Intsika Yethu Local Municipality
Annual Financial Statements
for the year ended June 30, 2025

General Information

Legal form of entity	Intsika Yethu Municipality is South Africa Category B Municipality (Local Municipality) established under paragraph 151 of the constitution of the republic of South Africa as defined by the Municipality Structures Act, 1998 (Act No. 117 of 1998). The municipality's operation are governed by the: - Municipal Finance Management Act, 2003 (Act No. 56 of 2003 - Municipal Systems Act 2000; and - Various other Acts and Regulation.
Nature of business and principal activities	Intsika Yethu Municipality is a local municipality performing the functions set out in the Constitution. (Act no 108 of 1996)
Hon. Mayor	Cllr Mdleleni Khanyiswa
Speaker of the Council	Cllr Zicina Yanga
Chief Whip	Cllr Ntsaluba Noloyiso
Executive Committee	Cllr Bongani Divilias Mpengesi (Corporate Services) Cllr Vuyokazi Gladys Matomela (LED) Cllr Myolisi Toni (Budget & Treasury) Cllr Azipheli Tshangana Nkota (Planning & Development) Cllr Nozuko Mafanya (Community Services) Cllr Lusanda Bomoyi (Governance & Administration) Cllr Melekile Skotana (Infrastructure)
Section 79 Committees	
MPAC Members	Cllr Makade Lusanda
Women's Caucus Chairperson	Cllr Magaga Nophelo
Public Participation Chairperson	Cllr Yamile Mayenzeke
Rules And Ethics Chairperson	Cllr Mthimkhulu Siqhamo
Councillors	Cllr Ntombi-Azipheli Giyose Cllr Xolile Mini Cllr Phumelele Magazi Cllr Zubenathi Mpengu Cllr Ntsikelelo Mcaleni Cllr Ntombifikile Xoxo Cllr Nozintombi Mdumata Cllr Nobom Bani Cllr Neliswa Gadeni Cllr Zwelethu Malusi Cllr Sylvia Twani Cllr Nolukholo Nyandana Cllr Zukile Cekiso Cllr Lulama Ngamlana Cllr Mncedisi Ngwane Cllr Mvuyisi Mrwetyana Cllr Simphiwe Ndondo Cllr Nkosinathi Mnqanqeni Cllr Nontle Sabata Cllr Mfundo Genu

General Information

	Cllr Malibongwe Gulubela Cllr Sithembele Mangqangwana Cllr Nontobeko Mzizana Cllr Lufefe Mfana Cllr Nceba Mpofu Cllr Nonyameko Sindile Cllr Nokaya Ludaka Cllr Ncedeka Mgqamqho
Traditional Leaders Participating in Intsika Yethu Council	
	Nkwenkwezi L Sabata M
Grading of local authority	3
Accounting Officer	Mr Mthembu Mabono
Chief Finance Officer (CFO)	Ms Noncedo Combo
Main office	ERF. 201 Main Street Cofimvaba 5380
Satellite Office	ERF. 72 Main Street Tsomo 5400
Postal address	Private Bag X 1251 Cofimvaba 5380
Bankers	First National Bank
Auditors	Auditor- General of South Africa Registered Auditors
Attorneys	Keitgley Sigadla Inc Zilwa Attorneys
Telephone Number	(047) 532 4255
Facsimile Number	(047) 532 4255

Index

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
DORA	Division of Revenue Act
MPAC	Municipal Public Accounts Committee
SALGA	South African Local Government Association
SCM	Supply Chain Management
DSRAC	Department Of Sports, Recreation, Arts And Culture
AFS	Annual Financial Statements
EXCO	Executive Committee
MIG	Municipal Infrastructure Grant
LGSETA	Local Government Services Sector Education and Training Authority
PAYE	Pay As You Earn
MDRG	**Municipal Disaster Recovery Grant**
UIF	Unemployement Insurance Fund
INEP	Integrated National Electrification Programme

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

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

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

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

The accounting officer is 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 end June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Accounting Officer certifies that the remuneration of councilors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by municipality's external auditors and their report will be presented. 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 and were signed by him:

Mr Mthembu Mabono
Municipal Manager

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	11	62,004,075	56,824,903
Operating lease Receivable	5	5,174	19,604
Receivables from non-exchange transactions	13	13,266,658	5,401,364
Receivables from exchange transactions	12	6,486,019	4,926,388
Cash and cash equivalents	14	27,135,420	66,092,101
		108,897,346	**133,264,360**
Non-Current Assets			
Investment property	3	68,930,382	76,293,978
Property, plant and equipment	4	586,467,073	535,534,799
		655,397,455	**611,828,777**
Non-Current Assets		655,397,455	611,828,777
Current Assets		108,897,346	133,264,360
Total Assets		**755,307,183**	**745,093,137**
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	55,225,720	64,711,267
Payables from non-exchange exchange transactions	7	2,558,315	2,433,026
VAT payable	8	4,125,574	1,904,601
Consumer deposits	9	6,639,424	5,138,811
Employee benefit obligation	10	1,027,000	1,266,000
Unspent conditional grants and receipts	15	-	15,825,605
Provisions	16	1,318,211	726,160
		70,894,244	**92,005,470**
Non-Current Liabilities			
Employee benefit obligation	10	20,590,000	16,969,000
Provisions	16	2,924,856	2,772,375
		23,514,856	**19,741,375**
Non-Current Liabilities		23,514,856	19,741,375
Current Liabilities		70,894,244	92,005,470
Total Liabilities		**94,409,100**	**111,746,845**
Assets		755,307,183	745,093,137
Liabilities		(94,409,100)	(111,746,845)
Net Assets		**660,898,083**	**633,346,292**
Accumulated surplus		660,898,083	633,346,292
Total Net Assets		**660,898,083**	**633,346,292**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	1,518,918	1,455,149
Construction contracts	40	7,523,478	25,626,311
Rental of facilities and equipment	20	1,276,990	1,192,741
Interest on outstanding debtors	25	1,548,658	1,718,575
Agency services	22	1,106,406	1,086,856
Licences and permits	23	1,706,460	2,162,953
Operational Revenue	27	119,261	534,954
Sale of Goods and Rendering of Services	28	305,089	338,414
Other income (Recovery from Expenditure)		-	2,278,253
Interest received - investment	29	7,355,259	8,435,517
Total revenue from exchange transactions		**22,460,519**	**44,829,723**
Revenue from non-exchange transactions			
Property rates	30	13,293,064	16,585,178
Fines Penalties and Forfeits	24	370,804	535,899
Government grants & subsidies	32	328,667,088	277,815,763
Licences and permits	21	167,140	142,586
Interest on outstanding debtors	26	6,226,739	5,005,526
Total revenue from non-exchange transactions		**348,724,835**	**300,084,952**
		22,460,519	44,829,723
		348,724,835	300,084,952
Total revenue	17	**371,185,354**	**344,914,675**
Expenditure			
Employee related costs	33	(169,193,730)	(159,457,469)
Remuneration of councillors	34	(19,239,546)	(19,169,159)
Depreciation and amortisation	35	(35,129,799)	(32,056,355)
Impairment loss/ Reversal of impairments		(220,001)	11,187
Finance costs	36	(6,484)	(8,458)
Debt Impairment	38	(3,536,773)	(17,631,054)
Construction Contracts Expenditure	37	(7,415,274)	(25,695,970)
Contracted services	41	(27,439,820)	(31,905,655)
Transfers and Subsidies	31	(8,064,027)	(3,117,619)
Loss on disposal of assets and liabilities	4	(16,495,875)	(1,136,695)
Inventory Consumed	18	(7,742,372)	(5,434,698)
Operational cost	39	(49,149,862)	(49,526,662)
Total expenditure		**(343,633,563)**	**(345,128,607)**
		-	-
Total revenue		371,185,217	342,636,422
Total expenditure		(343,633,563)	(345,128,607)
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		27,551,654	(2,492,185)
Taxation		-	-
Surplus (deficit) for the year		**27,551,654**	**(2,492,185)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	**639,509,097**	**639,509,097**
Adjustments	(3,670,620)	(3,670,620)
Restated* Balance at July 1, 2023 as restated	**635,838,477**	**635,838,477**
Changes in net assets		
Surplus (deficit) for the year	(2,492,185)	(2,492,185)
Restated* Balance at July 1, 2024 as restated*	**633,346,292**	**633,346,292**
Opening balance as previously reported	641,519,633	641,519,633
Prior year adjustment 47	(8,173,341)	(8,173,341)
Restated* Balance at July 1, 2024 as restated	**633,346,292**	**633,346,292**
Changes in net assets		
Surplus (deficit) for the year	27,551,791	27,551,791
Balance at June 30, 2025	**660,898,083**	**660,898,083**

Note(s)

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		23,531,238	37,426,901
Cash received from grants		312,841,347	289,414,385
Interest received		7,355,259	8,435,517
		343,727,844	335,276,803
Payments			
Cash paid to Employees and Suppliers		(287,108,993)	(257,325,627)
Interest paid		(6,484)	(8,458)
		(287,115,477)	(257,334,085)
Total receipts		343,727,844	335,276,803
Total payments		(287,115,477)	(257,334,085)
Net cash flows from operating activities	42	**56,612,236**	**77,983,029**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(96,245,829)	(71,030,005)
Net increase/(decrease) in cash and cash equivalents		**(39,633,593)**	**6,953,02**
Cash and cash equivalents at the beginning of the year		66,092,101	61,022,328
Cash and cash equivalents at the end of the year	14	**26,458,508**	**67,975,352**

The accounting policies on pages 14 to 36 and the notes on pages 37 to 89 form an integral part of the annual financial statements.

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note 57
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2,514,056	(1,085,499)	**1,428,557**	1,518,918	**90,361**	
Construction contracts	8,652,000	-	**8,652,000**	7,523,478	**(1,128,522)**	
Rental of facilities and equipment	931,467	(29,967)	**901,500**	1,276,990	**375,490**	A
Interest received (trading)	1,034,960	965,040	**2,000,000**	1,548,658	**(451,342)**	B
Agency services	1,204,050	(4,050)	**1,200,000**	1,106,406	**(93,594)**	
Licences and permits	3,200,000	(700,000)	**2,500,000**	1,706,460	**(793,540)**	F
Operational Revenue	14,500,000	4,800,000	**19,300,000**	119,261	**(19,180,739)**	C
Sales of Goods and Rendering of Services	1,902,905	3,169,595	**5,072,500**	305,089	**(4,767,411)**	D
Interest received - investment	4,221,549	778,451	**5,000,000**	7,355,259	**2,355,259**	E
Total revenue from exchange transactions	**38,160,987**	**7,893,570**	**46,054,557**	**22,460,519**	**(23,594,038)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13,262,658	3,499,797	**16,762,455**	13,293,064	**(3,469,391)**	H
Licences and Permits (Non-exchange)	172,500	177,500	**350,000**	370,804	**20,804**	
Transfer revenue						
Government grants & subsidies	276,060,000	57,594,068	**333,654,068**	328,666,952	**(4,987,116)**	
Fines, Penalties and Forfeits	1,120,000	(550,000)	**570,000**	167,140	**(402,860)**	G
Interest Exchange Non Transaction	2,129,636	1,870,364	**4,000,000**	6,226,739	**2,226,739**	I
Total revenue from non-exchange transactions	**292,744,794**	**62,591,729**	**355,336,523**	**348,724,699**	**(6,611,824)**	
'Total revenue from exchange transactions'	38,160,987	7,893,570	**46,054,557**	22,460,519	**(23,594,038)**	
'Total revenue from non-exchange transactions'	292,744,794	62,591,729	**355,336,523**	348,724,699	**(6,611,824)**	
Total revenue	**330,905,781**	**70,485,299**	**401,391,080**	**371,185,218**	**(30,205,862)**	
Expenditure						
Employee related costs	(140,415,970)	(13,548,903)	**(153,964,873)**	(169,193,730)	**(15,228,857)**	J
Remuneration of councillors	(20,329,744)	(704,790)	**(21,034,534)**	(19,239,546)	**1,794,988**	
Depreciation and amortisation	(45,000,000)	14,913,044	**(30,086,956)**	(35,129,799)	**(5,042,843)**	K
Impairment loss/ Reversal of impairments	-	-	**-**	(220,001)	**(220,001)**	
Finance costs	-	(4,348)	**(4,348)**	(6,484)	**(2,136)**	
Debt Impairment	(5,051,297)	51,297	**(5,000,000)**	(3,536,773)	**1,463,227**	
Construction Contract paid	(8,652,000)	-	**(8,652,000)**	(7,415,274)	**1,236,726**	
Contracted Services	(27,388,400)	402,694	**(26,985,706)**	(27,439,820)	**(454,114)**	
Transfers and Subsidies	(4,700,000)	352,174	**(4,347,826)**	(8,064,027)	**(3,716,201)**	
Sale of Inventory consumed	(1,920,000)	(4,740,000)	**(6,660,000)**	(7,742,372)	**(1,082,372)**	M
Operational costs	(36,972,045)	1,676,839	**(35,295,206)**	(49,149,862)	**(13,854,656)**	L

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	Note 57
Total expenditure	**(290,429,456)**	**(1,601,993)**	**(292,031,449)**	**(327,137,688)**	**(35,106,239)**	
	330,905,781	70,485,299	**401,391,080**	371,185,218	**(30,205,862)**	
	(290,429,456)	(1,601,993)	**(292,031,449)**	(327,137,688)	**(35,106,239)**	
Operating surplus	**40,476,325**	**68,883,306**	**109,359,631**	**44,047,530**	**(65,312,101)**	
Loss on disposal of assets and liabilities	-	-	**-**	(16,495,875)	**(16,495,875)**	
	40,476,325	68,883,306	**109,359,631**	44,047,530	**(65,312,101)**	
	-	-	**-**	(16,495,875)	**(16,495,875)**	
Surplus before taxation	**40,476,325**	**68,883,306**	**109,359,631**	**27,551,655**	**(81,807,976)**	
Deficit before taxation	40,476,325	68,883,306	**109,359,631**	27,551,655	**(81,807,976)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**40,476,325**	**68,883,306**	**109,359,631**	**27,551,655**	**(81,807,976)**	

Reconciliation

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	Note 57
Statement of Financial Position						
Assets						
Current Assets						
Inventories	53,419,687	(3,254,784)	**50,164,903**	62,004,075	**11,839,172**	A
Operating lease asset	62,617	(43,013)	**19,604**	5,174	**(14,430)**	
Receivables from non-exchange transactions	56,473,915	(49,350,967)	**7,122,948**	13,266,658	**6,143,710**	
VAT receivable	24,299,818	24,655,465	**48,955,283**	56,708,884	**7,753,601**	
Receivables from exchange transactions	31,419	28,661,419	**28,692,838**	6,486,019	**(22,206,819)**	B
Cash and cash equivalents	29,964,992	46,011,781	**75,976,773**	27,135,420	**(48,841,353)**	C
	164,252,448	**46,679,901**	**210,932,349**	**165,606,230**	**(45,326,119)**	
Non-Current Assets						
Investment property	97,744,717	(4,847,706)	**92,897,011**	68,930,382	**(23,966,629)**	
Property, plant and equipment	528,845,390	92,282,164	**621,127,554**	586,467,073	**(34,660,481)**	
Intangible assets	434,783	815,217	**1,250,000**	-	**(1,250,000)**	
	627,024,890	**88,249,675**	**715,274,565**	**655,397,455**	**(59,877,110)**	
Non-Current Assets	627,024,890	88,249,675	**715,274,565**	655,397,455	**(59,877,110)**	
Current Assets	164,252,448	46,679,901	**210,932,349**	165,606,230	**(45,326,119)**	
Total Assets	**791,277,338**	**134,929,576**	**926,206,914**	**821,003,685**	**(105,203,229)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	24,509,177	22,423,538	**46,932,715**	55,225,720	**8,293,005**	
Payables from non-exchange	-	-	**-**	2,558,315	**2,558,315**	
VAT payable	3,183,747	(1,717,051)	**1,466,696**	60,834,458	**59,367,762**	
Consumer deposits	3,700,726	1,438,085	**5,138,811**	6,639,424	**1,500,613**	
Employee benefit obligation	2,281,038	(2,281,038)	**-**	1,027,000	**1,027,000**	
Unspent conditional grants and receipts	10,744,303	5,118,291	**15,862,594**	(135)	**(15,862,729)**	
Provisions	15,280,514	(11,616,190)	**3,664,324**	1,318,211	**(2,346,113)**	
	59,699,505	**13,365,635**	**73,065,140**	**127,602,993**	**54,537,853**	
Non-Current Liabilities						
Employee benefit obligation	7,819,000	9,150,000	**16,969,000**	20,590,000	**3,621,000**	
Provisions	10,525,847	(7,753,472)	**2,772,375**	2,924,856	**152,481**	
Other liability	2,281,038	(2,281,038)	**-**	-	**-**	
	20,625,885	**(884,510)**	**19,741,375**	**23,514,856**	**3,773,481**	
	59,699,505	13,365,635	**73,065,140**	127,602,993	**54,537,853**	
	20,625,885	(884,510)	**19,741,375**	23,514,856	**3,773,481**	
	-	-	**-**	-	**-**	
Total Liabilities	**80,325,390**	**12,481,125**	**92,806,515**	**151,117,849**	**58,311,334**	
Assets	791,277,338	134,929,576	**926,206,914**	821,003,685	**(105,203,229)**	
Liabilities	(80,325,390)	(12,481,125)	**(92,806,515)**	(151,117,849)	**(58,311,334)**	
Net Assets	**710,951,948**	**122,448,451**	**833,400,399**	**669,885,836**	**(163,514,563)**	

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	Note 57
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	710,951,948	122,448,451	**833,400,399**	660,898,083	**(172,502,316)**	

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	Note 57
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	37,411,565	(7,989,468)	**29,422,097**	26,849,665	**(2,572,432)**	
Grants	284,712,000	82,160,568	**366,872,568**	328,666,952	**(38,205,616)**	
Interest income	4,221,549	2,278,451	**6,500,000**	8,903,917	**2,403,917**	
	326,345,114	**76,449,551**	**402,794,665**	**364,420,534**	**(38,374,131)**	
Payments						
Employees and Suppliers	(235,921,227)	(13,327,442)	**(249,248,669)**	(338,573,946)	**(89,325,277)**	
Interest paid	-	-	**-**	(6,484)	**(6,484)**	
Transfers and Subsidies	(4,700,000)	352,174	**(4,347,826)**	(6,373,444)	**(2,025,618)**	
	(240,621,227)	**(12,975,268)**	**(253,596,495)**	**(344,953,874)**	**(91,357,379)**	
Total receipts	326,345,114	76,449,551	**402,794,665**	364,420,534	**(38,374,131)**	
Total payments	(240,621,227)	(12,975,268)	**(253,596,495)**	(344,953,874)	**(91,357,379)**	
Net cash flows from operating activities	**85,723,887**	**63,474,283**	**149,198,170**	**19,466,660**	**(129,731,510)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(118,103,033)	(24,533,552)	**(142,636,585)**	(85,882,900)	**56,753,685**	
Proceeds from sale of property, plant and equipment	1,322,500	5,177,500	**6,500,000**	(543,700)	**(7,043,700)**	
Net cash flows from investing activities	**(116,780,533)**	**(19,356,052)**	**(136,136,585)**	**(86,426,600)**	**49,709,985**	
Net increase/(decrease) in cash and cash equivalents	(31,056,646)	44,118,231	**13,061,585**	(66,959,940)	**(80,021,525)**	
Cash and cash equivalents at the end of the year	**(31,056,646)**	**44,118,231**	**13,061,585**	**(66,959,940)**	**(80,021,525)**	
Reconciliation						

1. Significant account policies

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

Summary of significant accounting policies

These standards are summarised as follows:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statement
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5 - Borrowing Costs
GRAP 9 - Revenue from Exchange Transactions
GRAP 11 -Construction Contracts
GRAP 12 - Inventories
GRAP 13 - Leases
GRAP 14 - Events After the Reporting Date
GRAP 16 - Investment Property
GRAP 17 - Property, Plant and Equipment
GRAP 18 - Segment Reporting
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 - Related Party Disclosures (Revised)
GRAP 21 - Impairment of Non-cash-generating Assets
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 - Presentation of Budget Information in Financial Statements
GRAP 25 - Employee Benefits
GRAP 26 - Impairment of Cash-generating Assets
GRAP 31 - Intangible Assets
GRAP 103 - Heritage Assets
GRAP 104 - Financial Instruments
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principals and Agents
GRAP 110 - Living and Non-living Resources
IGRAP 1 - Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2 - Changes in Existing Decomissioning Restoration and Similar Liabilities
IGRAP 3 - Determining Whether an Arrangement Contains a Lease
IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
IGRAP 10 - Assets Received from Customers
IGRAP 13 - Operating Leases – Incentives
IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services
IGRAP 16 - Intangible Assets – Website Costs
IGRAP 18 - Recognition and Derecogntion of Land
IGRAP 19 - Liabilities to Pay Levies
IGRAP 20 - Accounting for Adjustments to Revenue

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

Accounting Policies

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

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

Provisions

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

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Employee benefit obligation

The present value of the employee benefit 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 employee benefit obligation. 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 10.

Effective interest rate

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

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 - 50

Investment property is derecognised 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.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Investment property (continued)

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

1.6 Property, plant and equipment

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

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

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

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

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

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

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

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

Subsequent measurement – cost model
Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. 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 rates are based on the following estimated useful lives

Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings (mobile offices)	Straight-line	10 - 20
Buildings (other)	Straight-line	30 - 50
Plant and machinery	Straight-line	5 - 25
Furniture and office equipment	Straight-line	7 - 20
Motor vehicles	Straight-line	10 - 15
Infrastructure Assets (Roads and paving)	Straight-line	5 - 135
Community Assets (Halls)	Straight-line	15 - 50
Community Assets (Libraries)	Straight-line	15 - 30
Parks and Recreation	Straight-line	15 - 70
Wastewater network	Straight-line	10 - 30
Electricity	Straight-line	20 - 30
Landfill sites	Straight-line	25 - 30

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Derecognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

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.

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

1.7 Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

1.7 Site rehabilitation and restoration costs (continued)

As the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Financial instruments

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

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

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

1.8 Financial instruments (continued)

Classification of financial instruments

Financial assets

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

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

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Current portion of long-term receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Bank balances and cash	Financial asset measured at amortised cost

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

Financial liabilities

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

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost
Other creditors	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost:

1.9 Inventories

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

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

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.

Accounting Policies

1.9 Inventories (continued)

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

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

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.

Inventory consists of raw materials, work in progress, consumables, and finished goods, which are valued at the lower of cost, determined on the first-in-first-out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value

Other Arrengements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable. Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

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

1.10 Construction contracts expenditure and revenue

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

1.10 Construction contracts expenditure and revenue (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.11 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

1.13 Impairment of non-cash-generating assets

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

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

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-generati3ng unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

• Defined Contribution Plans:
The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

• Defined Benefit Plans:

Benefits
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

1.14 Employee benefits (continued)

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

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

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

Provincially-administered Defined Benefit Plans
The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans
The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

Measurement

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

. The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.The detailed plan includes:

the location, function, and approximate number of employees whose services are to be terminated; the termination benefits for each job classification or function; and the time at which the plan will be implemented.

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

The disclosure for commitments in the AFS includes the capital and operational commitments

Accounting Policies

1.16 Commitments (continued)

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Rendering of services

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

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

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

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

Service 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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

1.18 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

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 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.

1.20 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

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

Accounting Policies

1.22 Unauthorised expenditure (continued)

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

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

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

1.25 Segment information

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

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

1.25 Segment information (continued)

Measurement

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

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

The municipality's operations are aligned with its mandate to deliver basic services to the community. For internal management and external financial reporting purposes, activities are structured and reported on according to specific service delivery objectives. These segments are identified based on the nature of services, the resources allocated, and how performance is evaluated by management.

The following service delivery areas have been identified as significant operating segments:

- Community services
- Corporate Services
- Town Planning and Development Services
- Waste Management
- Technical Services
- Waste Management
- Finance

All other income and expenditure items that do not relate directly to these service areas are aggregated under the Administrative Function, as they are not considered separately reportable in the context of GRAP 18.

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2024 to 6/30/2025.

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

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

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item.

Accounting Policies

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

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 July 1, 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	April 1, 2099	Not expected to impact results but may result in additional disclosure

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2025			2024		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	79,929,184	(10,998,802)	68,930,382	85,899,842	(9,605,864)	76,293,978

Reconciliation of investment property - 2025

	Opening balance	Disposals	Transfers	Impairments	Depreciation	Total
Investment property	76,293,978	(488,546)	(5,970,658)	(115,857)	(788,535)	68,930,382

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	77,101,740	(807,762)	76,293,978

Pledged as security

All of the municipality’s investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

There are no contractual obligations on Investment Property

2.1 ***Investment Property carried at fair valu*e**
The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Investment property (continued)

2.2 ***Impairment of Investment Property***
The assessment was done and there was no impairment losses recognised on Investment Property of the municipality at the reporting date.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,315,486	1,114,892

4. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	2,237,082	-	2,237,082	2,237,082	-	2,237,082
Buildings	33,739,058	(10,991,491)	22,747,567	33,739,058	(10,140,305)	23,598,753
Machinery and Equipment	11,908,380	(3,479,637)	8,428,743	11,423,019	(2,575,055)	8,847,964
Furniture and Office Equipment	5,607,203	(3,063,662)	2,543,541	4,283,725	(2,757,140)	1,526,585
Motor vehicles	45,109,950	(28,414,559)	16,695,391	42,699,342	(25,785,610)	16,913,732
Computer Equipment	7,191,625	(3,419,560)	3,772,065	6,609,992	(3,362,461)	3,247,531
Infrastructure	690,212,118	(260,434,332)	429,777,786	606,813,825	(244,218,849)	362,594,976
Community Assets	78,359,800	(15,649,207)	62,710,593	78,041,614	(13,500,518)	64,541,096
Work in progress	37,554,305	-	37,554,305	52,027,080	-	52,027,080
Total	**911,919,521**	**(325,452,448)**	**586,467,073**	**837,874,737**	**(302,339,938)**	**535,534,799**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	2,237,082	-	-	-	-	-	-	2,237,082
Buildings	23,598,753	-	-	-	-	(851,186)	-	22,747,567
Machinery and Equipment	8,847,788	485,360	-	-	-	(904,582)	-	8,428,743
Furniture and fixtures	1,526,257	1,323,477	-	-	-	(306,521)	(399)	2,543,541
Motor vehicles	16,913,733	2,410,608	-	-	-	(2,669,622)	(1,894)	16,695,391
Computer Equipment	3,247,531	1,306,915	-	-	-	(808,768)	-	3,772,065
Infrastructure	362,595,004	-	(15,463,629)	109,317,933	-	(26,696,844)	(101,851)	429,777,786
Community	64,541,194	318,186	-	-	-	(2,148,686)	-	62,710,593
Work in progress	52,027,082	94,850,340	-	-	(109,317,933)	-	-	37,554,305
	535,534,424	**100,694,886**	**(15,463,629)**	**109,317,933**	**(109,317,933)**	**(34,386,209)**	**(104,144)**	**586,467,073**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	2,237,082	-	-	-	-	-	-	2,237,082
Buildings	24,452,271	-	-	-	-	(853,518)	-	23,598,753
Plant and machinery	9,670,942	54,704	(10,176)	-	-	(867,682)	-	8,847,964
Furniture and fixtures	1,186,718	689,267	(99,711)	-	-	(250,017)	-	1,526,585
Motor vehicles	19,583,256	2,310,231	(2,219,056)	-	-	(2,702,597)	(58,101)	16,913,732
Office equipment	2,622,151	1,568,961	(217,543)	-	-	(726,038)	-	3,247,531
Infrastructure	337,089,137	-	(152,143)	49,411,812	-	(23,707,000)	(46,801)	362,594,976
Community	66,682,928	-	-	-	-	(2,141,734)	-	64,541,096
Work in progress	35,032,052	66,406,842	-	-	(49,411,812)	-	-	52,027,080
	498,556,537	**71,030,005**	**(2,698,629)**	**49,411,812**	**(49,411,812)**	**(31,248,586)**	**(104,902)**	**535,534,799**

Pledged as security

No portion of property, plant and equipment has been pledged as security

Other information

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Disposals

Loss on Disposal of Assets and Liabilities	(16,495,875)	(1,136,695)

During the 2024/2025 financial year, the Municipality recorded a significant loss on the disposal of assets amounting to R16,495,875, compared to a gain of R1,136,695 in the prior year.

The substantial loss is mainly attributable to the following factors identified during the fixed asset verification and disposal process:

• Write-offs of infrastructure assets that were either damaged, demolished, or fully replaced by newly constructed infrastructure. These assets were derecognized from the asset register at their remaining carrying values, as they no longer contributed to service delivery.
• Replacement of roads and drainage infrastructure, including disposals related to projects such as:
  - Nyoka Ditch Drain
  - Nkomfeni Access Road
  - Kwebulana 2 Road
  - Nongatshi to Willow Access Road
• Impairment-related disposals where no proceeds were received and the assets had to be removed from the books at their residual values.
• In many instances, low-level components were not retained after reconstruction, which resulted in full derecognition of those components without any offsetting disposal income.

These disposals were necessary to align the asset register with the Municipality's current infrastructure status and to comply with GRAP 17 requirements for derecognition.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Tenza Bridge	2,863,580	2,863,580
Delayed As per initial Design/Plan the project cost amounted to R11,266.110.50 but the amount approved by MIG was R2,800,000.00. Due to financial constraints the project has been delayed and will be completed when financial resources are available.		
	2,863,580	**2,863,580**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	52,027,110	52,027,110
Additions/capital expenditure	94,845,098	94,845,098
Transferred to completed items	(109,317,873)	(109,317,873)
	37,554,335	**37,554,335**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	35,032,080	35,032,080
Additions/capital expenditure	66,406,842	66,406,842
Transferred to completed items	(49,411,812)	(49,411,812)
	52,027,110	**52,027,110**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	9,260,169	15,318,765

5. Operating lease Receivable

Current assets	5,174	19,604

Operating Leases relate to Property owned by the municipality with lease terms of 1 to 3 years (2024 25 1 to 3 years), with an option to extend

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period

The average escalation % of leases is between 5% to 10%, on a yearly basis

Variance explanation
Operating lease receivables decreased because all lease contracts came to an end, and the average rentals receivable have now aligned closer to the contracted rental amounts

6. Payables from exchange transactions

Accrued leave pay	32,510,084	30,564,535
Accrued bonus	3,338,065	3,092,845
Retentions	6,566,507	11,035,060
Unallocated Deposits	4,141,136	3,943,519
Other payables	597,907	597,907
Payables and Accruals	7,886,721	15,190,579
Exchange Transaction Receivables with Credit Balances	185,300	286,822
	55,225,720	**64,711,267**

7. Trade and Other Payable Non-exchange Transactions

Non- Exchange Transaction Receivables with Credit Balances	2,558,315	2,433,026

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. VAT payable

Opening balance as previously reported (Payable)	(1,904,601)	(1,459,196)
Add: VAT Output (payable)	(58,929,857)	(35,975,826)
Less: VAT Input (claims receivable)	56,708,884	35,530,416
VAT Receivables/(Payable)	**(4,125,574)**	**(1,904,606)**

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting

VAT is received and paid as required per the Value Added Tax Act No. 89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis (Category C).

9. Consumer deposits

Land Sales	6,639,424	5,138,811

Consumer deposits- Land Sales Deposits for Land Sales comprise deposits for properties sold, but not yet transferred. Transfer of these properties will be done on receipt of total payments. No Interest is paid on Consumer deposits held.

10. Employee benefit obligations

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

Carrying value		
Post-retirement Health Care Benefits Liability	(11,344,000)	(8,617,000)
Long Service Awards Liability	(10,273,000)	(9,618,000)
	(21,617,000)	**(18,235,000)**
Non-current liabilities	(20,590,000)	(16,969,000)
Current liabilities	(1,027,000)	(1,266,000)
	(21,617,000)	**(18,235,000)**

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Employee benefit obligations (continued)

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

Service cost	2,454,000	55,000
- Current service cost	680,000	608,000
Interest cost (passage of time / discounting)	714,000	851,000
- Gains & losses on settlement	1,060,000	(1,404,000)
Interest cost (passage of time / discounting)	1,063,000	1,071,000
	3,517,000	**1,126,000**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these quelitying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the detined benefit obligation were carried out at 30 June 2024 by Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the delined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	236	229
n-service Non-members (Employees)	88	86
Continuation Members (Retirees, widowers and orphans)	6	8
Total Members	**330**	**323**

The liability in respect of past service has been estimated as follows		
In-service Members (Employees)	6,947,000	5,781,000
Continuation Members	1,729,000	2,836,000
Total liability	**8,676,000**	**8,617,000**

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

Bonitas
Keyhealth
LA Health
Samwumed

The Current-service Cost for the year ending 30 June 2024 is estimated to be R608,000, whereas the cost for the ensuing year is estimated to be 680,000.

Figures in Rand	2025	2024

10. Employee benefit obligations (continued)

Key assumptions used

Principal actuarial assumptions at reporting date:

Long service award Obligation

Discount rate (p.a.)	9.70 %	11.00 %
General earnings inflation (p.a.)	4.70 %	6.10 %
CPI inflation (p.a.)	3.70 %	5.10 %
Expected Retirement Age	62	62

Post retirement Benefit Obligation

Discount rate (p.a.)	11.40 %	12.34 %
Medical aid contribution inflation (p.a.)	7.20 %	7.80 %
CPI inflation (p.a.)	5.40 %	6.30 %
Maximum subsidy inflation (p.a.)	4.80 %	5.48 %
Expected Retirement Age	62	62

11. Inventories

Land	61,836,691	56,703,533
Materials and Supplies	167,384	121,370
	62,004,075	**56,824,903**

Inventories are disclosed at the lower of cost or net replacement cost.

Movement and Reclassification of Land Inventory

The increase in inventory land during the 2024/2025 financial year is primarily due to the reclassification of land previously recognised as Investment Property as the intention shifted to sell the land in the ordinary course of operations. An amount of R5,970,658, relating to Commonage ERF 1, was transferred from Investment Property to Inventory, in accordance with the requirements of GRAP 16 – Investment Property and GRAP 12 – Inventories.

Inventory pledged as security

No inventory was pledged as security.

12. Receivables from exchange transactions

Gross balances		
Other (Contractor recovery)	2,278,253	2,278,253
Prepayments and Advances (Recoveries from staff)	25,211	25,211
Refuse	13,403,271	12,260,007
Sundry debtor	417,609	417,609
Property Rental Debtor	4,513,647	4,121,645
Insurance	627,188	996,069
	21,265,179	**20,098,794**

Figures in Rand	2025	2024

12. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Refuse	(10,968,220)	(11,355,008)
Property Rental Debtor	(3,810,940)	(3,817,398)
	(14,779,160)	**(15,172,406)**

Net balance		
Other (Contractor recovery)	2,278,253	2,278,253
Prepayments and Advances (Recoveries from staff)	25,211	25,211
Refuse	2,435,051	904,999
Sundry debtor	417,609	417,609
Property Rental Debtor	702,707	304,247
Insurance	627,188	996,069
	6,486,019	**4,926,388**

Other:		
Over a year (Sundry)	417,609	417,609
Over a year (Contractor recovery)	2,278,253	2,278,253
	2,695,862	**2,695,862**

Insurance		
Current (0 -30 days)	627,188	996,069

Prepayments and advances (Recoveries from staff)		
121 - 365 days	25,211	25,211

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Receivables from exchange transactions (continued)

Ageing Per Service type (Refuse)

	2025	2024
Current (0 -30 days)	194,470	234,220
31 - 60 days	220,676	202,176
61 - 90 days	194,649	257,891
91 - 120 days	181,347	178,785
121 - 365 days	12,612,129	11,386,935
	13,403,271	**12,260,007**

2025	Sum of 0-30	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Refuse (Aging per customer group)						
Business	78,361	99,137	84,940	74,446	4,628,514	4,965,398
Government Department	57,427	55,923	46,887	44,819	2,749,225	2,954,281
Place of Worship	508	498	496	493	43,051	45,046
Rental Debtors	3,449	3,376	2,405	2,347	146,956	158,533
Residential	54,726	61,741	59,921	59,241	5,044,384	5,280,013
	194,471	**220,675**	**194,649**	**181,346**	**12,612,130**	**13,403,271**

2024	Sum of 0-30	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Refuse (Aging per customer group)						
Business	114,992	83,291	100,157	69,265	3,959,947	4,327,652
Government Department	58,569	57,544	69,236	52,877	2,891,285	3,129,511
Place of Worship	551	460	695	455	37,123	39,284
Rental Debtors	3,255	3,226	3,877	3,169	127,496	141,023
Residential	56,853	57,655	83,926	53,019	4,371,084	4,622,537
	234,220	**202,176**	**257,891**	**178,785**	**11,386,935**	**12,260,007**

Figures in Rand	2025	2024

12. Receivables from exchange transactions (continued)

Ageing Per Service type (Property Rental Debtor)		
Current (0 -30 days)	71,632	78,496
31 - 60 days	66,166	77,246
61 - 90 days	63,128	94,029
91 - 120 days	70,834	75,434
121 - 365 days	4,241,887	3,796,440
	4,513,647	**4,121,645**

2025	Sum of 0-30	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Property Rental Debtor (Aging per customer group)						
Business	3,434	3,637	3,637	12,928	97,419	121,055
Government Department	12,962	12,962	12,962	12,962	1,564,318	1,616,166
Rental Debtors	52,054	48,207	45,169	44,944	2,476,496	2,666,870
Residential	3,181	1,360	1,360	-	103,655	109,556
	71,631	**66,166**	**63,128**	**70,834**	**4,241,888**	**4,513,647**

2024	Sum of 0-30	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Property Rental Debtor (Aging per customer group)						
Business	7,815	7,815	8,502	6,450	183,131	213,713
Government Department	12,962	12,962	19,460	12,962	1,402,275	1,460,621
Rental Debtors	56,693	56,469	65,803	56,022	2,107,641	2,342,628
Residential	1,027	-	264	-	103,392	104,683
	78,497	**77,246**	**94,029**	**75,434**	**3,796,439**	**4,121,645**

Consumer debtors past due but not impaired	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
2025					
Refuse Removal	61,362	26,145	18,097	142,274	247,878
Property Rental	4,020	-	9,290	-	13,310
	65,382	**26,145**	**27,387**	**142,274**	**261,188**

2024	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Refuse Removal	30,503	25,502	23,426	167,954	247,385
Property Rental	9,808	9,864	8,185	43,920	71,777
	40,311	**35,366**	**31,611**	**211,874**	**319,162**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(15,172,406)	(13,318,393)
Contributions to allowance	393,246	(1,854,013)
	(14,779,160)	**(15,172,406)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Receivables from non-exchange transactions

Gross balances		
Property Rates	63,282,539	51,815,404
Fines	3,176,717	2,907,017
	66,459,256	**54,722,421**
Less: Allowance for impairment		
Consumer debtors - Rates	(51,604,240)	(47,867,548)
Fines	(1,588,358)	(1,453,509)
	(53,192,598)	**(49,321,057)**
Net balance		
Consumer debtors - Rates	11,678,299	3,947,856
Fines	1,588,359	1,453,508
	13,266,658	**5,401,364**

Figures in Rand	2025	2024

13. Receivables from non-exchange transactions (continued)

Rates		
Current (0 -30 days)	1,318,157	1,564,504
31 - 60 days	1,648,046	1,511,846
61 - 90 days	1,399,755	1,564,478
91 - 120 days	1,351,019	1,338,426
121 - 365 days	57,565,562	45,836,150
	63,282,539	**51,815,404**

2025	Sum of 0-30	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Property Rates (Aging per customer group)						
Business	270,843	286,045	239,789	229,943	9,156,172	10,182,792
Government Departments	919,303	1,178,655	995,864	960,613	40,942,263	44,996,698
Place of Worship	1,447	1,429	1,411	1,394	13,849	19,530
Rental Debtors	5,282	5,404	5,368	5,332	370,111	391,497
Residential	56,176	73,734	59,398	56,489	2,702,546	2,948,343
Rural Schools	62,451	96,105	95,284	95,262	4,126,479	4,475,581
Vacant land	2,655	6,675	2,641	1,987	254,140	268,098
	1,318,157	**1,648,047**	**1,399,755**	**1,351,020**	**57,565,560**	**63,282,539**

2024	Sum of 0-30	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Property Rates (Aging per customer group)						
Business	468,671	404,711	356,851	304,514	7,220,118	8,754,865
Government Departments	908,067	937,548	1,013,955	875,201	32,647,651	36,382,422
Place of Worship	32	32	95	32	6,856	7,047
Rental Debtors	13,081	12,954	17,376	12,700	395,418	451,529
Residential	102,716	85,328	92,236	75,779	2,282,141	2,638,200
Rural Schools	69,030	68,512	79,468	67,477	3,058,167	3,342,654
Vacant land	2,906	2,761	4,497	2,723	225,798	238,685
	1,564,503	**1,511,846**	**1,564,478**	**1,338,426**	**45,836,149**	**51,815,402**

Consumer debtors past due but not impaired	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
2025					
Property Rates	447,527	407,545	391,369	12,547,622	13,794,063

2024	Sum of 31-60	Sum of 61-90	Sum of 91-120	Sum of >120	Total
Property Rates	244,295	237,174	196,906	3,302,591	3,980,966

Fines		
Current (0 -30 days)	1,588,359	1,453,508

Reconciliation of allowance for impairment		
Balance at beginning of the year	(49,321,017)	(33,494,337)
Contributions to allowance	(3,871,581)	(15,826,720)
	(53,192,598)	**(49,321,057)**

Figures in Rand	2025	2024

13. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Rates- Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in it's area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996

Determination of transaction amount

Rates - Rates are amounts determined in terms of section 11 of the Municipal Property Rates Act and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rate - Consumer receivables from rates are billed monthly. Interest is charged on 60 days + overdue consumer receivables at a rate of 16.5% per annum.

Fines - No interest or other charges are raised on outstanding fines.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under revlew are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information in to its credit risk control. No external credit rating is performed. Traffic fines are recognised in accordance with IGRAP 1.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	27,135,661	66,092,101

Cash and cash equivalents decreased due to a reduction in unspent grants during the current financial year, as well as a decline in investment balances

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
FNB- Primary Bank- 62022331003 (Primary)	3,390,671	1,113,529	2,350,670	3,390,671	1,113,529	2,350,670
FNB- 62101651398 (MIG)	63,425	22,354,234	2,965,567	63,425	22,354,234	2,965,567
FNB- Money Market - 620223323316 (INEP)	132,147	2,620,616	475,438	132,147	2,620,616	475,438
OPERATING INVESTMENT ACCOUNT-62160167500	228,066	148,321	6,340	228,066	148,321	6,340
RETENTIONS BANK ACCOUNT-62027101245	11,130,804	945,695	893,149	11,130,804	945,695	893,149
FMG ACCOUNT-62090678320	278,273	11,190,455	5,151,699	278,273	11,190,455	5,151,699
RESERVES BANK ACCOUNT-62026740549	902,047	77,662	7,019,713	902,047	77,662	7,019,713
PUBLIC SECTOR 32 DAYS ACCOUNT-9061149096	998,285	3,536,945	21,850,605	998,285	3,536,945	21,850,605
NEDBANK INVESTMENT A/C-03/7881052066/000003	-	10,090,822	10,095,836	-	10,090,822	10,095,836
STANDRD BANK INVESTMENT A/C-088795101-002	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
TRAFFIC INTSIKA YETHU MUNICIPALITY	11,942	4,013,822	213,312	11,942	4,013,822	213,312
Total	**27,135,660**	**66,092,101**	**61,022,329**	**27,135,660**	**66,092,101**	**61,022,329**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Municipal Disaster Response Grant	-	15,825,605

Movement during the year

	2025	2024
Balance at the beginning of the year	15,825,605	4,226,982
Additions during the year	121,889,883	230,148,444
Income recognition during the year	(137,715,488)	(218,549,821)
	-	**15,825,605**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest	Additions	Total
Landfill site	2,772,375	152,481	-	2,924,856
Performance Bonus	726,160	-	592,051	1,318,211
	3,498,535	**152,481**	**592,051**	**4,243,067**

Reconciliation of provisions - 2024

	Opening Balance	Interest	Utilised during the year	Total
Landfill site	2,627,844	144,531	-	2,772,375
Performance Bonus	964,507	-	(238,347)	726,160
	3,592,351	**144,531**	**(238,347)**	**3,498,535**

	2025	2024
Non-current liabilities	2,924,856	2,772,375
Current liabilities	1,318,211	726,160
	4,243,067	**3,498,535**

Environmental rehabilitation provision

An external valuation conducted in 2022 estimated the total rehabilitation cost to be R4,996,075.98. This cost is recognised using the amortised cost method, with an annual unwinding of the discount at a rate of 5.5%. Depreciation is applied using the straight-line method over 25 years, based on an asset value of R1,310,139.51.

As at 30 June 2025, the provision has increased by R152 480.63 due to the unwinding of the discount, and depreciation of R52,405.58 has been recognised for the year.

Performance Bonus

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date

17. Revenue

	2025	2024
Service charges	1,518,918	1,455,149
Construction contracts	7,523,478	25,626,311
Rental of facilities and equipment	1,276,990	1,192,741
Interest received (trading)	1,548,658	1,718,575
Agency services	1,106,406	1,086,856
Licences and permits	1,706,460	2,162,953
Operational Revenue	119,261	534,954
Sale of Goods and rendering of services	305,089	338,414
Interest received (Exchange)	7,355,259	8,435,517
Property rates	13,293,064	16,585,178
Government grants & subsidies	328,667,088	277,815,763
Fines, Penalties and Forfeits	167,140	142,586
Licences and permits (Non Exchange)	142,586	173,690
	364,730,397	**337,268,687**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1,518,918	1,455,149
Construction contracts	7,523,478	25,626,311
Rental of facilities and equipment	1,276,990	1,192,741
Interest received (trading)	1,548,658	1,718,575
Agency services	1,106,406	1,086,856
Licences and permits	1,706,460	2,162,953
Operational Revenue	119,261	534,954
Sales of Goods and Rendering of Services	305,089	338,414
Interest earned	7,355,259	8,435,517
	22,460,519	**42,551,470**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	13,293,064	16,585,178
Licences or permits	370,804	535,899
Transfer revenue		
Government grants & subsidies	328,667,088	277,815,763
Fines, Penalties and Forfeits	167,140	142,586
	342,498,096	**295,079,426**

18. Inventory Consumed

Consumables	820,954	765,954
Finished Goods	1,427,871	587,013
Materials and Supplies	5,493,547	4,081,731
	7,742,372	**5,434,698**
	7,742,372	5,434,698
	-	-
	-	-

Inventory consumed increased due to higher levels of brick manufacturing at the municipal brickyard and an increase in wet fuel consumption as a result of more plant hire activities on a dry rate basis

19. Service charges

Refuse removal	1,518,918	1,455,149

The amount disclosed above for revenue from Services Charges are in respect of services rendered which are billed to the consumers on a monthy basis according to approved tariffs.

20. Rental of facilities and equipment

Invetment Property	1,251,197	1,147,504
Other Fixed Assets: Property Plant and Equipment	-	1,504
Ad-hoc Rental Income from Other Fixed Assets	25,793	43,733
	1,276,990	**1,192,741**
Premises	-	-
Garages and parking	-	-
Facilities and equipment	1,276,990	1,192,741

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Rental of facilities and equipment (continued)

Rental income generated are at market related premiums.All rental income recognised is therefore market related.

21. Licences and permits

Trading	167,140	142,586

The Municipality earns revenue from business Licence ,applications Fees charged for new applications and renewals of business operating licences and hawkers licenses.

22. Agency services

Vehicle Registration	1,106,406	1,086,856

The municipality has a service level agreement with the Department of Transport to act as an agent for it in collection the revenue.

The municipality is party to a principal /agent agreement.

The municipality is an agent on behalf of the Eastern Cape Provincial Department of Transport in collecting motor vehicle licences at an agency fee of 19%, VAT inclusive.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal

23. Licences and permits

Road and Transport	1,706,460	2,162,953

The Municipality earns revenue from applications for driver's and learner'slicences, issuing of public driver permits, driver's and learner's licences, issue of roadworthy certificate.

24. Fines, Penalties and Forfeits

Law Enforcement Fines	72,150	57,850
Pound Fees Fines	28,954	44,669
Municipal Traffic Fines	269,700	433,380
	370,804	**535,899**

25. Interest from exchange receivables

Outstanding Billing Debtors	1,548,658	1,718,575

26. Interest on outstanding debtors

Outstanding Billing Debtors	6,226,739	5,005,526

27. Operational Revenue

Operational Revenue	119,261	534,954

Operational revenue decreased primarily because insurance refunds that were received in the previous financial year were not received in the current financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Sale of Goods and Rendering of Services

Building Plan Approval	61,191	23,171
Sale of goods	233,892	291,139
Entrance Fees	-	8,045
Cemetery and Burial	9,183	8,569
Clearance Certificates	556	1,021
Application Fees	267	6,469
	305,089	**338,414**

29. Investment revenue

Interest revenue		
Bank	7,355,259	8,435,517
	-	-
	7,355,259	8,435,517

30. Property rates

Rates received

Business and Commercial Properties	2,900,133	5,107,763
Residential Properties	349,245	1,045,563
Public Service Purposes Properties	9,974,681	10,403,299
Vacant Land	69,005	28,553
	13,293,064	**16,585,178**

The property rates revenue decreased from 16,585,178 in the prior year to 13,293,064 in the current year. the decrease is mainly attributable to the implementation of the new General Valuation Roll in terms of the Municipal Property Rates Act.

The revised roll resulted in a number of propeties being assigned to lower taxable values compared to the previous valuation roll.

31. Transfer and subsidies

Other subsidies		
Allocation in kind	8,064,027	3,117,619
Grants paid to ME's	-	-
Other subsidies	8,064,027	3,117,619

Transfers and subsidies increased because the municipality undertook an indigent registration drive which expanded the number of beneficiaries qualifying for Free Basic Electricity, resulting in higher subsidies than the previous year

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Government grants & subsidies

Operating grants		
Equitable share	208,343,000	197,942,000
Department of Sports, Recreation, Arts and Culture	990,000	536,665
CHDM Grant	320,000	316,200
Municipal Infrastructure Grant	3,227,457	3,108,682
Local Government Financial Management Grant	2,100,000	2,100,000
Expanded Public Works Programme Integrated Grant	1,914,000	1,749,323
LG SETA	287,941	257,185
	217,182,398	**206,010,055**

Capital grants		
Municipal Disaster Recovery Grant	45,083,605	27,355,390
Municipal Infrastructure Grant	56,938,541	44,450,318
Department OF Economic Development & Environmental	3,000,000	-
Small Town Rev Grant(OTP)	6,462,408	-
	111,484,554	**71,805,708**
	217,182,398	206,010,055
	111,484,554	71,805,708
	328,666,952	**277,815,763**

Equitable Share

This grant has been used to fund operational expenses within the municipality.

Department of Sports, Recreation, Arts and Culture

Balance unspent at beginning of year	-	36,665
Current-year receipts	990,000	500,000
Conditions met - transferred to revenue	(988,454)	(536,665)
	1,546	**-**

Conditions still to be met - remain liabilities (see note 15).

Expanded Public Works Program - Grant Transfer

Balance unspent at beginning of year	-	324
Current-year receipts	1,914,000	1,749,000
Conditions met - transferred to revenue	(1,914,000)	(1,749,324)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The Expanded Public Works Programme (EPWP) is an conditional grant and it was received from Department of Public Works for the purpose of the Extended Public Works Programme.

Local Government Financial Management Grant

Current-year receipts	2,100,000	2,100,000
Conditions met - transferred to revenue	(2,099,492)	(2,100,000)
	508	**-**

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Government grants & subsidies (continued)

The Financial Management Grant is a conditional grant . The purpose of the grant is to promote and support municipal financial management reforms and assist municipalities with the implementation of MFMA. The focus of the FMG Grant is to build awareness and undertake training on MFMA Reforms including budgeting, reporting and financial processes.

CHDM Grant

Current-year receipts	320,000	316,200
Conditions met - transferred to revenue	(320,000)	(316,200)
	-	-

Conditions still to be met - remain liabilities (see note 15).

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

Municipal Disaster Response Grant

Balance unspent at beginning of year	15,825,605	4,189,995
Current-year receipts	29,258,000	38,991,000
Conditions met - transferred to revenue	(45,083,213)	(27,355,390)
	392	**15,825,605**

Conditions still to be met - remain liabilities (see note 15).

The Disaster Grant is a conditional grant , the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the maintainance costs of access roads and related infrastructure. This grant is used for contingency measures put in place for disasters within the municipal area and creation of jobs..

Municipal Infrastructure Grant

Current-year receipts	60,166,000	47,559,000
Conditions met - transferred to revenue	(60,166,000)	(47,559,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The Municipal Infrastructure Grant is a conditional grant , the purpose of which is to provide all South Africans with at least a basic level of service through the provision of grant finance to cover the capital cost of fund access roads and related infrastructure.

LG SETA

Current-year receipts	287,941	257,185
Conditions met - transferred to revenue	(287,941)	(257,185)
	-	-

Conditions still to be met - remain liabilities (see note 15).

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

Small Town Rev Grant(OTP)

Current-year receipts	6,462,408	-
Conditions met - transferred to revenue	(6,462,408)	-
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

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

Department OF Economic Development & Environmental

	2025	2024
Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(3,000,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

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

Changes in level of government grants

Government grants and subsidies increased mainly because of a higher Equitable Share allocation, as well as new grants received such as the Small Town Revitalisation Grant (OTP) and the Department of Economic Development and Environmental Affairs grants.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs

Basic	102,455,981	92,211,859
13th Cheques	10,601,955	7,038,042
Medical aid - company contributions	9,853,251	8,943,968
UIF	697,800	675,654
Bargaining Council	51,377	44,985
Leave Pay	2,485,939	10,698,462
Long Service Award	567,060	515,270
Defined contribution plans	3,517,000	4,223,000
Travel, motor car, subsistence and other allowances	12,457,226	10,792,453
Overtime payments	3,687,561	3,631,629
Acting allowances	1,514,425	1,477,011
Housing benefits and allowances	1,387,363	1,253,083
Pension	16,600,067	15,001,620
Non-pensionable	523,870	-
Cellular and Telephone	1,370,356	1,185,855
Standby Allowance	722,914	952,785
Accommodation, Travel and Incidental	699,585	811,793
	169,193,730	**159,457,469**

Remuneration of Municipal manager

Annual Remuneration	1,018,272	1,018,272
Car and Other Allowance	241,097	241,097
Contributions to UIF, Medical and Pension Funds	91,397	89,271
Remote Allowance	68,100	68,100
Cellular and Telephone	77,446	77,446
Housing Benefits	201,924	201,924
	1,698,236	**1,696,110**

Remuneration of Chief Finance Officer (Former)

Performance Bonuses	126,824	-

Remuneration of Municipal manager (Former)

Performance Bonuses	161,130	-

Remuneration of Chief Finance Officer

Annual Remuneration	922,498	461,249
Car and Other Allowance	228,260	114,130
Contributions to UIF, Medical and Pension Funds	121,076	60,538
Cellular and Telephone	74,006	37,003
Housing Benefits	193,542	96,770
	1,539,382	**769,690**

Remuneration of the Director Corporate Services

Annual Remuneration	922,498	922,498
Car and Other Allowance	228,260	228,260
Performance Bonuses	62,771	-
Contributions to UIF, Medical and Pension Funds	121,076	121,076
Cellular and Telephone	74,007	74,007
Housing Benefits	193,542	193,542
	1,602,154	**1,539,383**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs (continued)

Remuneration of Directors Infrastructure and Planning

Annual Remuneration	922,498	992,498
Car and Other Allowance	228,260	228,260
Performance Bonuses	112,732	-
Contributions to UIF, Medical and Pension Funds	121,076	121,076
Cellular and Telephone	74,007	74,007
Housing Benefits	193,542	193,542
	1,652,115	**1,609,383**

Remuneration of Director Local Economic Development

Annual Remuneration	922,498	922,498
Car and Other Allowance	228,260	228,260
Performance Bonuses	53,804	-
Contributions to UIF, Medical and Pension Funds	121,076	121,076
Cellular and Telephone	74,007	74,007
Housing Benefits	193,542	193,542
	1,593,187	**1,539,383**

Remuneration of Director Community Services

Annual Remuneration	922,498	922,498
Car Allowance	228,260	228,260
Performance Bonuses	122,981	-
Contributions to UIF, Medical and Pension Funds	121,076	121,076
Cellular and Telephone	74,247	74,247
Housing Benefits	193,542	197,807
	1,662,604	**1,543,888**

34. Remuneration of councillors

Mayor	1,021,102	999,673
Chief Whip	782,630	767,158
Executive Committee Members	3,907,151	4,776,918
Speaker	825,523	807,596
Councillors (Sec 79)	12,703,140	11,817,814
	19,239,546	**19,169,159**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Mayor

Annual Remuneration	731,701	784,302
Car Allowance	246,201	172,571
Cell phone Allowance	43,200	42,800
	1,021,102	**999,673**

Chief Whip

Annual Remuneration	733,430	718,358
Cell phone Allowance	43,200	42,800
In-kind Benefits	6,000	6,000
	782,630	**767,158**

Executive Committee Members

Annual Remuneration	3,907,151	4,776,918

Speaker

Annual Remuneration	585,362	626,739
Car Allowance	196,961	138,057
Cell phone Allowance	43,200	42,800
	825,523	**807,596**

Councillors (Sec 79)

Annual Remuneration	10,633,928	9,189,541
Cell phone Allowance	1,431,081	1,665,601
In-kind Benefits	33,000	64,000
Travelling Allowance	605,131	898,672
	12,703,140	**11,817,814**

The Mayor and Speaker are full-time Councillors and each is provided with an office and secretarial support at the cost of the Municipality. The Mayor and Speaker utilise official Council transportation when engaging in official dutie

35. Depreciation and amortisation

Property, plant and equipment	34,341,264	31,248,593
Investment property	788,535	807,762
	35,129,799	**32,056,355**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Interest paid

Overdue Accounts	6,484	8,458

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Construction Contracts Expenditure

Construction Contracts paid	7,415,274	25,695,970

A contract between Intsika Yethu Municipality (IYM) and the Department of Energy amounting to R8,652,000 was recognized by the municipality as revenue during the current financial year. As the outcome of the construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized by reference to the stage
of completion of the contract at the reporting date.
The municipality determines the stage of completion of construction contracts in progress by the cumulative actual cost incurred (i.e. contract cost divided by contract value).
During the 2025 financial year, a total contract cost amounting to R7,415,274 was recognized and retention withheld amount to R506,819.53. The revenue recognized excludes VAT and amounts to R7,523,478.26.
This contract is no longer classified under capital work-in-progress (WIP) as in prior years. The municipality has correctly treated the expenditure as contract costs under exchange transactions in accordance with GRAP 11 and MFMA Circulars.
Variance explanations
The INEP Grant allocation decreased significantly from R25 626 311 in the prior year to R7 523 478 in the current year. All figures are presented excluding VAT. This reduction reflects the lower allocation received under the programme for the year

During the 2025 financial year, a total contract cost amounting to R7,415,274 was recognized and retention withheld amounted to R506,819.53. The expenditure recognized excludes VAT and amounts to R7,415,274.

This contract is no longer classified under capital work-in-progress (WIP) as in prior years. The municipality has correctly treated the expenditure as contract costs under exchange transactions in accordance with GRAP 11 and MFMA Circulars..

Variance explanation
Construction contract expenditure decreased as the INEP allocation reduced from R25 626 311 in the prior year to R7 523 478 in the current year. All amounts are disclosed excluding VAT

Costs incurred to date	**2025**
Electrification - 40, Tsojana, Chama	2,079,785.08
Electrification - Gcibala, Xolobe	1,743,777.58
Electrification Mangubomvu, Mhlahlane	2,890,206.19
Electrification - Ncora, Ndenxe,Thafe	579,902.95
Electrification of 55 IYM Households:Chamama Forest 21, Forty 08, Mkwinti 11, and Lower Tsojana 15	121,602.20
Grand Total	**7,415,274.00**

Costs incurred to date	**2024**
Electricification of Chamama phase 2	401,972.65

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Construction Contracts Expenditure (continued)

Electrification of Bholokodlela ,Cenyu,Mdukuthane ,Mbongiseni,Khalimashe ,Fubu,	2,077,296.83
Electrification of Bilatye	65,003.65
Electrification of Chamama Phindela	296,151.16
Electrification of Joe Slovo, Mnqanqeni,Mangubomvu and Khayamndi	2,647,091.69
Electrification of Mahlubini and Tsojana Phase 2	686,379.05
Electrification of Ncorha flats	373,784.08
Electrification of Ndenxe, Sigangeni, Melika, Ncora flats, Ncora irrigation, Matafeni, Mahlubini, Gxojeni, Ntsume,Qutsa, Sixhotyeni,Chamama, Tyelerha and Xeni	14,022,829.65
Electrification of Ntlonze, Khayamnandi, Mangubomvu, Mahlathini, Mnqaqeni,Nyamankulu,Joe slovo & Taiwan	820,911.07
Electrification of Ntlonze,Mahlathini, Nyamankulu,Taiwan	85,158.57
Electrification of Qolweni Sikhobeni, hange, madikeni and enqubeni	186,191.84
Electrification of Qutsa to Ndungwana	1 751 666.68
Electrification of Tyelera,Thafeni,Entshingeni,Sidubi,Qaqane,Phelandaba	509,831.40
Electrification of Tyelera,Thafeni,Entshingeni,Sidubi,Qaqaqne,Phelandaba	2,572,968.48
Electrification of Tyelerha, Bolokodlela, Thafeni, Entshingeni, Sdubi, Bilatye, Cenyu, Mdukuteni, Mbongeseni, Kalimashe, Fubu, Qaqane,phelandaba & Kengston	540,031.30
Grand Total	**25,695,970.00**

38. Impairment Losses

	2025	2024
Debt impairment	3,536,773	17,631,054

The reduction in property rates also lowered the billing base, which in turn reduced the debtors balance and directly affected the impairment calculation for the current year

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Operational cost

Advertising	928,873	647,800
External Audit Fees	5,616,277	5,354,286
Bank charges	3,837,795	290,816
Commission paid	2,679,353	2,816,125
Computer expenses	5,725,708	6,261,783
Consulting and professional fees	1,993,586	3,411,854
Public Participation Programs	819,449	2,182,793
Personnel Agency Fees [Personal Recruitment Cost]	35,555	67,152
Hire	840,062	440,606
Insurance	1,709,005	1,717,680
Conferences and seminars	781,806	65,786
Licences	324,373	324,956
Supplier Development Programme	134,330	334,776
Fuel and oil	2,562,137	4,955,800
Printing and stationery	-	122,855
Telephone and fax	1,805,784	1,113,773
Travel Agency and Visa's	166,154	125,200
Skills Development Fund Levy	1,486,795	1,352,137
Travel and Subsistence	2,062,821	2,101,117
Uniforms	927,477	886,619
Contribution to Provisions	152,481	144,531
Environmental Levy	149,430	-
Traditional Councillors and Ward committee Memmbers	2,162,448	3,363,067
Incentives Scheme	1,238,747	2,361,075
Municipal Services	10,285,358	8,544,099
Workman's Compensation Fund	345,825	300,000
Drivers licences and Permits	378,233	243,476
	49,149,862	**49,530,162**

40. Construction Contracts

Construction contracts (Revenue)	7,523,478	25,626,311

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Construction Contracts (continued)

Method used to determine the contract revenue recognised in the period

The revenue recognised is based on the amount of expenditure incurred by the municipality for INEP electrification projects, which is in terms of the stage of completion determined by the progress payments claimed by the respective contractors

Methods used to determine the stage of completion of contracts in progress.

The municipality determines the stage of completion of construction contracts in progress by the cumulative actual cost incurred (i.e. contract cost divided by contract value).

A contract between Intsika Yethu Municipality (IYM) and the Department of Energy amounting to R8,652,000 was recognized by the municipality as revenue during the current financial year. As the outcome of the construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract at the reporting date.

Other Information
During the 2025 financial year, a total contract cost amounting to R7,415,274 was recognized and retention withheld amount to R506,819.53. The revenue recognized excludes VAT and amounts to R7,523,478.26.

This contract is no longer classified under capital work-in-progress (WIP) as in prior years. The municipality has correctly treated the expenditure as contract costs under exchange transactions in accordance with GRAP 11 and MFMA Circulars.

Variance explanations
The INEP Grant allocation decreased significantly from R25 626 311 in the prior year to R7 523 478 in the current year. All figures are presented excluding VAT. This reduction reflects the lower allocation received under the programme for the year

41. Contracted services

	2025	2024
Outsourced Services		
Administrative and Support Staff	524,122	473,651
Animal Care	84,904	28,638
Business and Advisory	1,776,208	2,645,392
Catering Services	314,735	500,778
Cleaning Services	555,256	119,201
Personnel and Labour	520,982	542,131
Security Services	2,328,019	2,000,289
Electrical	644,865	164,368
Consultants and Professional Services		
Business and Advisory	7,544,168	8,224,856
Infrastructure and Planning	2,298,115	807,785
Legal Cost	724,243	1,045,010
Contractors		
Maintenance of Buildings and Facilities	2,990,417	3,015,281
Maintenance of Equipment	894,789	299,706
Maintenance of Plant and Machinery	3,438,760	4,453,922
Maintenance Roads Infrastructure	2,745,729	7,584,647
Plants, Flowers and Other Decorations	28,400	-
Transportation	26,108	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Contracted services (continued)

Presented previously	-	-
Outsourced Services	6,749,091	6,474,448
Consultants and Professional Services	10,566,526	10,077,651
Contractors	10,124,203	15,353,556
	27,439,820	**31,905,655**

42. Cash generated from operations

Surplus (deficit)	27,551,791	(2,492,185)
Adjustments for:		
Depreciation and amortisation	35,129,799	32,056,355
Loss on sale of assets and liabilities	16,495,875	1,136,695
Impairment loss (reversal)	220,001	(11,187)
Debt impairment	3,536,773	17,631,054
Movements in operating lease assets and accruals	14,430	26,942
Movements in retirement benefit assets and liabilities	3,382,000	1,451,000
Movements in provisions	152,481	(144,531)
Changes in working capital:		
Decrease / (Increase) in inventory	247,786	690,446
Decrease / (Increase) Receivables from exchange transactions	(1,166,385)	(2,687,108)
Decrease / (Increase) Receivables from non-exchange	(11,736,835)	(17,702,503)
(Decrease) / Increase in payables from exchange	(5,236,614)	33,920,029
(Decrease) / Increase VAT	2,220,968	445,405
Decrease / (Increase) in payables from non-exchange	125,289	659,510
(Decrease) / Increase in unspent grants	(15,825,605)	11,598,622
Consumer deposits	1,500,613	1,404,485
	56,612,367	**77,983,029**

43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	4,207,766	4,207,766
Cash and cash equivalents	27,135,420	27,135,420
	31,343,186	**31,343,186**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	23,130,402	23,130,402

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2,648,135	2,648,135
Cash and cash equivalents	66,092,101	66,092,101
	68,740,236	**68,740,236**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	31,053,887	31,053,887

44. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	4,471,681	22,108,599
Total capital commitments		
Already contracted for but not provided for	4,471,681	22,108,599

Authorised operational expenditure

	2025	2024
Already contracted for but not provided for		
• Procurement of Financial Reporting and AFS Tools	-	4,689
• Town and Regional Planners	-	172,500
• Supply and Delivery of Double Cab Bakkie	-	39,182
• Rental of Multi-Function Printing Solution	798,330	1,287,532
• Valuation Roll	-	275,000
• Installation and Maintenance (IT)	743,136	1,364,326
• Fleet Tracking Services	-	179,763
• Financial Support System	-	239,577
• Revitalisation Plan	-	172,090
• Installation, Monitoring of Alarm System and 24 Hours Armed Response	277,112	2,410,328
	1,818,578	**6,144,987**
Total operational commitments		
Already contracted for but not provided for	1,818,578	6,144,987

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	4,471,681	22,108,599
Authorised operational expenditure	1,818,578	6,144,987
	6,290,259	**28,253,586**

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Contingencies

Contigent liabilities

Asanda Bokoto /IYM 05/2020 On 20 Jan 2020, Plaintiff suing IYM claiming R100 000 in damages. Plaintiff alleges that on 7 July 2019, IYM Traffic Officer, Mr. M. Mtiya assaulted him while acting within the scope of his employment (vicarious liability	100,000	100,000
Freshman Sixabhayi // IYM & Minister of Police –Case No. EC/COF/RC 24/2023 Plaintiff claiming R280 000.00 from both defendants. He alleges that on 6-11-2023 his vehicle which had been stopped and impounded by IYM Traffic Officer, Mr. L. Songelwa, and kept at Tsomo SAPS Offices for being un-roadworthy was stolen from the offices. That IYM Traffic Officer failed to open a case or register the vehicle at SAPS when he arranged for its storage. As a result, Plaintiff alleges that his vehicle is missing even though there is information that the said vehicle was released by SAPS at his behest.	280,000	280,000
JG Afrika // IYM Plaintiff claiming R987 847.86 for what is invoiced as professional fees not paid for services purportedly rendered during surfacing of Tsomo roads	987,489	987,489
Pentecost Genius School (Case 17/2021) The plaintiff suing the municipality for damages of R65 876 .35 for their demolished structure. The matter was set down for hearing in March 2023 and was on the date further postponed.	65,876	65,876
Dalakuthethwa Wakeni (Case RC08/2021) The plaintiff is suing the municipality for the amount of R367 975.5 as he alleges that he was unlawfully removed as a Councillor and he claims because of this he was deprived from his monthly emoluments. The matter has not been set down for hearing.	367,976	367,976
	1,801,341	**1,801,341**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Related parties

Relationships	
Accounting Officer	M.Mabono
Chief Financial Officer	N.Combo
Director Infrastructure Planning and Development	K.Clock
Director Corporate Services	B.Zantsi
Director Community Services	K.Roto
Director Local Economic Development	S. Mbotshane
Honorable Mayor	K. Mdleleni
Speaker	Y.Zicina
Chief Whip	N.Ntsaluba
Exco Councillors	B.Mpengesi
	V.Matomela
	M.Toni
	A.Tshangana-Nkota
	N.Mafanya
	M.Skotana
	X Bomoyi
Womens Caucus Chairperson	N.Magaga
MPAC Chairperson	L.Makade
Public Participation Chairperson	M.Yamile
Rules And Ethics Chairperson	S.Mthimkhulu
Councillors	M.Ngwane
	X.Mini
	N.Bani
	P.Magazi
	N.Xoxo
	S Mangqangwana
	N.Mcaleni
	M.Mdumata
	N.Gadeni
	Z.Malusi
	S.Twani
	N.Nyandana
	Z.Cekiso
	L.Ngamlana
	M.Mrwetyana
	S.Ndondo
	N.Mnqanqeni
	N Sabata
	Z Mpengu
	M.Gulubela
	M Genu
	N.Mzizana
	L.Mfana
	N Giyose
	N.Mpofu
	N.Sindile
	N. Ludaka
	N.Mgqamqho
Traditional Leaders To Participate In Intsika Yethu Municipal Council	M.Sabata
	L.Nkwenkwezi

Remuneration of management

Management class: Board members

2025

46. Related parties (continued)

2024

47. Prior period errors

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Property, plant and equipment (Building)		25,835,835	-	(2,237,082)	23,598,753
Property, plant and equipment (Land)		-	-	2,237,082	2,237,082
Payables from non-exchange exchange transactions		3,190,566	(470,718)	(286,822)	2,433,026
Accumulated surplus		641,519,633	(8,173,341)	-	633,346,292
Payables exchange Transactions		57,412,269	7,012,176	286,822	64,711,267
VAT receivable/ (VAT Payable)		1,426,999	(2,864,233)	(467,372)	(1,904,606)
Receivables from exchange transactions		4,634,650	291,738	-	4,926,388
Receivables from non-exchange transactions		3,993,559	1,407,805	-	5,401,364
		738,013,511	**(2,796,573)**	**(467,372)**	**734,749,566**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Transfers and subsidies		3,584,990	-	(467,372)	3,117,618
Construction contracts(Revenue)		27,896,000	-	(2,269,689)	25,626,311
Remuneration of Councillors		19,337,602	-	(168,443)	19,169,159
Operational Cost		48,174,525	-	1,352,037	49,526,562
Employee related cost		157,908,701	2,732,361	(1,183,594)	159,457,468
Deficit for the year		**256,901,818**	**2,732,361**	**(2,737,061)**	**256,897,118**

Cash flow statement (Refer to Note 41 and Cash flow statement 2024)

47. Prior period errors (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Cash received from customers		36,376,200	-	1,050,701	37,426,901
Cash received from grants		317,394,581	(27,980,196)	-	289,414,385
Interest received		8,435,517	-	-	8,435,517
Cash paid to suppliers		(277,481,849)	20,156,222	-	(257,325,627)
Interest paid		(8,458)	-	-	(8,458)
		84,715,991	**(7,823,974)**	**1,050,701**	**77,942,718**
Cash flow from investing activities					
Purchase of property, plant and equipment		(71,030,005)	-	-	(71,030,005)
Proceeds from sale of property, plant and equipment		1,829,216	(1,829,216)	-	-
		(69,200,789)	**(1,829,216)**	**-**	**(71,030,005)**
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		61,022,328	-	-	61,022,328

Prior Period Error

The following prior period errors adjustments occurred:

Error : Omission of Cash Generated from Operations Disclosure & Cash Flow Statement Discrepancy

Nature of the prior error

The reconciliation between net surplus/deficit and cash generated from operations .This omission affected the transparency and completeness of the cash flow information presented. Key items such as non-cash movements and changes in working capital were not disclosed.

Correction:

- Updated the statement of cash flows and operating activity sections to reflect correct values
- Included the reconciliation as Note 44, clearly making 2024 year as restated

47. Prior period errors (continued)

Error : Payables from exchange transactions

Nature of the prior error

Leave Provision Error
During the preparation of the 2025 financial statement, a review of the leave provision revealed that in prior financial years(specifically FY2023), the provision was calculated using basic salary rather than gross earnings, as required by the entity's accounting policy in line with GRAP 25 - Employee benefits. This resulted in an understatement of the leave provision liability.

The amount of the correction is R 6 906 326.64

R286 822, which correctly relates to exchange transactions and remains disclosed under Payables from Exchange Transactions. This amount is supported by the debtors' ageing schedule (credit balance).
The remaining portion R2 443 024 , which relates to non-exchange transactions, and has been correctly reclassified to Payables from Non-exchange Transactions.

	Previously reported	Restated 2024	Adjustment
-	-	-	-
Accrued leaves pay	23,658,209.00	30,564,535.00	6,906,326.00
Accured bonus	3,092,845.00	3,092,845.00	-
Retention	11,035,060.00	11,035,060.00	-
Unnalocated Deposits	3,269,800.00	3,943,519.00	673,719.00
Other payables	597,907.00	597,907.00	-
Payables and Accruals	15,758,448.00	15,190,579.00	(567,869.00)
Control, Clearing and Interface Accounts	-	-	105,850.00
Exchange Transaction Receivables with Credit Balances		286,822	286,822
Control, Clearing and Interface Accounts	-	-	(105,850.00)

Error : Construction contracts

Revenue from INEP construction contracts was incorrectly recorded inclusive of VAT, instead of recognising VAT separately as a liability (output VAT payable)

This led to an overstatement of revenue, understatement of VAT payble and an overstatement of accumulated surplus in prior periods
Correction

- For the 2023/2024 financial year, an amount of R 27,896,000 was recognised inclusive of VAT by amount of R2,269,689 of which VAT has been reclassified to VAT payable and the restated amount now reflects R25,626,311 recognised.

- For the 2023/2024 financial year, an amount of R2,269,689 was removed from revenue and recognised as VAT payable
- For the 2023/2024 financial year, an amount of R1,739,166 was similarly adjusted and recorded against the opening balance of accumulated surplus as at 01 july 2024

47. Prior period errors (continued)

Error: Exchange Receivables and Non exchange

- Misclassification between receivables from exchange and non-exchange transactions
- Incorrectly impairment allowances.

Gross balances	Previously Reported	Restated	Adjustment
Property Rates	52,038,092.00	51,815,404.00	(222,688.00)
Fines	2,907,017.00	2,907,017.00	-
Refuse	12,976,993.00	12,260,007.00	716,986.00
Property Rental Debtor	4,158,351.00	4,121,645.00	36,706.00
Allowance for impairment			
Refuse	10,577,872.00	11,355,008.00	777,136.00
Property Rental Debtor	3,336,500.00	3,817,398.00	480,898.00
Property Rates	49,498,041.00	47,867,548.00	(1,630,493.00)
Fines	1,453,509.00	1,453,509.00	-
Net balance			
Refuse	2,399,121.00	904,999.00	1,494,122.00
Property Rental Debtor	821,851.00	304,247.00	517,604.00
Fines	1,453,509.00	1,453,509.00	-
repayments and Advances (Recoveries from staff)		25,211	25,211
Other (Contractor recovery)			2,278,253
Property Rates	2,540,051.00	3,947,856.00	(1,407,805.00)
Non- Exchange Transaction Receivables with Credit Balances	3,190,566.00	2,719,846.00	470,720.00

These issues resulted in the misstatement of receivable balances in the 2023/2024 AFS.
During the audit it was identified that the basic salaries were paid to employees whose contracts had been terminated.

This resulted in the overstatement of employee -related cost by R39,538.50
Recovered amount R14,327.5
Debtor raised R25,211
Correction:-Reversing the incorrectly recorded expenditure under Note 33 Employee Related Cost.-Recognising a debtor for the overpaid salaries.-Disclosing the unrecovered amount under fruitless and wasteful expenditure

Other (Contractor recovery)
During the review of the 2024/25 Annual Financial Statements, management identified that an amount of R 2 278 252.84 relating to the IYMI / Khubulemcbo Engineers legal matter (Case No. 742/2023) was incorrectly disclosed as a Contingent Asset in the prior financial year.

Subsequent legal correspondence confirmed that the court ruling in favour of the municipality was issued prior to year-end, resulting in an enforceable legal right to recover the amount. In term GRAP 1, once the inflow of economic benefits becomes virtually certain, the amount should be recognized as an asset, not as a contingent asset.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Prior period errors (continued)

As a result, Receivables from Exchange Transactions – Sundry Debtors were understated in the prior year.

Irregular expenditure

Add: Irregular expenditure - current	-	21,422,492
Adjustments made	-	23,165,395
Restated Irregular expenditure - current	**-**	**44,587,887**

Adjustment made to irregular expenditure is due to an omission of irregular expenditure R 23,165,395 made to MDRG in the 30 June 2024 financial statements.

Fruitless and wasteful expenditure

Opening balance	-	39,421,226
Adjustments made	-	25,211
Restated opening balance	**-**	**39,446,437**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to:.

During the audit, it was identified that salary payments totaling R39,538.50 were made to two employees after their termination dates. The full amount was initially recognised as employee-related costs. As of year-end, only R14,327.83 had been recovered, leaving an unrecovered balance of R25,210.67.

Unauthroised expenditure

Opening balance	-	28,855,566
Adjustments made	-	8,975,196
Restated opening balance	**-**	**37,830,762**

47. Prior period errors (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification: Basic Salaries Paid Post-Termination

During the audit it was identified that the basic salaries were paid to employees whose contracts had been terminated.

This resulted in the overstatement of employee -related cost by R39,538.50

Recovered amount R14,327.5
Debtor raised R25,211

Correction:
-Reversing the incorrectly recorded expenditure under Note 33 Employee Related Cost.
-Recognising a debtor for the overpaid salaries.
-Disclosing the unrecovered amount under fruitless and wasteful expenditure

Reclassification and Error: SDL Misclassified Under Employee Related Costs & Employee benefit obligations

During the current financial year, it was identified that the Skills Development Levy (SDL) totalling R1,183,594.00 was incorrectly classified under employee-related costs and Coucillor Remuneration R168,542.74 . The amount of R1,352,136.74 , in line with the mSCOA classification framework, has been reclassified to operational costs. The comparative figure for 2023 was not affected. This reclassification did not affect the surplus or accumulated surplus, only the classification of expenditure on the Statement of Financial Performance

Employee Related Costs. In accordance with the Municipal Standard Chart of Accounts (mSCOA),

SDL is a statutory obligation and must be classified under Operational Costs

Note 32 was adjusted to exclude the full SDL amount, and a corresponding adjustment was made to the note for Operational Costs. This reclassification ensures alignment with mSCOA functional and item segment requirements.

Employee obligations
During the review of employee benefit obligations, it was identified that the PEMA and LSA valuations for 2024 were understated.

The understatement amounted to R2 733 361, which represents:

Defined contribution plan R1 581 599
Leave Pay R1 190 40
Basic Salary R39 538
Travel, Motor car, subsistence and other allowance R100.

Prior Period Error – Omitted Contingent Liabilities

47. Prior period errors (continued)

During the review of contingent liabilities, management identified that two active legal cases, namely Pentecost Genius School (R65 876) and Dalakuthethwa Wakeni (R367 976), were incorrectly omitted from the prior year's contingent liability disclosure in the 2024 signed Annual Financial Statements.

Both cases were active as at 30 June 2024 and met the definition of a contingent liability in accordance with GRAP 19. Their omission resulted in incomplete disclosure of contingent liabilities in the prior year.

The error has been corrected by updating the 2024 comparative figures in Note 47 – Contingent Liabilities. The correction has no impact on the Statement of Financial Position, Statement of Financial Performance or Cash Flow Statement, as it relates only to disclosure.

Note Affected	**Amount Omitted in 2024**	**Correction**
Note 47 – Contingent Liabilities	433,852.00	Comparative updated

Prior Period Error: Reclassification of Land and Buildings & correction of Motor Vehicles

Land and Buildings
In the prior financial year, Land and Buildings were presented as a single line item in the Statement of Financial Position and supporting notes. During the current year, the municipality undertook a review of its asset register in line with the requirements of GRAP 17 – Property, Plant and Equipment, which prescribes separate recognition and measurement of land and buildings due to their differing nature, use, and depreciation treatment.

As a result, the municipality has reclassified Land and Buildings into separate line items to enhance the accuracy, transparency, and comparability of the financial statements. This reclassification is considered a prior period error in terms of GRAP 3 – Accounting Policies, Changes in Accounting Estimates and Errors, and has been corrected retrospectively.

The impact of this reclassification on the comparative figures is as follows:
This adjustment has no impact on the total carrying amount of Property, Plant and Equipment or the surplus/deficit reported for the year. The comparative figures have been restated accordingly.

Motor vehicles
Nature of Prior Period Error:
During the prior year, a transport asset was disposed of and the cost was derecognised in the system. However, the accumulated depreciation (R62,462.36) and accumulated impairment (R15,535.29) relating to the asset were not cleared in the system, leaving a residual balance of R77,997.65.

Correction of Error:
In the current year, these balances have been corrected by debiting the accumulated depreciation and impairment accounts and crediting accumulated surplus.

Cost Price	Previously reported	Adjustment	Restated
Buildings	35 976 140	(2 237 082.15)	33 739 057.85
Land	-	2 237 082.15	2 237 082.15

Carrying amount	Previously reported	Adjustment	Restated

Notes to the Annual Financial Statements

Figures in Rand			2025	2024

47. Prior period errors (continued)

Buildings	25 835 835	(2 237 082.15)	23 598 752

48. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Gearing Ratio

	2025	2024
Cash and cash equivalents	27,135,420	66,092,101
Net Debt	27,135,420	66,092,101
Equity	669,885,837	633,346,292
	(4)%	**(10)%**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

The Gearing Ratio of the municipality is currently negative, due to the municipality having no debt. If the value is negative, then this means that the municipality has net cash, i,e cash at hand exceeds debt.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Risk management (continued)

Liquidity risk

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.

The maturity analysis below shows the remaining contractual maturities of the entity's financial liabilities based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities..

At June 30, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	19,377,571	-	-	-
Payables from non-exchange transactions	2,558,315	-	-	-

At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	31,053,887	-	-	-
Payables from non-exchange transactions	2,433,026	-	-	-

The table below analyses the municipality’s derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Variance Explanation – Financial Liabilities

The total contractual financial liabilities decreased from R31,053,887 to R19,377,571 in 2025, a reduction of R11,676,316. The movement is mainly due to:

Retentions payable decreased from R11,035,060 to R6,566,507 reflecting the settlement of prior year project retentions following contractor performance certification.

Payables and accruals also reduced slightly (R15,190,579 to R7,886,721) due to improved year-end settlement of supplier accounts.

These decreases were partly offset by an increase in unallocated deposits (R3,943,519 to R4,141,136), relating to consumer receipts not yet allocated at year-end.

48. Risk management (continued)

Credit risk

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.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Trade and Other Receivables There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Financial instrument	2025	2024
Receivables from Exchange Transactions	4,207,766	2,648,135
Bank, Cash and cash Equivalents	27,135,420	66,092,101

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate 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 consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Stanc Bank, No investments with a tenure exceeding twelve months are made, Long term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Going concern

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

50. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

	2025	2024
Unauthorised expenditure	37,830,762	28,855,566
Irregular expenditure	130,256,061	114,430,456
Fruitless and wasteful expenditure	39,402,863	39,370,790
Closing balance	**207,489,686**	**182,656,812**

51. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	37,830,762	10,004,643
Add: Unauthorised expenditure - current	53,732,357	18,850,923
Add: Unauthorised expenditure - prior period	-	8,975,196
Closing balance	**91,563,119**	**37,830,762**

The current year's unauthorised expenditure is as a result of the assessment conducted for immovable assets classified as "in bad condition" and duly impaired. For non cash items and cash alike, the anauthorised expenditure results from basic services and employee costs, such as other allowances, overtime, standby that were under budgeted for. Unauthorised expenditure has been tabled to Council and was referred to MPAC.

Analysed as follows: non-cash

	2025	2024
Depreciation and amortisation	5,042,843	1,160,728
Impairment Loss	16,495,875	1,136,695
Provision of impairment	-	7,425,796
	21,538,718	**9,723,219**

Analysed as follows: cash

	2025	2024
Finance cost	2,136	3,900
Operational Costs	13,854,656	3,764,480
Sale of Inventory Consumed	1,082,372	1,514,698
Employee related costs	15,228,857	12,819,824
Transfers and Subsidies Paid	2,025,618	-
	32,193,639	**18,102,902**

52. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	39,396,001	39,362,332
Add: Fruitless and wasteful expenditure identified - current	6,862	8,458
Add: Prior period error	-	25,211
Closing balance	**39,402,863**	**39,396,001**

Fruitless and wasteful expenditure is presented inclusive of VAT.The AGSA raised findings querying the existence of infrastructure assets which were capitalised to work-in-progress since the commencement of the prodamme. Of the total of R21 705 237.80 raised as a finding, R5 313 219.39 was incurred in 2018/19 from a different service provider and was in fact verifiable and accurately capitalised in terms of that supplier's service level agreement.

The remaining R16 281 839.16 (excl.VAT) did not meet the requirements to be recognised as an asset. The municipality appointed engineers to assess and investigate the work done on site relating to the project. The outcome of this investigation is still pending.

52. Fruitless and wasteful expenditure (continued)

Transfers and Subsidies: Free Basic Services(Electricity) payments made for households who are not beneficiaries of Indigent. Fees to the amount of R678 491 were paid over to Eskom for individuals who no longer qualifies for subsidy. Eskom was instructed to delete the old data, upload the new data as per the approved Indigent Register and a formal correspondence will be sent to Eskom for recovery of the fruitless expenditure

53. Irregular expenditure

	2025	2024
Opening balance as previously reported	114,430,456	69,842,569
Add: Irregular expenditure - current	15,825,605	21,422,492
Add: Irregular expenditure - prior period	-	23,165,395
Closing balance	**130,256,061**	**114,430,456**

Disciplinary steps taken/criminal proceedings

Prior years Irregular Expenditure was referred to MPAC for investigation by Council, furthermore council recommended that MPAC support be sourced through an appointment of a service provider.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2025	2024
Current year subscription / fee	1,703,908	1,726,047
Amount paid - current year	(1,703,908)	(1,726,047)
	-	-

Audit fees

	2025	2024
Current year subscription / fee	5,616,277	5,354,286
Amount paid - current year	(5,616,277)	(5,354,286)
	-	-

PAYE and UIF

	2025	2024
Opening balance	(3,004)	(3,104)
Current year subscription / fee	28,124,922	25,835,774
Amount paid - current year	(28,125,844)	(25,835,674)
	(3,926)	**(3,004)**

Pension and Medical Aid Deductions

	2025	2024
Opening balance	23,809	3,626
Current year subscription / fee	44,034,750	39,071,028
Amount paid - current year	(44,040,823)	(39,050,845)
	17,736	**23,809**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

VAT

VAT receivable	56,708,884	35,530,416
VAT payable	(60,834,458)	(37,435,022)
	(4,125,574)	**(1,904,606)**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted throughout the year.

55. 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.

Payday Software

The Municipality has access to use Payday Software Systems for its management of leaves and processing of salanes; however, the licence, support and training has lapsed. The normal process of getting this service is impractical as Payday Software Systems is the Sole provider of the right to issue licence, support, and training on their system. It is against this background that its impractical for follow normal processes to get these services.

Construction and rehabilitation of disaster roads

The council took a resolution to apply for Dissaster Grant so as to rescue the community members with natural disaster for local roads, bridges and stormwater infrastructure

Opening balance as previously reported	311,580	-
Incurred during the year	538,456	311,580
Closing balance	**850,036**	**311,580**

. (continued)

Segment information

The municipality is organised and reports to management on the basis of Six major functional areas: Community Services, Corporate Services, Finances, Mayor and Council, Municipal Managers Offices, Planning (LED), Technical and Services/Planning. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.Segments were aggregated for reporting purposes.

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

The municipality's operations are in the Eastern Cape Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

Althought the municipality operations in a number of georgraphic areas (i.e wards), the georgraphic information is not considered relevant to management for decision making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards.Therefore,the municipality has assessed that it operates in a single georgraphic area.

Aggregated segments

The municipality operates throughout the Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape Province were sufficiently similar to warrant aggregation.

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 services	This segment consists of all services for community and social development services
Corporate Services	This segment consists of all services for corporate safety
Town Planning and Development Services	This segment do the planning and development of all services such as Road Transport and Energy sources in the municipal area.
Municipal Managers Offices	This segment consist of all services for the management of solid waste in the municipal area.
Technical Services	This Segment consists of infrastructure services for road and storm water,including related maintenance services
Finance	This segment consists of services such as services,support services to the executive and finance and administration services and other minor services rendered in the municipal jurisdiction area.

Notes to the Annual Financial Statements

Figures in Rand

Revenue	Community Services	Corporate Services	FINANCE	Mayor and Council	Municipal Manager`s Office	Planning (LED??)	Technical Services/Planning	Total
Exchange Revenue	**3,234,560.70**		**11,572,484.56**		**9,260.88**		**7,533,424.42**	**22,460,517.48**
Agency Services			1,106,406.07					1,106,406.07
Interest on outstanding debtors			1,548,658.00					1,548,658.00
Interest received - investment			7,355,259.00					7,355,259.00
Licences or Permits	1,706,459.59							1,706,459.59
Operational Revenue			-		9,260.88			119,261.00
Rental from Fixed Assets	-		1,276,203.20				-	1,276,990.00
Sales of Goods and Rendering of Services	9,182.63		285,958.29				9,946.42	305,087.34
Service Charges	1,518,918.48							1,518,918.48
Construction contracts							7,523,478.00	7,523,478.00
None exchange Revenue	**2,431,555.67**	**287,940.85**	**239,865,567.41**			**320,000.00**	**104,129,188.24**	**348,724,699.36**
Fines, Penalties and Forfeits	72,150.00		298,654.30					370,804.30
Interest			6,226,739.00					6,226,739.00
Licences or Permits			167,140.06					167,140.06
Property Rates by Usage			13,293,064.00					13,293,064.00
Transfers and Subsidies	2,359,405.67	287,940.85	219,879,970.05			320,000.00	104,129,188.24	328,666,952.00
Total segment revenue	**5,666,116.37**	**287,940.85**	**251,438,051.97**	**-**	**9,260.88**	**320,000.00**	**111,662,612.66**	**371,185,216.84**
Expenditure	**65,100,511.97**	**32,614,074.87**	**118,473,541.52**	**2,662,255.94**	**56,596,472.05**	**14,228,394.97**	**51,346,726.87**	**341,942,980.96**
Employee Related Cost	44,102,549.59	27,292,567.35	23,618,865.50		24,920,328.11	11,369,162.86	37,177,530.20	169,193,730.00
Remuneration of Councillors				2,662,255.94	16,577,291.31			19,239,547.25
Depreciation and Amortisation	2,148,686.28		33,026,040.62				-	35,129,799.00
Finance costs			6,483.56					6,483.56
Construction Contracts Expenditure			7,415,274.28					7,415,274.28
Contracted Services	2,528,529.06	137,986.00	8,077,033.37		2,400,772.49	2,231,403.44	12,142,891.75	27,439,820.00
Transfers and Subsidies	6,373,444.00		-					6,373,444.00
Inventory Consumed		171,421.29	6,634,293.65		-		936,656.93	7,742,371.87
Operational Cost	9,947,303.04	5,012,100.23	19,662,902.54		12,698,080.14	627,828.67	869,646.99	49,149,862.00
Impairment loss/ Reversal of impairments							220,001.00	220,001.00
Loss on disposal of assets and liabilities			16,495,875.00					16,495,875.00
Debt Impairment			3,536,773.00					3,536,773.00
Total segmental surplus/(deficit)	**(59,082,853.32)**	**(32,326,134.02)**	**132,973,394.55**	**(2,662,255.94)**	**(56,587,211.17)**	**(13,908,394.97)**	**60,374,839.15**	**29,242,235.88**

Notes to the Annual Financial Statements

Figures in Rand

2025	Community Services	Corporate Services	FINANCE	Mayor and Council	Municipal Manager`s Office	Planning (LED??)	Technical Services/Planning	Total	
Assets									
Current Assets			**106,619,092.40**					**106,619,092.40**	
Cash and Cash Equivalents			27,135,420.00					27,135,420.00	
Inventory			62,004,074.14					62,004,074.14	
Operating Lease - Straight Lining			5,174.26					5,174.26	
Receivables from Non-exchange Transactions			13,266,658.00					13,266,658.00	
Trade and Other Receivables from Exchange Transactions			4,207,766.00					4,207,766.00	
Non-current Assets	**424,371.97**	**450,445.42**	**649,082,459.22**	**-**	**1,527,288.47**	**128,237.00**	**3,784,652.12**	**655,397,454.20**	
Construction Work-in-progress			34,253,512.88				3,300,792.12	37,554,305.00	
Investment Property			68,930,381.20					68,930,381.20	
Property, Plant and Equipment	424,371.97	450,445.42	545,898,565.14		1,527,288.47	128,237.00	483,860.00	548,912,768.00	-
Liabilities									
Current Liabilities			**70,894,244.19**					**70,894,244.19**	
Consumer Deposits			6,639,424.19					6,639,424.19	
Employee benefit obligation			1,027,000.00					1,027,000.00	
Provision			1,318,211.00					1,318,211.00	
Trade and Other Payable Exchange Transactions			55,225,720.00					55,225,720.00	
VAT Payable			4,125,574.00					4,125,574.00	
Unspent conditional grants and receipts			-					-	
			2,558,315.00					2,558,315.00	
Payables from non-exchange exchange transactions									
Non current Liabilities			**23,514,856.00**					**23,514,856.00**	
Employee benefit obligation			20,590,000.00					20,590,000.00	
Provisions			2,924,856.00					2,924,856.00	
Total liabilities as per Statement of financial Position			**94,409,100.19**					**94,409,100.19**	

56. Budget differences (continued)

Reasons for Variances between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

VARIANCE EXPLANATIONS: BUDGET VS ACTUAL (EXCEEDING 10%)

REVENUE
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A - Rental of Facilities and Equipment
The rental income is higher than what we budgeted because more people used our municipal buildings and properties than expected. Most of the income came from renting out investment property, and we also received small amounts from once-off (ad-hoc) rentals. This was not fully planned for in the budget, which is why the actual amount is higher.

B - Interest Received (Trading)
The interest received from outstanding debtor accounts was lower than what we budgeted for. This is because fewer customers had overdue balances, so less interest was charged and collected.

C – Operational Revenue
The variance is due to overestimation of sundry revenue, especially proceeds from auction sales, cost recoveries and other non-recurring items..

D – Sales of Goods & Rendering of Services
The high variance relates to lower-than-anticipated service delivery recoveries..

E – Interest Received – Investment
Interest earned exceeded projections due to higher average cash balances held and improved interest rates from investment accounts.

F – Licences and Permits
Lower revenue was recorded due to a decline in application..

G – Fines, Penalties and Forfeits
There was a significant decline in fines issued and collected due to reduced traffic enforcement activities..

H - Property Rates
The variance is due to fluctuations in the collection rate as well as adjustments made to the valuation roll impacting revenue recognised.

I - Interest – Non-exchange Transactions
Higher interest charged on overdue statutory receivables contributed to the increase, mainly from outstanding property rates

EXPENDITURE

J - Employee Related Costs
The variance is due to notch increases, overtime, and vacancy filling that occurred during the year, which were not fully captured in the adjustments budget

K – Depreciation and Amortisation
Depreciation exceeded budget due to a reassessment of asset useful lives and the full year impact of prior year capitalisations which were not adequately factored into the budget.

L – Operational Costs
The overspending arose from increased costs in audit fees, legal services, and community outreach programmes that were not adequately provided for in the final adjustments budget.

M - Sale of Inventory Consumed
The spending is higher because the municipality used more fuel than what was planned in the budget.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Budget differences (continued)

N - Transfers & Subsidies
The amount is higher because the municipality received more indigent applications than expected, which resulted in more households qualifying for support.

STATEMENT OF FINANCIAL POSITION

O– Inventories
The increase in inventory land during the 2024/2025 financial year is primarily due to the reclassification of land previously recognised as Investment Property as the intention shifted to sell the land in the ordinary course of operations.

P – Receivables from Exchange Transactions
This drop is attributed to write-offs of long-outstanding debtors.

Q – Cash and Cash Equivalents
The significant decline is due to higher spending on capital projects.