48,105	63,824
Less: Amount written off - current	(12,149,399)	(204)
Closing balance	**1,540,465**	**13,641,759**

Fruitless and wasteful expenditure is presented inclusive of VAT

Fruitless and wasteful expenditure incurred and identified during the current period relates to interest from late payments of suppliers, cancelled travel and accommodation arrangements and amounts considered not recoverable from a supplier where goods were not delivered.

Fruitless and wasteful expenditure in the comparative year includes expenditure (VAT inclusive) incurred in prior financial years on projects relating to the Integrated National Electrification Programme. The assets were assessed for impairment in the current financial year due to non-completion of the projects by appointed service providers. The related matter has been referred to the South African Police Service (SAPS) for investigation.

44. Irregular expenditure

Opening balance as previously reported	5,360,811	84,663,590
Add: Irregular expenditure - current	1,811,605	3,384,307
Less: Amount written off - current	(7,093,384)	(82,687,086)
Closing balance	**79,032**	**5,360,811**

Incidents/cases identified/reported in the current year include those listed below:		
Supply chain management processes not followed in making awards	1,811,605	3,384,307

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. 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.

Listed below are various circumstances where goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reason for these deviation from the normal supply chain management regulations.

Incidents		
Deviations due to emergency procurement	-	-
Deviations due to sole supplier procurement	47,349	1,672,973
Deviations due to the impracticality of following SCM processes	582,440	2,023,567
	629,789	**3,696,540**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Contingencies

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of dates by the respective courts, the timing of the economic flows is therefore uncertain.

Contingent liabilities		
Dlelanga Trading CC - A claim by Dlelanga Trading CC based on a dispute for services rendered. The matter was removed from the court roll by agreement of the parties.	595,872	595,872
Masilakhe Consulting - This is a claim for services rendered. Default judgement was obtained against the Municipality. Application for rescission of judgement is underway	-	184,629
Monwabisi Welcome Mbanzi - A claimed has been lodged for damages sustained by the vehicle belonging to Mr Mbanzi	81,813	81,813
Nomboniso Lilian Dike & 6 - Others Notice of motion brought on behalf of the applicant and the affected households of Khangelihle Buck Kraal Farm, wherein a claim is pursued for services including housing, water and sanitation, roads etc	1,000,000	1,000,000
SAMWU obo Lwazi Jack ECD122013 & PR164/21. A review application was broughton behalf of municipality on an award which was granted by the SALGBC in favour of an employee, awaiting opposition from SAMWU to review supplementary affidafit.	175,000	175,000
Nondudumo Victoria Fengwana (Case Number 3235/2022) Summons was received by the Municipality in respect of damage of the property belonging to the Plaintiff. The matter was referred to the insurance for further handling on behalf of the Municipality.	-	500,000
Imatu obo Andile Qoma - Municipality is in an internal disciplinary hearing where an employee has been charged with craft of charges.	380,000	-
SAMWU obo B Mangesi - Unfair dismal dispute	564,294	-
SAMWU obo B Mangesi - Supplementary affidavit due to be filed.	2,246,261	-
A Qoma-Internal disciplinary hearing(Chairperson)	489,708	-
Bonakele Mangesi & 2 Others - Civil Matter	900,000	-
Mfundo Mabangula-Disciplinary Hearing	800,000	-
VMI Business Advisory/NLM	600,000	-
Lwazi Jack/NLM-Matter referred high court	800,000	-
NLM/Mbeka & 2 Others- Review applicantion awaiting transcribed record from the SALGBC hearing	600,000	-
NLM/Cyril Moultrie-Review application- application for hearing date	600,000	-
NLM/Siwisa-Sheriff sent to execute writ of execution	300,000	-
NLM/Mbeka-Civil litigation to recover municipal funds	600,000	-
NLM/Mcinga & Co. (Pty) Ltd Civil matter at the High Court. Finalising cousel arrangements in the M&C Business Solutions	500,000	-
	11,232,948	**2,537,314**

Contingent assets

In 2020, Councillor MT Siwisa brought to an application alleging various bizarre, irregular and unlawful resolutions were taken by the council in the special council meetings held on 10 March 2020, 16 March 2020, 14 May 2020 & 29 May 2020. The application was dismissed in court with costs to be paid by the applicant. The contingent asset is estimated at R 150,000.

Litigation was brought on behalf of the municipality for the recovery of costs which were paid to the service provider (Vezokuhle Youth Development Project) for services not rendered. The related contingent asset is estimated at R 977,144.

Masilakhe Consulting was filed before court for recession of judgement which was granted in favour of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Related parties

Related party balances

Amounts included in Statement of Financial Position are the following regarding related parties

	2025	2024
Councillor Moyeni (late)- tax liability	-	550
Mayor- backpay	-	(27,611)
Speaker -backpay	-	(22,089)
Chief whip-backpay	-	(11,552)
Exco-backpay	-	(23,104)
Other Councillors-backpay	-	(162,076)
Municipal manager-backpay	-	(60,987)
Chief Financial officer-backpay	-	(54,708)
Director: Corporate Services (former	-	(39,835)
Director: Corporate Services (Current	-	(13,501)
Director: Community services	-	(51,948)
Director: Technical Services	-	(57,138)
Former Chief Financial Officer-backpay	-	46,457
Councillor Maswana (Overpayment)	9,307	-
Councillor Nyaniso(overpayment)	12,095	-
Former Councillor Ndonga	2,913	-
Former Councillor Hempe	4,021	-
Former Councillor Magini	37,566	-
	65,902	**(477,542)**

Notes to the Annual Financial Statements

47. Related parties (continued)

Remuneration of management

Management class: Councillors

Reconciliation of segment revenue to the Statement of Financial Performance

	Annual salary	Travel Allowance	Telephone Allowance	Total
2025				
Mayor	873,001	135,073	47,004	1,055,078
Councillors	8,247,848	1,167,340	1,048,670	10,463,858
	9,120,849	**1,302,413**	**1,095,674**	**11,518,936**

Reconciliation of segment expenditure to the Statement of Financial Performance

	Annual salary	Travel allowance	Telephone allowance	Total
2024				
Mayor	868,149	124,763	46,786	1,039,698
Councillors	7,946,612	1,111,493	1,046,385	10,104,490
	8,814,761	**1,236,256**	**1,093,171**	**11,144,188**

Refer to note 32 of the annual financial statements "Remuneration of councillors"

Councillors are remunerated according to the Remuneration of Public Office Bearers Act 20 of 1998. As councillors have only executive powers for planning, directing and controlling the activities of the Municipality, their remuneration is not based individually, but in aggregate.

The full list of councillors is disclosed on page 1 under "General information".

Management class: Executive management

*Refer to note 32 of annual financial statements "Employee related costs"

For more information relating to other related parties and the nature of the related party refer to note 48.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	5,000	881,738
Amount paid - current year	(5,000)	(881,738)
	-	-

Audit fees

Opening balance	72,747	3,194
Current year subscription / fee	5,268,990	4,667,604
Amount paid - current year	(5,187,179)	(4,598,051)
	154,558	**72,747**

PAYE, SDL and UIF

Current year subscription / fee	17,140,405	15,268,509
Amount paid - current year	(17,140,405)	(15,268,509)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	23,789,007	22,216,320
Amount paid - current year	(23,789,007)	(22,216,320)
	-	-

VAT

VAT input accrual	650,463	2,260,579
VAT output payable	1,749,532	1,155,953
	2,399,995	**3,416,532**

VAT output payables and VAT input accrual are shown in note 6 and 17.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

SCM Regulation 45 disclosure

In terms of the Municipal Supply Chain Management Regulation 45, the Municipality must disclose particulars of any award of more than R 2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including the name of the person, the capacity in which that person is in the service of the state, and the amount of the award. The following awards were made to entities with relationships with officials of the service of state (Municipality and other organisations):

Supplier Name	Name of official	Position	Relationship to entity directors	Amount
Andile SG Trading and Projects	Anelisa Boqwana	Debt Collector & Credit Controller	Spouse	4,997,241
SMS ICT Choice	Nomonde Joan Maqula	Employee: Eastern Cape Department of Human Settlements	Spouse	2,682,677
Hallowed Ground Consultant	Linda Tele	Police Officer - SAPS	Spouse	63,250
Mbexs Trading	N.Xhonxa	Professional Nurse:Department of Health	Spouce	266,275
Bhayeni Investments	Inga Gxobole	Technician:PMU	Spouse	93,000
				8,102,443

49. Cash (used in) generated from operations

	2025	2024
Deficit	(18,257,629)	(3,008,591)
Adjustments for:		
Depreciation and amortisation	19,748,570	18,218,807
Loss on sale of assets and liabilities	337,909	119,920
Gain on insurance claims received	(24,324)	(12,999)
Fair value adjustments	(203,000)	(221,500)
Interest income	(3,688,775)	(3,177,736)
Debt impairment	7,277,604	1,257,632
Movements in operating lease assets and accruals	(505,045)	(549,383)
Movements in retirement benefit assets and liabilities	682,000	532,000
Movements in provisions	451,714	535,931
Changes in working capital:		
Receivables from exchange transactions	(4,090,253)	(350,683)
Receivables from non-exchange transactions	(2,079,587)	403,430
Prepayments	876,378	(876,378)
Payables from exchange transactions	(523,598)	1,409,237
VAT	2,203,695	242,433
Taxes and transfers payable (non-exchange)	137,979	(204,183)
Unspent conditional grants and receipts	(10,526,371)	685,150
	(8,182,733)	**15,003,087**

Notes to the Annual Financial Statements

50. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in two key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The two key business units comprise of:

Community and public safety which includes community and cleansing services, library services, community hall rental and recreation

Technical services which include Project management, road construction and maintenance

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and Public safety	Cleansing services,library services,Community hall rental and Recreation
Technical Services	Project management,road construction and Maintenance

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

30 June 2025

	Community Services	Technical Services	Total
Revenue			
Revenue from non-exchange transactions	3,957,600	-	3,957,600
Revenue from exchange transactions	752,934	-	752,934
Total segment revenue	**4,710,534**	**-**	**4,710,534**
Entity's revenue			**4,710,534**
Expenditure			
Employee costs	31,193,331	13,513,336	44,706,667
Depreciation, amortisation and impairment	5,515,052	11,324,196	16,839,248
Finance costs	451,714	-	451,714
Contracted services	3,764,988	31,357,279	35,122,267
General expenditure	3,043,338	297,436	3,340,774
Total segment expenditure	**43,968,423**	**56,492,247**	**100,460,670**
Total segmental surplus/(deficit)			**(95,750,136)**
Assets			
Segment assets	5,196,833	23,885,665	29,082,498
Total segment assets			**29,082,498**
Liabilities			
Segment liabilities	(13,457,207)	(26,530,000)	(39,987,207)
Total segment liabilities			**(39,987,207)**

50. Segment information (continued)

30 June 2024

	Community Services	Technical Services	Total
Revenue			
Revenue from non-exchange transactions	673,300	-	673,300
Revenue from exchange transactions	4,465,840	17,446	4,483,286
Total segment revenue	**5,139,140**	**17,446**	**5,156,586**
Entity's revenue			**5,156,586**
Expenditure			
Employee costs	29,003,078	13,154,717	42,157,795
Depreciation, amortisation and impairment	6,061,181	9,978,973	16,040,154
Finance costs	535,931	-	535,931
Debt impairment	491,876	-	491,876
Contracted services	1,251,537	1,057,108	2,308,645
General expenditure	3,396,763	25,635	3,422,398
Total segment expenditure	**40,740,366**	**24,216,433**	**64,956,799**
Total segmental surplus/(deficit)			**(59,800,213)**
Assets			
Segment assets	61,474,400	9,978,973	71,453,373
Total assets as per Statement of financial Position			**71,453,373**
Liabilities			
Segment liabilities	(13,005,495)	(29,530,000)	(42,535,495)
Total liabilities as per Statement of financial Position			**(42,535,495)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Segment information (continued)

Information about geographical areas

The Municipality is not split into Geographical Segments as only operates within its own Demarcated area within the Eastern Cape Province:

Reconciliation of segment revenue to the Statement of Financial Performance

	30 June 2025	30 June 2024
Total segment revenue	(4,710,534)	(5,156,586)
Revenue from exchange transactions allocated to departments that do not meet the definition of a segment - Finance	(18,270,754)	(8,531,335)
Revenue from non-exchange transactions allocated to departments that do not meet the definition of a segment - Finance	(194,116,665)	(178,488,293)
Total Revenue per the Statement of Financial Performance	**(217,097,953)**	**(192,176,214)**

Reconciliation of segment expenditure to the Statement of Financial Performance

	30 June 2025	30 June 2024
Total segment expenditure	100,460,670	65,181,799
Employee related cost	57,285,315	48,660,805
Remuneration of councillors	11,518,936	11,144,188
Depreciation and impairment	2,909,322	2,178,657
Finance costs	22,053	8,603
Debt impairment and Bad debts written off	7,277,604	765,756
Contracted services	11,401,806	28,546,727
General expenditure	44,344,967	38,799,854
Loss/(gain) on disposal of assets	337,909	119,920
Total Expenditure per Statement of Financial Performance	**235,558,582**	**195,406,309**
Surplus/(deficit)	(18,460,629)	(3,230,091)
Total Segment Assets	29,082,499	71,453,373
Assets not allocated to reportable segments	392,270,669	377,342,122
Total assets per statement of Financial Position	**421,353,168**	**448,795,495**
Total Segment liabilities	(39,987,207)	(42,535,493)
Liabilities not Allocated to reportable segments	(8,618,014)	(15,254,425)
Total liabilities per statement of Financial Position	**(48,605,221)**	**(57,789,918)**

51. Statutory Receivables

Property Rates		
Property rates	14,818,557	11,683,448
Interest on property rates	17,630,397	14,234,425
Impairment on property rates	(11,564,141)	(9,953,011)
	20,884,813	**15,964,862**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Statutory Receivables

The entity had the following statutory receivables included in the Statement of Financial Position:

Gross	26,708,913	34,448,472
Including Property Rates, Interest on Property Rates, VAT Receivable and Traffic Fine Receivables. Refer to the tables below for the individual line items.		
Impairment	(12,707,669)	(10,983,712)
Including Impairment on Property Rates, Interest on Property Rates and Traffic Fine Receivables. Refer to the tables below for the individual line items.		
	14,001,244	**23,464,760**

Property Rates

Property rates	14,818,557	11,683,448
Interest on property rates	17,630,397	14,234,425
Impairment on property rates	(11,564,141)	(9,953,011)
	20,884,813	**15,964,862**

52. Statutory Receivables (continued)

Statutory receivables general information

Transactions arising from statute and the determination of transaction amounts

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.

Property rates are levied in accordance with the The Local Government: Municipal Property Rates Act 6 of 2004. Property rates are determined as a rate in the rand on the value of all rateable property recorded in the municipality’s valuation or supplementary valuation roll and the rates applied to the rateable properties are determined annually as part of the annual budgeting process.

Value-Added Tax in calculated in accordance with the The Value-Added Tax Act 89 of 1991. The municipality declares output tax on the taxable supply of goods and services and claim input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies).

Traffic fines are levied in accordance with the Criminal Procedures Act 51 of 1977. Fines constitute both spot fines and camera fines and it is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Interest or other charges levied/charged

In accordance with the municipality's Credit Control and Debt collection policy, interest on outstanding debtors, including property rates receivables, are charged on all accounts that are in arrears for 90 days and above at 1% per month.

No interest is levied on outstanding traffic fines.

Basis used and factors considered in assessing and testing whether a statutory receivable is impaired or past due, but not impaired

The municipality assesses at each reporting date whether there is any indication that statutory receivable may be impaired.

The provision for doubtful debts for property rates, in accordance with the municipality's Credit control and Debt Collection policy, is calculated by assessing the levels of risk of recoverability of debt for each category of receivables (Government, Business and Residential). Based on the risk assessment, different provision percentages are applied to each category of receivables and based on the ageing of the outstanding debt.

At each reporting date, traffic fine receivables are assessed for impairment based on the provisions of S 341 and S56 of the Criminal Procedures Act and the guidance provided by the NPA with regards to the validity period for fines. Based on this guidance, the municipality assesses that fines outstanding at the reporting date for a period exceeding 18 months, will be considered to be impaired.

Factors which were considered in arriving at the bases and the assessment for impairment of the statutory receivables and also receivables past due, but not impaired, include the following:
1. Historical information/experience and the level of engagement between the municipality and the debtor
2. Financial viability of the debtors as well as whether the debtor is easily identifiable and traceable.

Discount rate applied to the estimated future cash flows

No discount rate has been applied to estimate future cash flows.

Statutory receivables past due but not impaired

At 30 June 2025, Property Rates and Interest on Property Rates balances of R32 448 953 - (2024:R15 471 475 -) were assessed to be past due but not impaired. Also refer to note 5 for the disclosure of the total consumer debtors balances past due, but not impaired. All receivable amounts outstanding at the reporting date is considered to be due and has therefore been taken into account in the assessment of receivables past due, but not impaired.

At 30 June 2025, Traffic Fine receivable balances of R 3 957 600 (2024: R 673 300) were past due but not impaired. All debtor amounts outstanding at the reporting date is considered to be due and has therefore been taken into account in the assessment of past due, but not impaired.

52. Statutory Receivables (continued)

Statutory receivables impaired

As of 30 June 2025, the Impairment on Property Rates and Interest on Property Rates receivables was assessed at 12,707,669 (2024: 10,983,353)

The amount of the impairment of the Traffic Fine receivable was assessed at 673,300 as of 30 June 2025 (2024: 182,000).

The ageing of these receivables are as follows:

	2025	2024
Property Rates		
30-60 days	6,896	5,017
61-90 days	152,643	132,872
91-120 days	258,992	223,923
121-150 days	243,182	207,574
>151 days	12,045,956	10,413,967
	12,707,669	**10,983,353**

	2025	2024
Traffic Fines		
> 18 months	673,300	182,000

Reconciliation of provision for impairment for statutory receivables

	2025	2024
Opening balance	(10,983,353)	(9,314,160)
Contributions to Provision for impairment - property rates and interest on property rates	(719,190)	(1,674,725)
Contributions to Provision for impairment - traffic fines	(673,300)	(182,000)
Amounts written off as uncollectible	(331,826)	187,532
	(12,707,669)	**(10,983,353)**

53. Accounting by principals and agents

The Municipality is a party to principal-agent agreements as follows:
The municipality acts as an agent for Department of Transport, providing motor vehicle registration services on its behalf.

The Department of Transport is the principal which is responsible for registration, licensing and testing functions in terms of the applicable national and provincial road traffic legislation. The Municipality and the Department of Transport entered into an agreement for the transfer of registration and licensing of motor vehicles functions, wherein the Municipality will be entitled to the collection fee of 19%, including VAT for all fees collected in terms of the agreement entered into.

No resources were held on behalf of the principals.
No liabilities have been incurred on behalf of the principal.
The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the Department of Transport is R 416 618 (30 June 2024: R 408,703).

	2025	2024
Reconcilliation of amounts received from the departments	-	-
Amount received on behalf of the principal	2,042,118	3,789,253
Revenue the principal is entitled to	(1,625,500)	(3,380,550)
	416,618	**408,703**

Notes to the Annual Financial Statements

54. Financial instruments disclosure

Categories of financial instruments

30 June 2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	2,065,205	2,065,205
Other receivables from non-exchange transactions	9,318,271	9,318,271
Cash and cash equivalents	13,395,606	13,395,606
	24,779,082	**24,779,082**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(15,132,990)	(15,132,990)
Taxes and transfers payable (non-exchange)	(1,442,808)	(1,442,808)
Unspent Conditional grants and Receipts	(635,209)	(635,209)
	(17,211,007)	**(17,211,007)**

30 June 2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1,796,096	1,796,096
Other receivables from non-exchange transactions	6,047,292	6,047,292
Cash and cash equivalents	50,693,544	50,693,544
	58,536,932	**58,536,932**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	(17,489,478)	(17,489,478)
Payables from non-exchange transactions	(1,304,829)	(1,304,829)
Unspent conditional grants & receipts	(11,170,580)	(11,170,580)
	(29,964,887)	**(29,964,887)**

The Accounting standards Boards issued the Revised Standard of Grap 104 on Financial Instruments, which becomes effective for financial periods beginning on or after 1 April 2025.The municipality has assessed the expected impact of the revised standard and conducted that it will not have a material effect on the financial statement.

This assessment is based on the following consideration:

- The Municipality's financial instruments are simple and primarily measured at amortised cost,consisting mainly of cash and cash equivalents,trade and other receivables,and trade and other payables
- The revised classification and measurement requirements are aligned with municipality's current accounting policies,and no reclassification of financial assets or liabilities is expected.
- The revised standard introduces the expected-credit-loss(ECL) model;however , the municipality already applies a historical loss-rate approach that is consistent with the simplified lifetime ECL model permitted in the revised GRAP 104.

54. Financial instruments disclosure (continued)

- The municipality does not hold complex instruments such as derivatives , investments measured at fair value, financial guarantees,loan commitments , or instruments with embedded derivatives that would require significant additional measurement or disclosure.

- Risk Disclosure required by the revised standard are already addressed through the municipality's existing credit risk, liquidity risk and interest rate risk disclosures, and no significant expansion in disclosure is expected.

  Based on the above , the municipality expects that the adoption of the revised Standard will not result in material adjustments to the recognition,Measurement or disclosure of financial instruments.

55. Budget differences

Material differences between budget and actual amounts, and differences between approved and final budget - Statement of Financial Performance

55.1 Service charges - 118% -Services charges were budgeted based on the previous year actuals and as per CPI percentage increase guidelines.The Tariff structure was implemented based on guidelines issued by National Treasury, which called for a inflation related increase in tariffs.Introduction of refuse collection schedule and refuse collection register in some businessess brought a change because the management could monitor sites that are collected and follow up with those whom where not attend to make sure that all residends are assisted when it comes to refuse collection. Residents became motivated and the municipality managed to bill more than budgeted and collected more than budgeted amount.

55.2 Rental of facilities and equipment - 136% - The variance is due to an increase/escalation in lease contracts and lease rentals.

55.3 Agency fees - 68 % - Online vehicle registration is the reason for under performance in terms of revenue for agency services (decrease demand as individuals have access to online registration). On the online facility the total amount paid goes to the Department of Transport and no portion comes to the Municipality, irrespective of where they reside.

55.4 Licences and permits - 79% -The variance is as result of a decrease in demand of learners license at Ngqushwa due to electronic system for examination introduced. The new system discourages potential students as some are not computer litereate and then maybe discouraged to obtain their licences.

55.5 Construction contracts -100%-This relates from receipts from INEP grant funds and was budgeted under government grants recognised, it has been adjusted during AFS Adjustments to contruction contract hence there is no budget amount.

55.6 Interest on Outstanding Debtors Revenue from exchange transactions- -82% -The variance is due to a decrease in collection and the reversal of interest based on arrangements with individual Debtors .

55.7 Other revenue - 34%-Other revenue is made of tender fees, advertising fees, use of public toilets, building plans fees, cemetary fees etc. All these these depend on the use by the public of which the demand has decreased in the financial year under review. There have been less incidence in which properties have been destroyed resulting in Insurance payouts thus less money collected under this line item.

55.8 Interest received - Investment - 79% - The variance is due to less than anticipated funds have been invested. The reserves that existed in previous years have been used to fund operational expenditure such as salaries, legal fees, fuel and oil, thus the amounts to be invested did not generate much interest revenue.

55.9 Property rates - 51% - The variance is due to over budgeting, when doing the budget the municipality did not take into account that tarriffs are decreasing gradually for properties that belong to government.

55.10 Interest on outstanding debtors- Revenue from non-exchange transactions- 67%-The variance is due to an decrease in collection and the reversal of interest based on arrangements with individual Debtors. Thus it resulted in under collection.

55.11 Government grants - 94% - The variance is as result of grants recognition which depend on the grant spending - Disater relief grant funds that was received in the middle of the finacial year, unspent balance was rolloved because it was not finished and had to be rolled over in this financial year that incresed grants alocations for the year under review.

55.12 Fines and Penalties - 578% The variance is due to the fact that the municipality has intensified law-enforcement operations and that has slightly improve collection on trafic fines on the side of cash flow .

55.13 Other transfer revenue -100%-Other transfers revenue includes LGSETA transfer and Library sudsidy, these are included under Transfers and Subsidies in budget. These funds increases transfers and grants budget of the municipality because they are treated as other revenue receiced by the municipality. .
55.14 Insurance claim-100%-Insurance claims received funds was not budgeted for because as the municipality cannot anticipate that there would revenue of this nature as it is fortuitous in nature.

55.15 Employee related costs - 103% - The variance is as result of acting allowances paid to employees who are acting in the positions of the suspended employees which was not budgeted. Secondly, overtime paid to employees that is more than what was budgeted. Lastly, the FMG stipent is included in employee related costs during the preparation of AFS whereas it is budgeted and reported separate in budget..

55.16 Remuneration of councillors -0% - Not material.

55. Budget differences (continued)

55.17 Depreciation and amortisation - 102% - The depreciation has increase due to additional assets bought and completed projects during the year, necessitating increased depreciation on assets.

55.18 Finance costs - 84% - The variance is due to interest on provision of landfil site. The provision is an estimate and varies depending on the calaculation. The calculation is performed externally thus we cannot accurately predict it.

55.19 Debt impairment - 85% - The decrease in Write-offs and impairments is owing to a more accurate debtors book as well increased efforts to collect through the Debt collector. Included in Debt ipmairment is Bad debts written off amount..

55.20 Contracted Services - 75% The variance is due to some line items that were budgeted under contracted services are treated as general expenditure.
55.21 Loss on disposal of assets and liabilities - 100% there were no loss on assets that was anticipated in the current year as most assets were written off.

55.22 General expenditure - 134%-.The variance is due to other line items that are treated as general expenditure as per GRAP requirements, and yet budgeted under contracted services as per mSCOA requirents. Included in general expenditure is inventory consumed amount.
55.23 Fair Value adjustment-100%- The determination of the fairvalue is completed at year end by a qualified valuer. It is often difficult to determine at budget time.

Material differences between budget and actual amounts, and differences between approved and final budget - Statement of Financial Position

55.24. Inventory -0% Not material.

55.25. Operating lease asset - 96% -Though the variance is considered immaterial, there was a slight decrease owing to lease terms that are coimng to the end..

55.26. Receivables from Non-exchange transactions - 96% - The variance caused by the long oustanding debt relate to previous year which accumulated the interest..

55.27. VAT input accrual - 3% -The budget was based on the accumulated annual collection and this amounted to R15 992 056,84.Given that figure we come to 80% collection. The reason for that variance is owing to to less expenditure that attracts Input VAT. The balance of R650,463 is for one month of June 2025, that is why it is so low. .

55.28. Receivables from exchange transactions - 59% - The variance occurred due to consumers who did not show commitment at the end of the last quarter of financial year as expected..

55.29. Cash and cash equivalents - 56% - The variance is due to more funds being used to fund operational expenditure, that were not anticipated at the budget time examples include as salaries, legal fees, fuel and oil, thus there was little amounts to be invested.

55.30. Investment property - 104% - The baseline at budgeting was determined from the previous year. The caculation is performed by an external expert and thus cannot be estimated accurately. The variance is due to the revaluation on investment proporties.

55.31. Property, Plant and Equipment - 98% There was accelerated reduction in asset value that includes depreciation and impairment of assets. The variance is considered immaterial..

55.32 Heritage assets -0%- No Variance
55.33 Payables from exchange transactions - 98%-The variance is low and difficult to determine at the point of budgeting to get it accurate. The variance is due to decrease in trade payables owing to more cash being paid to settle liabilities.

55.34. Payables from non-exchange transactions - 100%-The variance is caused by receivables that relates to customer debts from previous financial year as the municipality projects the receivables from currentt year billing and interest.

55.35. Employee Benefit Obligation (short-term) -34% -The variance is due to the fact the employees obligations cannot be determined at the time of budgeting. It is a function that is performed by an Actuary..

Notes to the Annual Financial Statements

55. Budget differences (continued)

55.36 Vat payable -144% The variance is due to calculation of INEP VAT and this is including previous years calculations.

55.37 Unspent Conditional grants- 100%- The variance is due to funding that was given to the Municipality owing to seed funding provided to the municipality for inception the Small Towns Revitalisation balance at the end of the financial year..

55.38.Provisions- 55% - The variance is due to the fact the employees obligations cannot be determined at the time of budgeting. It is a function that is performed by an Actuary.
55.39 Employee Benefit obligation - 100%-Included in provision line item is the provision for employees obligations which is treated as a separate line item in AFS, hence the variance and provision for land fill site.
55.40 Accumulated Surplus-92%-Even though the variance is not material, the difference is often created by a result of all the transaction with the SOFPerf and SOFPos

Material differences between budget and actual amounts, and differences between approved and final budget - Cash Flow Statement

55.41. Billed Services - 54% The variance is due to collection that is less than what was projected to be collected at the end of the financial year. This is caused by a general down turn in the economy and consumer index that indicates a struggle to meet their obligations by citizens..

55.42. Government Grants - 94% - The variance is considered immaterial, however the difference is mostly on account of funding from the Office of the premier whose conditions were not met for them tyo transfer funds that had been budgeted forl.

55.43. Interest income - 82%-The variance is due to a shorter period that the municipality invest its funds. The longer we invest the funds the higher the interest generated. .

55.44. Receipts from other revenue - 289%- All other municipal sources of revenue are included in this one line item hence the variance is too high..

55.45 . Payments (Suppliers and Employees) - 51% - The variance in expenditure was budgeted as one line item on MSCOA however on preparation of AFS in accordance with GRAP they will be disclosed seperately. There is still a variance in rand value amounting to approximately R5million, this is because towards year end procurement had to be halted to ensure essential services continued.
55.46 Suppliers - 100% The variance in expenditure was budgeted as one line item on MSCOA however on preparation of AFS in accordance with GRAP they will be disclosed seperately. There is still a variance in rand value amounting to approximately R5million, this is because towards year end procurement had to be halted to ensure essential services continued.

55.47 Other Cash Item(Finance charges)- 116%- Finance charges variance relates to interest paid to creditors which is something that can not be predicted.

55.48. Purchase of PPE - 88% - The variance is on the fact that when we capture transactions on the ledger were captured without VAT, but when we budget are captured with VAT. Other reasons include that the municipality had to halt Capital projects such as the municipal offices and the funds were to fund operational expenditure.

55.49. Proceeds from the sale of PPE and Investment Property - 100% - The variance is due to the fact that not all assets where bought during the auction and the payment was received after the year was closed. Furthermore the funds were yet to be received by year end, thus they will not appear in the cashflow statement..

55.50. Net increase/decrease in cash held - 166% - The derease in cash and cash is as results that reserves were used to accommodate payment of service delivery project and other operating costs projects.
55.51 Cash and Cash equivalent at the beginning - 110%-The derease in cash and cash is as results that reserves were used to accommodate payment of service delivery project and other operating costs projects.

55.52 Cash and cash equivalents at year end - 57% - The derease in cash and cash is as results that reserves where used to accommodate payment of service delivery project and other operating costs projects.

56. Prior-year adjustments

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

Statement of financial position

30 June 2023

	Note	As previously reported	Correction of error	Restated
Vat payable		(37,019)	(710,350)	(747,369)
Accumulated Surplus		(394,724,519)	710,350	(394,014,169)
		(394,761,538)	**-**	**(394,761,538)**

30 June 2024

	Note	As previously reported	Correction of error	Restated
Vat Payable		(445,604)	(710,350)	(1,155,954)
Accumulated Surplus		(391,715,935)	710,350	(391,005,585)
Receivables from non-exchange		23,397,449	(390,142)	23,007,307
Receivables from exchange		1,796,096	390,142	2,186,238
		(366,967,994)	**-**	**(366,967,994)**

During the preparation of 2024/25 AFS, a change in the treatment of INEP grants and related VAT implication was applied.This resulting in an increase in VAT payable due to the Vat liability adjustment as per SARS requirements.And a decrease in the accumulated surplus.

Receivables from exchange transactions amounting to R390,142 were incorrectly classified as receivables from non-exchange transactions.

Errors

During the 2024/25 Annual Financial Statements preparation it was noted that the statutory recievables were mistated, disclosed as R23 397 449 inclusive of property rates .The correction resulted in a decrease to R6 047 292.

During the 2024/25 Annual Financial Statements preparation it was noted that the Capital commitments were overstated by R158 120.92, amount disclosed was R 36 311 088 instead of R36 152 967.08

During the 2024/25 Annual Financial Statements preparation it was noted that Operational Commitments were overstated, disclosed as R2 706 765 instead of R1 916 809.86.

57. Events after the reporting date

During the preparation of Annual Financial Statements after the year end an amount of R5 607 401.02 and R62 251.72 which relates to Irregular expenditure and fruitless expenditure was written off by council on the 19 August 2025.

We have recognised impairment losses in the current financial year, relating to vandalised projects.

58. Unauthorised expenditure

	2025	2024
Add: Unauthorised expenditure - current	3,550,581	-

During the 2024/2025 preparation of Annual Financial Statements unauthorised expenditure was noted as incurred per department: Community service R5,161 Infrastructure Basic Services R3,545,419.

Notes to the Annual Financial Statements

59. Change in estimate

The Municipality's annual review of the useful lives of assets resulted in no changes (increase/decrease) in the depreciation charge to the statement of financial performance.

The annual update of the residual values of assets resulted in no changes in the depreciation charge to the statement of financial performance.

The useful lives in the accounting policy were adjusted to align to the asset management policy estimates.

There is no impact on deprection calculations and net profit.

The useful lives of the items of Property,Plant and Equipmemnt have been adjusted in the accounting policy as follows:

Item	**2024 Average useful life**	**2025 Average useful life**	**Change**
Buildings	15-60 years	15-80 years	Upper limit increased from 60-80 years
Plant and machinery	10-20 years	10 years	Range replaced by a single lower value(shorter max)
Furniture and fixtures	5-7 years	5-19 years	Upper limit increased 7-19 years
			-
Computer equipment	3-13 years	3-18 years	Upper limit increased 13-18 years
Security equipment	5-10 years	5-15 years	Upper limit increased 10-15 years
Other equipment	5 years	5-15 years	Changed from single value to a range (upper limit increased)
Infrastructure-Roads paved	30 years	80 years	Large increase 30-80 years
Infrastructure-Roads graded	5-30 years	4-80 years	Lower bound slightly decreased (5-4; upper bound greatly increased 30-80 years
Infrastructure-Electricity(street lights&high masts)	7-21 years	7-25 years	Upper limit increased 21-25 years
Landfill sites	69-98 years	69-80 years	Upper limit decreased 98-80 years