Emalahleni Local Municipality
(Demarcation code EC136)
Annual Financial Statements
for the year ended 30 June 2025

General Information

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

Executive mayor and chairperson of mayoral committee

Portfolio	**Councillor**
Mayor and chairperson of mayoral committee	NF Koni
Speaker	M Mtyobile
Chief WHIP	X Lali- deceased July 2025
Portfolio Head - Corporate Services	S Nyukwana
Portfolio Head - Community Services	Z Bebeza
Portfolio Head - Planning, Economic Development, Tourism & Agriculture (PEDTA)	M Tom
Portfolio Head - Infrastructure Development & Human Settlements (IDHS)	X Lali - deceased July 2025
Portfolio Head - Budget & Treasury Office (BTO)	S Kowa

Executive management

Position	**Name**
Municipal Manager	POB Makoma
Chief Financial Officer (CFO)	B Lubelwana- appointed 1 December 2024
	XC Sikobi - resigned 31 August 2024
Director - Corporate Services	TT Madotyeni - appointed 20 January 2025
	T Javu - resigned 31 October 2024.
Director - Community Services	MSV Gatyeni
Director - PEDTA	N Mntuyedwa
Director - IDHS	M Lehlehla resigned on 31 May 2025

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
1.	Bangisa	W	2.	Oyiya	M
3.	Songo	NM	4.	Ndlela	T
5.	Malotana	S	6.	Matyobeni	VE
7.	Hlanganyana	A	8.	Lali	X
9.	Mzandisi	US	10.	Kraqa	N
11.	Bidi	Z	12.	Qomoyi	M
13.	Nyukwana	S	14.	Mtyobile	N
15.	Macithi	V	16.	Maratana	S
17.	Nqono	N	18.	Mketi	B
19.	Qali	Z	20.	Mnyuko	V
21.	Kowa	S	22.	Limba	MS
23.	Peter	NC	24.	Bebeza	Z
25.	Twala	BP	26.	Tom	Z
27.	Kupiso	S	28.	Mnyolo	NB
29.	Masiza	MP	30.	Mxathule	B
31.	Kulashe	T	32.	Koni	NF
33.	Mahola- replaced in October 2024	Z	34.	Sibeko	YN
			35.	Ngqaqu	N

I certify that the remuneration, allowances and benefits of the above Councillors as disclosed in note 36 of the annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

Members of the Audit Committee

Chairperson	Mr AM Langa - Appointed 03 February 2025
Member	Dr N Mzamo - Appointed 03 February 2025
Member	Mr A Makhabeni - Appointed 01 April 2025
Member	Ms L Sonqishe - Appointed 01 May 2025

Grading of local authority	Grade 2
Accounting Officer	POB Makoma
Chief Financial Officer (CFO)	B Lubelwana
Registered head office	37 Indwe Road Cacadu 5410
Postal address	Private Bag X1161 Cacadu 5410
Bankers	Standard Bank 92 Cathcart Road Komani 5320 Refer to note 7
Auditors	Auditor-General of South Africa (AGSA) Registered Auditors

General Information

Legal representative	Tonise Incorporated Taleni, Kupiso and Godi Attorneys Luzipho Incorporated Phillip and Partners Attorneys

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance and Traditional Affairs
GRAP	Generally Recognised Accounting Practice
DORA	Division of Revenue Act
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Local Government: Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSIG	Municipal System Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
SCM	Supply Chain Management
PAYE	Pay as You Earn
UIF	Unemployment Insurance Fund
EPWP	Expanded Public Works Programme
MDRG	Municipal Disaster Recovery Grant
INEP	Integrated National Electrification Programme
IDHS	Infrastructure Development and Human Settlements
PEDTA	Planning, Economic, Develoment Tourism and Agriculture

Accounting Officer's Responsibilities and Approval

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

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

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

I as the Accounting Officer acknowledges that Iam 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government grant funding 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, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 36 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 8 to 110, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act (Act 6 of 2003), fairly represent the municipality's financial position, financial performance and cash flows and have been prepared on the going concern basis, which I have signed on behalf of the municipality on 29 August 2025.

Acting Accounting Officer
TT Madotyeni

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services (electricity, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 73 281 153 (2024: surplus R 46 362 805).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 618 429 268 and that the municipality's total assets exceed its liabilities by R 618 429 268.

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.

3. Subsequent events

The Chief Whip X Lali passed on in July 2025.

The Accounting Officer POB Makoma resigned from her office in September 2025.

The Council of Emalahleni resolved to place the Chief Financial Officer, Mrs. Busisiwe Lubelwana on precautionary suspension effective from 17 November 2025. Council further, appointed Mr. Lwandile Juwele as the Acting Chief Financial Officer.

In light of the challenges including capacity constraints faced by the municipality, a letter was written to Provincial Treasury to second an official to assist with the finalisation of the Annual Financial Statements and Audit Related matters. Provincial Treasury seconded an official.

These events are non adjusting as they do not affect the transactions or balances as at 30 June 2025.

The Acting Accounting Officer is not aware of any other matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

4. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The annual financial statements prepared in accordance with the MFMA and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the MFMA

6. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
TT Madotyeni (Acting Municipal Manager)	South African

7. Changes to councillors

During the year the following changes to councillors occurred:

Accounting Officer's Report

7. Changes to councillors (continued)

Ward 4 Councillor Mr A Hlanganyana passed on in June 2025 and his seat was been declared vacant effective from 26 June 2025. Councilor N Kraqa was appointed to act as ward 4 councillor in the meantime.

Councillor Z Mahola was replaced by N Ngqaqu effective 9 October 2024.

No other changes besides the above occurred during the year.

8. Changes to Executive Management

The Chief Financial Officer Mr X Sikobi resigned on 31 August 2024 and his replacement Mrs B Lubelwana was appointed on effective from 01 December 2024.

The Director Corporate Services TT Javu resigned on 31 October 2024 and T Madotyeni was appointed effective from 20 January 2025.

The Municipal Manager was placed on suspension on 26 June 2025 and TT Madotyeni was appointed to act in her position effective 26 June 2025 to 30 September 2025.

The IDHS director M Lehlehla resigned on 31 May 2025.

9. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

10. Non-compliance with applicable legislation

In terms of section 65 (2)(e) of the Municipal Finance Act (No. 56 of 2003), all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

The annual financial statements set out on pages 8 to 110, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August 2025 and were signed on its behalf by:

Acting Accounting Officer
TT Madotyeni

Statement of Financial Position as at 30 June 2025

Figures in Rands	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Operating lease asset	3	33 272	29 465
Receivables from exchange transactions	4	8 563 367	5 549 524
Receivables from non-exchange transactions	5	8 365 351	5 857 712
Input VAT accrual	6	3 589 295	2 156 978
Cash and cash equivalents	7	135 371 168	133 845 814
		155 922 453	**147 439 493**
Non-Current Assets			
Investment property	8	1 519 340	1 561 663
Property, plant and equipment	9	570 370 617	497 255 484
Intangible assets	10	138 188	264 330
Heritage assets	11	182 536	182 536
		572 210 681	**499 264 013**
Total Assets		**728 133 134**	**646 703 506**
Liabilities			
Current Liabilities			
VAT payable	14	12 176 785	7 271 030
Payables from exchange transactions	12	34 855 647	22 635 287
Output VAT accrual	13	643 199	309 570
Consumer deposits	15	106 240	97 955
Employee benefit obligation	16	11 532 047	9 958 883
Unspent conditional grants and receipts	17	4 845 101	20 632 993
Provisions	18	13 387 324	2 140 967
Bank overdraft	7	142 431	-
		77 688 774	**63 046 685**
Non-Current Liabilities			
Employee benefit obligation	16	18 201 425	15 449 591
Provisions	18	13 813 667	23 059 115
		32 015 092	**38 508 706**
Total Liabilities		**109 703 866**	**101 555 391**
Net Assets		**618 429 268**	**545 148 115**
Accumulated surplus		618 429 268	545 148 115
Total Net Assets		**618 429 268**	**545 148 115**

* See Note 67

Statement of Financial Performance

Figures in Rands	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	32 926 191	32 786 616
Sales of goods and rendering of services	22	139 534	169 267
Construction contracts	21	38 524 697	21 551 676
Rental from fixed assets	23	213 501	398 909
Interest from receivables	24	8 097 535	6 939 039
Agency services	25	1 234 447	1 405 983
Licences and permits	26	706 246	668 245
Operational revenue	27	148 684	1 372 498
Interest received - investment	28	14 194 186	12 829 760
Total revenue from exchange transactions		**96 185 021**	**78 121 993**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	12 053 885	12 001 732
Gain on derecognition of liabilities	32	-	1 339 898
Transfer revenue			
Government grants & subsidies	34	272 180 344	233 776 840
Fines, penalties and forfeits	29	494 513	202 060
Interest from non-exchange receivables	30	3 695 650	3 391 836
Total revenue from non-exchange transactions		**288 424 392**	**250 712 366**
Total revenue	19	**384 609 413**	**328 834 359**
Expenditure			
Employee related costs	35	(106 471 559)	(93 528 507)
Remuneration of councillors	36	(15 473 322)	(14 722 730)
Depreciation and amortisation	39	(21 746 245)	(20 113 161)
Impairment loss	66	(30 002)	-
Construction contract costs	41	(37 093 904)	(23 024 528)
Finance costs	40	(4 191 046)	(1 724 573)
Lease rentals on operating lease	38	(305 028)	(2 289 059)
Debt Impairment	43	(21 451 448)	(36 946 813)
Bad debts written off	65	(86 762)	(2 670 188)
Bulk purchases	47	(24 224 093)	(20 278 351)
Contracted Services	37	(31 022 989)	(16 003 647)
Transfers and Subsidies	33	(652 261)	(1 177 102)
Gain or loss on disposal of assets	45	(1 928 545)	(343 966)
Actuarial gains/losses	44	(29 597)	(907 969)
Operational costs	46	(44 467 458)	(46 755 889)
Inventory consumed	42	(2 154 001)	(1 985 071)
Total expenditure		**(311 328 260)**	**(282 471 554)**
Surplus for the year		**73 281 153**	**46 362 805**

* See Note 67

Statement of Changes in Net Assets

Figures in Rands	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	580 614 011	580 614 011
Adjustments		
Prior period errors 67	(66 545 803)	(66 545 803)
Balance at 01 July 2023 as restated*	**514 068 208**	**514 068 208**
Changes in net assets		
Surplus for the year as previously reported	56 683 854	56 683 854
Total changes	56 683 854	56 683 854
Opening balance as previously reported	570 752 049	570 752 049
Adjustments		
Prior period errors 67	(25 603 934)	(25 603 934)
Restated* Balance at 01 July 2024 as restated*	**545 148 115**	**545 148 115**
Changes in net assets		
Surplus for the year	73 281 153	73 281 153
Total changes	73 281 153	73 281 153
Balance at 30 June 2025	**618 429 268**	**618 429 268**

Note(s)

* See Note 67

Cash Flow Statement

Figures in Rands	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		7 814 120	9 153 736
Service charges		22 411 681	3 724 845
Operational revenue		39 629 248	22 475 402
Interest income		14 194 186	12 829 760
Government Grants and Subsidies		255 937 361	243 360 024
		339 986 596	291 543 767
Payments			
Employees		(119 645 385)	(108 048 504)
Suppliers		(122 252 414)	(87 201 316)
Finance costs		(54 234)	(44 575)
		(241 952 033)	(195 294 395)
Net cash flows from operating activities	48	**98 034 563**	**96 249 372**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(96 651 510)	(73 000 955)
Proceeds from sale of property, plant and equipment	9	(129)	48 512
Net cash flows from investing activities		**(96 651 639)**	**(72 952 443)**
Net increase/(decrease) in cash and cash equivalents		**1 382 924**	**23 296 929**
Cash and cash equivalents at the beginning of the year		133 845 814	110 548 885
Cash and cash equivalents at the end of the year	7	**135 228 738**	**133 845 814**

The accounting policies on pages 17 to 46 and the notes on pages 47 to 110 form an integral part of the annual financial statements.

* See Note 67

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	25 000 000	11 000 000	**36 000 000**	32 926 191	**(3 073 809)**	63.1
Rendering of services	160 000	-	**160 000**	139 534	**(20 466)**	63.2
Construction contracts	-	-	**-**	38 524 697	**38 524 697**	63.3
Rental of facilities and equipment	400 000	-	**400 000**	213 501	**(186 499)**	63.4
Interest received from exchange receivables	2 120 000	-	**2 120 000**	8 097 535	**5 977 535**	63.5
Agency services	1 500 000	-	**1 500 000**	1 234 447	**(265 553)**	63.6
Licences and permits	950 000	(150 000)	**800 000**	706 246	**(93 754)**	63.7
Operational income	1 210 000	(10 000)	**1 200 000**	148 684	**(1 051 316)**	63.8
Interest received - bank	5 000 000	7 000 000	**12 000 000**	14 194 186	**2 194 186**	63.9
Total revenue from exchange transactions	**36 340 000**	**17 840 000**	**54 180 000**	**96 185 021**	**42 005 021**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	12 100 000	-	**12 100 000**	12 053 885	**(46 115)**	
Transfer revenue						
Government grants & subsidies	288 546 450	20 633 000	**309 179 450**	272 180 344	**(36 999 106)**	63.10
Fines, Penalties and Forfeits	250 000	-	**250 000**	494 513	**244 513**	63.11
Interest from non-exchange receivables	2 000 000	-	**2 000 000**	3 695 650	**1 695 650**	63.12
Total revenue from non-exchange transactions	**302 896 450**	**20 633 000**	**323 529 450**	**288 424 392**	**(35 105 058)**	
Total revenue	**339 236 450**	**38 473 000**	**377 709 450**	**384 609 413**	**6 899 963**	
Expenditure						
Employee related costs	(101 218 535)	1 844 149	**(99 374 386)**	(106 471 559)	**(7 097 173)**	63.13
Employee costs - Remuneration of councillors	(14 983 352)	(42 844)	**(15 026 196)**	(15 473 322)	**(447 126)**	
Depreciation and amortisation	(16 000 000)	-	**(16 000 000)**	(21 746 245)	**(5 746 245)**	63.14
Impairment loss	-	-	**-**	(30 002)	**(30 002)**	63.15
Construction contract costs	-	-	**-**	(37 093 904)	**(37 093 904)**	63.16
Finance costs	-	-	**-**	(4 191 046)	**(4 191 046)**	63.17
Lease rentals on operating lease	-	-	**-**	(305 028)	**(305 028)**	63.18
Debt Impairment	(2 000 000)	500 000	**(1 500 000)**	(21 451 448)	**(19 951 448)**	63.19
Bad debts written off	-	-	**-**	(86 762)	**(86 762)**	63.20
Bulk purchases	(16 000 000)	(5 080 000)	**(21 080 000)**	(24 224 093)	**(3 144 093)**	63.21
Contracted Services	(20 576 000)	(13 503 000)	**(34 079 000)**	(31 022 989)	**3 056 011**	63.22
Transfers and Subsidies	(1 300 000)	806 000	**(494 000)**	(652 261)	**(158 261)**	63.23
Expenses (by function)	(39 227 185)	(1 376 315)	**(40 603 500)**	(44 467 458)	**(3 863 958)**	63.24
Inventories consumed	(4 232 002)	1 702 862	**(2 529 140)**	(2 154 001)	**375 139**	63.25
Total expenditure	**(215 537 074)**	**(15 149 148)**	**(230 686 222)**	**(309 370 118)**	**(78 683 896)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating surplus	**123 699 376**	**23 323 852**	**147 023 228**	**75 239 295**	**(71 783 933)**	
Loss on disposal of assets and liabilities	-	-	**-**	(1 928 545)	**(1 928 545)**	63.26
Actuarial gains/losses	-	-	**-**	(29 597)	**(29 597)**	63.27
	-	**-**	**-**	**(1 958 142)**	**(1 958 142)**	
Surplus before taxation	**123 699 376**	**23 323 852**	**147 023 228**	**73 281 153**	**(73 742 075)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**123 699 376**	**23 323 852**	**147 023 228**	**73 281 153**	**(73 742 075)**	

Emalahleni Local Municipality
(Registration number (Demarcation code EC136))
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Operating lease asset	1 872 393	-	**1 872 393**	33 272	**(1 839 121)**	63.28
Receivables from exchange transactions	48 664 529	-	**48 664 529**	8 563 367	**(40 101 162)**	63.29
Receivables from non-exchange transactions	29 417 538	-	**29 417 538**	8 365 351	**(21 052 187)**	63.30
VAT receivable	4 892 858	-	**4 892 858**	-	**(4 892 858)**	63.31
Vat input accrual	-	-	**-**	3 589 295	**3 589 295**	63.32
Cash and cash equivalents	62 382 900	-	**62 382 900**	135 371 168	**72 988 268**	63.33
	147 230 218	**-**	**147 230 218**	**155 922 453**	**8 692 235**	
Non-Current Assets						
Investment property	-	-	**-**	1 519 340	**1 519 340**	63.34
Property, plant and equipment	123 368 468	17 484 281	**140 852 749**	570 370 617	**429 517 868**	63.35
Intangible assets	-	-	**-**	138 188	**138 188**	63.36
Heritage assets	-	-	**-**	182 536	**182 536**	63.37
	123 368 468	**17 484 281**	**140 852 749**	**572 210 681**	**431 357 932**	
Total Assets	**270 598 686**	**17 484 281**	**288 082 967**	**728 133 134**	**440 050 167**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	37 080 271	-	**37 080 271**	34 855 652	**(2 224 619)**	63.38
VAT payable	(11)	11	**-**	12 176 785	**12 176 785**	63.39
Consumer deposits	110 398	-	**110 398**	106 240	**(4 158)**	
Employee benefit obligation	-	-	**-**	11 532 047	**11 532 047**	63.40
Unspent conditional grants and receipts	332 357	-	**332 357**	4 845 101	**4 512 744**	63.41
Provisions	29 964 151	-	**29 964 151**	13 387 324	**(16 576 827)**	63.42
Bank overdraft	-	-	**-**	142 431	**142 431**	63.43
Output VAT accrual	-	-	**-**	643 199	**643 199**	63.44
	67 487 166	**11**	**67 487 177**	**77 688 779**	**10 201 602**	
Non-Current Liabilities						
Employee benefit obligation	14 100 000	-	**14 100 000**	18 201 425	**4 101 425**	63.45
Provisions	-	-	**-**	13 813 667	**13 813 667**	
	14 100 000	**-**	**14 100 000**	**32 015 092**	**17 915 092**	
Total Liabilities	**81 587 166**	**11**	**81 587 177**	**109 703 871**	**28 116 694**	
Net Assets	**189 011 520**	**17 484 270**	**206 495 790**	**618 429 263**	**411 933 473**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	494 596 785	147 022 000	**641 618 785**	618 429 265	**(23 189 520)**	63.46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	12 100 000	-	**12 100 000**	7 814 120	**(4 285 880)**	63.47
Service charges	25 000 000	-	**25 000 000**	22 411 681	**(2 588 319)**	63.48
Other revenue	4 310 006	-	**4 310 006**	39 629 248	**35 319 242**	63.49
Transfers and Subsidies - (Capital and Operationa)	287 987 000	-	**287 987 000**	255 937 361	**(32 049 639)**	63.50
Interest	5 000 000	-	**5 000 000**	14 194 186	**9 194 186**	63.51
	334 397 006	**-**	**334 397 006**	**339 986 596**	**5 589 590**	
Payments						
Suppliers and employees	(190 881 922)	-	**(190 881 922)**	(241 897 799)	**(51 015 877)**	63.53
Finance charges	(10 911)	-	**(10 911)**	(54 234)	**(43 323)**	63.54
	(190 892 833)	**-**	**(190 892 833)**	**(241 952 033)**	**(51 059 200)**	
Net cash flows from operating activities	**143 504 173**	**-**	**143 504 173**	**98 034 563**	**(45 469 610)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(56 601 075)	-	**(56 601 075)**	(96 651 510)	**(40 050 435)**	63.56
Proceeds from sale of property, plant and equipment	-	-	**-**	(129)	**(129)**	
Net cash flows from investing activities	**(56 601 075)**	**-**	**(56 601 075)**	**(96 651 639)**	**(40 050 564)**	
Net increase/(decrease) in cash and cash equivalents	86 903 098	-	**86 903 098**	1 382 924	**85 520 173**	63.57
Cash and cash equivalents at the end of the year	**86 903 098**	**-**	**86 903 098**	**135 228 738**	**48 325 641**	

Accounting Policies

The annual financial statements of Emalahleni Local Municipality for the year ended 30 June 2025 were authorised for issue by the Accounting Officer on 31 August 2025.

Basis of preparation

These 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 Local Government: Municipal Finance Management Act (Act 56 of 2003.

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below:

1. Summary of significant accounting policies

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Offsetting

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

1.4 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations. A comparative of actual to budged amounts are reported in a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2024 to 30 June 2025.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

1.5 Current year comparatives

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

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

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

1.6 Materiality

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

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

1.7 Significant judgements and estimates

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

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

1.7 Significant judgements and estimates (continued)

1.7.1 Judgements

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

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these annual financial statements.

In preparation of the annual financial statements materiality has been considered in:
- Deciding what to report in the annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:
- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – municipality as lessor

The municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – municipality as lessee

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

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

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult.

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

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

1.7 Significant judgements and estimates (continued)

Componentisation of infrastructure assets

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

Determination of repairs and maintenance cost

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

1.7.2 Estimates and assumptions

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

Pension and other post-employment benefits

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

Provisions and contingent liabilities

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of Financial Performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue from exchange revenue - when goods are sold, whether the management had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

1.8 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose. Cash and cash equivalents comprise of bank balances, cash on hand,deposits held at call accounts with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.8 Cash and cash equivalents (continued)

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

1.9 Investment property

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

Initial recognition

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.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model.

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.

Subsequent to initial recognition, investment properties are measured using the cost model. and are depreciated over a 20 to a 100-year period. All useful lives of investment properties are reviewed annually on an indicator basis.

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

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

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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.

1.10 Property, plant and equipment

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

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

Accounting Policies

1.10 Property, plant and equipment (continued)

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.

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Annual assessment of whether there are any indicators that a revision of the residual value, useful life and depreciation method of each asset is conducted at each financial year end.

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.

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

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.

1.10 Property, plant and equipment (continued)

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 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:

Asset class	Useful lives (Years)
Land	Indefinite
Transport assets	01 - 55 years
Electrical infrastructure	10 - 80 years
Solid waste infrastructure	10 - 30 years
Machinery and equipment	01 - 30 years
Furniture and office equipment	01 - 40 years
Computer equipment	04 - 25 years
Roads infrastructure	10 - 100 years
Storm water infrastructure	10 - 90 years
Community assets	50 - 110 years
Other assets	05 - 100 years

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

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. For all other property, plant and equipment cash flows from disposal are included in cash flow from investing activities.

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.

1.10 Property, plant and equipment (continued)

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.

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.

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

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

Capital work in progress comprises non-current assets under construction and is stated at cost less accumulated impairment losses. Depreciation is not provided on capital work in progress.

1.11 Heritage assets

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

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

The cost of an item of heritage assets 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.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 heritage assets 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.

1.11 Heritage assets (continued)

Subsequent measurement

Subsequent expenditure relating to heritage assets 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 heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

1.12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Derecognition

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

1.13 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

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

1.13 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

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

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.14 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.

1.14.1 Classification of financial instruments

Financial assets

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

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

Accounting Policies

1.14 Financial instruments (continued)

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

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

Type of financial asset	Classification in terms of GRAP 104
Receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets 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.

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

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

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Trade payables from exchange transactions	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term loans	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities where there is recent actual evidence of short-term profiteering or are derivatives).

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.14.2 Initial and subsequent measurement

Initial recognition and measurement

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

Accounting Policies

1.14 Financial instruments (continued)

Subsequent measurement – Other financial assets

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

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

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

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

Subsequent measurement – Other financial liabilities

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

1.14.3 Impairment of financial assets

Consumer debtors

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

Other debtors

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

Accounting Policies

1.14 Financial instruments (continued)

1.14.4 Derecognition

Financial assets

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

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

Other financial liabilities

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

1.15 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

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

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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

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

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

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Accounting Policies

1.16 Employee benefits (continued)

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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 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 by independent qualified actuaries regularly, as may be required for fair presentation.

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

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

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

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

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;

Accounting Policies

1.16 Employee benefits (continued)

- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.16 Employee benefits (continued)

The municipality provides post-retirement health care benefit upon retirement to some retirees. The entitlement to post retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuation of these obligation.

Other post retirement obligations

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

The municipality has an obligation to provide long term service allowance benefits to all its employees. The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

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

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

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

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

1.16 Employee benefits (continued)

Post-retirement health care 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.

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.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long-service allowance

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

1.17 Leases

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

Municipality as lessee

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

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

Municipality as lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.18 Statutory receivables

1.18.1 Identification

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

The municipality has the following major categories under the ambit of statutory receivables:

- Rates debtors

1.18.2 Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Accounting Policies

1.18 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.18.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.18.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

1.18.5 Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

1.19 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Accounting Policies

1.19 Revenue (continued)

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

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

Accounting Policies

1.19 Revenue (continued)

1.19.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods

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

Accounting Policies

1.19 Revenue (continued)

1.19.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

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

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

Government grants and subsidies

Unconditional grants

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

Conditional grants

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

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

Unspent conditional grants

These are grants received as per the Division of Revenue Act (DoRA) which have specific criteria and conditions on how they are to be spent by the municipality. To the extent that these criteria or conditions attached have not been met, a liability on the portion where these conditions and/or criteria are not met. This liability is raised as unspent conditional grants until the specific criteria and/or conditions are met and the liability is reduced and the revenue is recognised.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality’s interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and 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. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Accounting Policies

1.20 Transfers and subsidies – non-exchange expenditure

The municipality gives support to individuals, organisations, and other sectors of government from time to time by assisting with materials, supplies and other programmes for its local community enhancement. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.21 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.22 Events after reporting date

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

Accounting Policies

1.23 Construction contracts and receivables

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.

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

1.24 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for the Department of Transport. In terms of the arrangement the municipality monies for vehicles licences.

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Accounting Policies

1.24 Principal-agent arrangements (continued)

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.

1.25 Inventory consumed

Inventories consumed encompass materials and supplies awaiting use in the repairs and maintenance of infrastructure and other functions of the municipality.

The municipality immediately expenses the materials and supplies in the statement of financial performance.

Inventory consumed is measured at cost

1.26 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax as per legislation. The net amounts (recoverable or payable) of VAT are submitted to SARS monthly and are reported as a receivable or a payable on the Statement of Financial Position on the Annual Financial Statements. The municipality is registered for VAT with SARS on the payment basis.

1.27 Commitments

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

1.27 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.28 Unauthorised expenditure

Section 1 of the MFMA, defines Unauthorised expenditure as follows:

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

The municipality uses the mSCOA Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality’s budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

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

1.29 Irregular expenditure

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

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170;

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.
- Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Fruitless and wasteful expenditure

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

1.31 Change in accounting policies, estimates and errors

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

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

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

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

1.32 Contingent assets and contingent liabilities

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

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

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

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

1.33 Cash flow statement

The municipality prepares and presents financial statements under the accrual basis of accounting shall prepare a cash flow statement in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

Bank borrowings are generally considered to be financing activities. Bank overdrafts which are repayable on demand may form an integral part of an entity’s cash management activities. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

Cash flows exclude movements between items that constitute cash or cash equivalents because these components are part of the cash management of an entity rather than part of its operating, investing and financing activities. Cash management includes the investment of excess cash in cash equivalents.

Presentation of cash flow statement

The cash flow statement shall report cash flows during the period classified by operating, investing and financing activities.

An entity presents its cash flows from operating investing and financing activities in a manner which is most appropriate to its activities.Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.

1.33 Cash flow statement (continued)

A single transaction may include cash flows that are classified differently. For example, when the cash repayment of a loan includes both interest and capital, the interest element may be classified as an operating activity and the capital element is classified as a financing activity.

Operating activities

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity are funded: (a) by way of taxes (directly and indirectly); or (b) from the recipients of goods and services provided by the entity. The amount of the net cash flows also assists in showing the ability of the entity to maintain its operating capability, repay obligations, pay a dividend to its owner and make new investments without recourse to external sources of financing. The consolidated whole-of-government operating cash flows provide an indication of the extent to which a government has financed its current activities through taxation and charges. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

Cash flows from operating activities are primarily derived from the principal cash-generating activities of the entity.

Examples of cash flows from operating activities are:

a) Cash receipts from taxes ,levies and fines;

b) Cash receipts from charges for goods and services provided by the entity;

c) Cash receipts from grants or transfers and other appropriations or other budget authority made by national government or other entities;

d) Cash receipts from royalties, fees, commissions and other revenue;

e) Cash payments to other entities to finance their operations (not including loans);

f) Cash payments to supplies for goods and services;

g) Cash payments to and on behalf of employees;

h) Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;

i) Cash payments of local property taxes or income taxes (where applicable) in relation to operating activities;

j) Cash receipts and payments from contracts held for dealing or trading purposes;

k) Cash receipts or payments from discontinued operations; and

l) Cash receipts or payments in relation to litigation settlements.

Some transactions such as the sale of an item of plant, may give rise a gain or loss that is included in surplus or deficit. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets for rental to others and subsequently held for sale as described in paragraph.75 of the standard of GRAP on Property, Plant and Equipment are cash flows from operating activities.The cash received from rents and subsequent sales of such assets are also cash flows from operating activities.

An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by public financial institutions are usually classified as operating activities since they relate to the main cash-generating activity of that entity.

Investing Activities

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity’s future service delivery. Only expenditures that result in recognised asset in the statement of financial position are eligible for classification as investing activities.Examples of cash flows arising from investing activities are:

Accounting Policies

1.33 Cash flow statement (continued)

a) Cash payments to acquire property,plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment.

b) Cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.

c) Cash payments to acquire equity or debt instruments of other entities and interests in joint ventures(other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);

d) Cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents or those held for dealing or trading purposes)

e) Cash advances and loans made to other parties (other than advances and loans made by a public financial institution);

f) Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a public financial institution);

g) Cash payments for future contracts, forward contracts,option contracts and swap contracts, except when the contracts are held for dealing or trading purposes,or the receipts are classified as financing activities; and

h) Cash receipts from futures contracts forward contracts,option contracts and swap contracts, except when the contracts are held for dealing or trading purposes,or the receipts are classified as financing activities.

When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

Examples of cash flows arising from financing activities are:

a) Cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-or long-term borrowings;

b) Cash repayments of amounts borrowed; and

c) Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

1.34 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.

The reportable segments identified are those functional segments in the Government Finance Statistics (GFS's) format and the municipal vote (Departmental) format per the monthly section 71 management reports. The information that will be reported is aligned to the monthly section 71 reports which are viewed by the executive management. The GFS's format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

Accounting Policies

1.34 Segment information (continued)

The municipality uses the municipal (departmental) votes as primary and GFS's as secondary segment reporting levels.

The assets and liabilities are not reviewed at all on a segregated basis.

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.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	Not yet effective	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	Not yet effective	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	Not yet effective	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

The Accounting Standards Board issued the revised Standard of GRAP 104 on Financial Instruments, which becomes effective for financial periods beginning on or after 1 April 2025. The municipality has assessed the expected impact of the revised standard and concluded that it will not have a material effect on the financial statements.

This assessment is based on the following considerations:

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

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

3. Other current assets

	2025	2024
Operating lease asset	33 272	29 465

Figures in Rands	2025	2024

4. Receivables from exchange transactions

Accrued interest and income	4 988 102	3 185 345
Property rental debtors	237 464	62 787
Prepayments and advances	114 419	-
Electricity Services	3 728 912	1 213 283
Service charges	(1)	(1)
Waste management	1 051 796	1 088 110
Control accounts	(1 557 325)	-
	8 563 367	**5 549 524**

Electricity		
Gross	24 496 412	18 398 173
Impairment	(20 767 500)	(17 184 889)
	3 728 912	**1 213 284**

Waste management		
Gross	77 727 134	63 264 011
Impairment	(76 675 338)	(62 175 901)
	1 051 796	**1 088 110**

Service charges		
Gross	16 945	16 945
Impairment	(16 946)	(16 946)
	(1)	**(1)**

Property rental debtors		
Gross	915 854	887 231
Impairment	(678 390)	(824 445)
	237 464	**62 786**

Aging of electricity debtors		
Current	1 552 418	2 030 906
30 days	575 913	637 884
60 days	815 542	438 526
90 days	770 545	582 166
120 days	768 971	512 491
120+ days	20 013 023	14 196 200
Impairment	(20 767 500)	(17 184 889)
	3 728 912	**1 213 284**

Waste management debtors aging		
Current	1 522 437	2 941 746
30 days	1 435 691	1 378 707
60 days	1 428 533	1 354 313
90 days	1 407 401	1 344 781
120 days	1 394 970	1 308 282
120+ days	70 538 101	54 936 182
Impairment	(76 675 339)	(62 175 901)
	1 051 794	**1 088 110**

Property debtors aging		
Current	53 275	54 758

Figures in Rands	2025	2024

4. Receivables from exchange transactions (continued)

30 days	24 289	27 116
60 days	73 135	26 942
90 days	21 216	26 769
120 days	21 091	26 579
120+ days	722 848	725 067
Impairment	(678 390)	(824 445)
	237 464	**62 786**

Aging of electricity receivables

Current	-	2 030 906
30 days	575 913	637 884
60 days	815 542	438 526
90 days	770 545	582 166
120 days	768 971	512 491
120+ days	20 013 023	14 196 200
Less impairment	(20 767 500)	(17 184 889)
	2 176 494	**1 213 284**

Aging of waste management

Current	1 522 437	2 941 746
30 days	1 435 691	1 378 707
60 days	1 428 533	1 354 313
90 days	1 407 401	1 344 781
120 days	1 394 970	1 308 282
120+ days	70 538 102	54 936 182
Less impairment	(76 675 339)	(62 175 901)
	1 051 795	**1 088 110**

Aging of property receivables

Current	53 275	54 758
30 days	24 289	27 116
60 days	73 135	26 942
90 days	21 216	26 769
120 days	21 091	26 579
120+ days	722 848	725 067
Less impairment	(678 390)	(824 445)
	237 464	**62 786**

Aging of service charges

120+	16 945	16 945
Less impairment	(16 946)	(16 946)
	(1)	**(1)**

Summary of debtors by customer classification

Organ of state

Current	806 477	1 434 045
30 days	959 550	483 981
60 days	1 072 196	349 533
90 days	996 452	515 594
120 days	1 016 512	486 313
120+ days	29 452 661	10 285 679
	34 303 848	**13 555 145**

4. Receivables from exchange transactions (continued)

Commercial customers	2025	2024
Current	528 029	911 345
30 days	394 016	320 571
60 days	533 011	239 212
90 days	470 253	153 862
120 days	443 490	147 046
120+ days	13 505 716	4 316 702
	15 874 515	**6 088 738**

Households	2025	2024
Current	1 316 742	2 577 741
30 days	1 567 167	1 198 981
60 days	1 566 196	1 191 929
90 days	1 548 369	1 245 362
120 days	1 534 615	1 175 318
120+ days	85 011 986	53 318 383
	92 545 075	**60 707 714**

Other	2025	2024
Current	13 649	49 520
30 days	48 794	13 059
60 days	49 851	12 165
90 days	49 856	12 129
120 days	49 865	12 095
120+ days	7 905 600	1 228 564
	8 117 615	**1 327 532**

Accrued interest and income	2025	2024
Accrued interest from call accounts	4 933 047	3 030 991
Accrued income - prepaid electricity	55 055	154 354
	4 988 102	**3 185 345**

No trade receivables have been pledged as security by the municipality.

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Collection rate of consumer receivables	2025	2024
Electricity	8 369 824	3 181 390
Waste management	3 456 185	2 881 711
Property rentals	55 947	-
	11 881 956	**6 063 101**

Trade and other receivables past due but not impaired

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

	2025	2024
30 days past due	392 386	651 245
60 days past due	487 125	495 708
90 days past due	416 096	643 664
120 days past due	403 281	602 814
120+ days past due	10 180 824	16 832 924

Trade and other receivables that is no impaired consists of accounts with collection rate above 86% as per credit management policy.

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

4. Receivables from exchange transactions (continued)

Movement in allowance for impairment

Opening balance	(80 202 180)	(50 336 527)
Impairment	(17 919 048)	(29 865 653)
	(98 121 228)	**(80 202 180)**

5. Receivables from non-exchange transactions

Traffic fines	165 500	-
OTP grant receivable	2 922 869	2 467 778
Property rates	5 276 982	3 389 934
	8 365 351	**5 857 712**

Property rates		
Gross	48 566 373	40 717 720
Impairment	(43 289 391)	(37 327 787)
	5 276 982	**3 389 933**

OTP grant receivable		
Opening balance	2 467 778	1 336 297
Allocation for the year	5 000 000	4 700 000
Amounts received during the year	(4 544 909)	(3 568 519)
Closing balance	**2 922 869**	**2 467 778**

Aging of property rates receivables		
Current	331 763	1 307 577
30 days	933 252	925 139
60 days	904 044	805 996
90 days	865 767	810 813
120 days	859 449	769 518
120+ days	44 672 098	36 098 677
Less impairment	(43 289 391)	(37 327 787)
	5 276 982	**3 389 933**

Aging of OTP grant receivable		
120+ days	2 922 869	2 467 778

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	165 500	-
Property rates	5 276 982	3 389 934
	5 442 482	**3 389 934**
Financial asset receivables included in receivables from non-exchange transactions above	**2 922 869**	**2 467 778**
Total receivables from non-exchange transactions	8 365 351	5 857 712

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates arise from the Municipal Property Rates Act No. 6 of 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Value-Added Tax (VAT) receivable/(payable) arise from the Value-Added Tax Act 89 of 1991.

Traffic fines
These are the receivables for the fines in terms of the Road Traffic Regulations and the Municipal by-laws where applicable. Fines are determined based on the Road Traffic Management Act.

Interest or other charges levied/charged

Interest is charged at prime rate plus 1 per annum on the outstanding balance.

Basis used to assess and test whether a statutory receivable is impaired

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

Reconciliation of allowance for impairment for statutory receivablesReconciliation of allowance for impairment for statutory receivables

	2025	2024
Opening balance	(37 327 786)	(28 720 301)
Provision for allowance impairment	(5 961 987)	(8 607 485)
	(43 289 773)	**(37 327 786)**

No receivables from non-exchange transactions is pledged as security.

6. VAT Input Accrual

	2025	2024
VAT Input Accrual	3 589 295	2 156 978

VAT input accrual represents amounts that are associated with transactions that are yet to be settled.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	1 453	1 453
Bank balances	7 050 175	12 253 531
Short-term deposits	128 319 541	121 590 830
Bank overdraft	(142 431)	-
	135 228 738	**133 845 814**

	2025	2024
Current assets	135 371 169	133 845 814
Current liabilities	(142 431)	-
	135 228 738	**133 845 814**

Figures in Rands	2025	2024

7. Cash and cash equivalents (continued)

Call deposits and investments		
Deposit taking institutions	44 805 366	22 099 422
Special deposit for the payment of interest	83 514 175	99 491 409
	128 319 541	**121 590 831**

Cash and cash equivalents amounting to R128,319,540 include funds that must be used for infrastructure projects	25 526 647	20 633 018

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate.

The Standard bank Debit Order account was overdrawn by R142 431 as at 30 June 2025.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
Standard Bank - Primary Account - 082-665-958	4 381 016	7 666 467	4 381 016	7 666 467
Standard Bank - Debit order - 061-330-302	(142 423)	553 684	(142 431)	553 677
Standard Bank- Current Account - 082-603-631	4 625 416	4 033 387	2 669 159	4 033 387
Standard Bank - Call Account - 08-879-9697-024	-	7 099 422	-	7 099 422
Standard Bank - Call Account - 08-879-9697-032	-	15 000 000	-	15 000 000
Standard Bank - Call Account-08-979-9697-037	44 805 366	-	44 805 366	-
ABSA Bank - Call Account - 93-6256-7503	1 111 657	10 336 440	1 111 507	10 336 440
ABSA Bank - Call Account - 93-5890-7006	-	11 521 272	150	11 521 272
Investec Bank - Call Account - 110-465258	1 356 605	1 255 566	1 356 605	1 255 566
Standard Bank - Call Account - 08-879-9697-001	202 057	202 057	202 057	202 057
Standard Bank - Call Account - 08-879-9697-012	13 007	12 408	13 007	12 408
Standard Bank - Call Account - 08-879-9697-025	11 751 345	24 508 666	11 751 345	24 508 666
Standard Bank - Call Account - 08-879-9697-020	20 586 027	20 000 000	20 586 027	20 000 000
Standard Bank - Call Account - 08-879-9697-031	-	31 655 000	-	31 655 000
Standard Bank- Call Account - 08-879-9697-037	48 493 477	-	48 493 477	-
Total	**137 183 550**	**133 844 369**	**135 227 285**	**133 844 362**

Difference between cash book and bank statement 2025

	Bank statement	**Cashbook**	**Difference**
Standard Bank- Current Account - 082-603-631	4 625 416	2 669 159	1 956 257
ABSA Bank - Call Account - 93-6256-7503	1 111 657	1 111 507	150
ABSA Bank - Call Account - 93-5890-7006	-	150	(150)
Standard Bank - Debit order - 061-330-302	(142 423)	(142 431)	8
	5 594 650	**3 638 385**	**1 956 265**

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	4 036 185	(2 516 845)	1 519 340	4 036 185	(2 474 522)	1 561 663

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	1 561 663	(42 323)	1 519 340

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	1 607 901	(46 238)	1 561 663

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	130 169	332 650

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 698 620	-	33 698 620	33 698 621	-	33 698 621
Electrical infrastructure	33 783 481	(13 831 540)	19 951 941	30 896 872	(13 373 536)	17 523 336
Storm water infrastructure	36 885 238	(5 572 745)	31 312 493	23 625 726	(5 151 168)	18 474 558
Machinery and equipment	4 306 654	(2 239 074)	2 067 580	4 067 550	(2 129 650)	1 937 900
Furniture and fixtures	7 552 657	(5 868 649)	1 684 008	8 438 430	(6 152 640)	2 285 790
Transport assets	15 585 290	(9 852 805)	5 732 485	22 407 063	(14 331 654)	8 075 409
Computer equipment	3 421 879	(1 894 862)	1 527 017	5 274 709	(2 923 272)	2 351 437
Infrastructure	558 720 345	(288 633 821)	270 086 524	490 651 815	(271 023 249)	219 628 566
Community assets	140 462 094	(32 850 878)	107 611 216	133 706 327	(29 809 162)	103 897 165
Other assets	35 957 331	(9 232 121)	26 725 210	35 957 331	(8 590 279)	27 367 052
Solid Waste Infrastructure	507 625	(95 723)	411 902	507 625	(87 337)	420 288
Work in progress	69 561 621	-	69 561 621	61 595 362	-	61 595 362
Total	**940 442 835**	**(370 072 218)**	**570 370 617**	**850 827 431**	**(353 571 947)**	**497 255 484**

Notes to the Annual Financial Statements

Figures in Rands

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	33 698 621	-	-	-	-	-	33 698 620
Electrical infrastructure	17 523 336	2 886 614	-	-	(458 003)	-	19 951 941
Storm water infrastructure	18 474 558	-	-	13 259 471	(421 536)	-	31 312 493
Machinery and equipment	1 937 900	657 463	(20 244)	-	(501 467)	(6 072)	2 067 580
Furniture and office equipment	2 285 790	143 763	(131 112)	-	(613 828)	(1 080)	1 684 008
Transport assets	8 075 409	-	(1 222 424)	-	(1 099 293)	(21 207)	5 732 485
Computer equipment	2 351 437	208 082	(554 635)	-	(476 094)	(1 643)	1 527 017
Roads infrastructure	219 628 566	-	-	64 774 089	(14 316 092)	-	270 086 524
Community assets	103 897 165	-	-	6 755 768	(3 041 717)	-	107 611 216
Other assets	27 367 052	-	-	-	(641 842)	-	26 725 210
Solid waste infrastructure	420 288	-	-	-	(8 386)	-	411 902
Work in progress	61 595 362	92 755 588	-	(84 789 328)	-	-	69 561 621
	497 255 484	**96 651 510**	**(1 928 415)**	**-**	**(21 578 258)**	**(30 002)**	**570 370 617**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	33 698 621	-	-	-	-	33 698 621
Electrical infrastructure	10 725 521	-	-	7 222 030	(424 215)	17 523 336
Storm water infrastructure	8 785 024	-	-	9 909 603	(220 070)	18 474 558
Machinery and equipment	1 477 978	874 891	-	-	(414 969)	1 937 900
Furniture and office equipment	2 686 736	246 761	(38 326)	-	(609 383)	2 285 790
Transport assets	7 504 572	2 055 306	(303 280)	-	(1 181 189)	8 075 409
Computer equipment	3 001 342	19 408	(50 872)	-	(618 441)	2 351 437
Roads infrastructure	191 129 740	-	-	41 165 122	(12 666 296)	219 628 566
Community assets	103 233 392	-	-	3 749 361	(3 085 598)	103 897 165
Other assets	28 066 826	-	-	-	(699 784)	27 367 052
Solid waste infrastructure	429 451	-	-	-	(9 162)	420 288
Capital work in progress	54 368 196	69 273 282	-	(62 046 116)	-	61 595 362
	445 107 399	**72 469 648**	**(392 478)**	**-**	**(19 929 107)**	**497 255 484**

Pledged as security

No item of property, plant and equipment has been pledged as security for liabilities.

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

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Road infrastructure	Community and other assets	Electrical infrastructure	Total
Opening balance	39 865 898	18 318 653	3 410 798	61 595 349
Additions/capital expenditure	88 633 115	2 691 576	1 430 794	92 755 485
Transferred to completed items	(78 033 560)	(6 755 768)	-	(84 789 328)
	50 465 453	**14 254 461**	**4 841 592**	**69 561 506**

Figures in Rands	2025	2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Road infrastructure	Community and other assets	Electrical infrastructure	Total
Opening balance	37 169 876	13 509 341	3 688 967	54 368 184
Additions- capital expenditure	53 770 740	8 558 680	6 943 862	69 273 282
Transferred to completed items	(51 074 718)	(3 749 369)	(7 222 030)	(62 046 117)
	39 865 898	**18 318 652**	**3 410 799**	**61 595 349**

Property, Plant and Equipment that is taking a significantly longer period of time to complete than expecte	2025	2024
Road infrastructure	24 080 229	11 399 264
Community and other assets	15 287 461	14 870 248
	39 367 690	**26 269 512**

Community assets-Rehabilitation of Indwe Sports Field Phase 1

- The significant delay in the completion of the Sports Field is mainly due to poor performance and poor project planning led to the non-completion and subsequent termination of the Rehabilitation of Indwe Sportsfield Phase 1 Contractor. This was a result of the investigation into the financial mismanagement. At termination, professional progress stood at 76% and construction at 51%, with R10,251,615.45 certified and paid from allocation of R11 000 000.00. The municipality embarked on an application for additional funding, which was granted. The procurement process then began again and resulted in an award for a second contractor to complete phase 1.The current contractor also experienced challenges and requested extension of time and municipality imposed penalties for not completing work on time. Community concerns led to the matter being reported to the Hawks and SIU. Investigations are ongoing. The project is expected to be completed on 12 December 2025.

Road infrastructure

Construction of Paved Indwe Internal Streets: Barkley Street

- The construction process was halted due to a funding issue and resumed in July 2025 to complete the project, with an estimated completion date of December 15, 2025.

Construction of Paved Indwe Internal Streets: Xalanga Street

- The construction process was halted due to a funding issue and resumed in July 2025 to complete the project, with an estimated completion date of December 15, 2025.

Construction of Hala-Calabash Paving

The construction process was halted due to funding constraints, Construction resumed in July 2025 to complete the project, with an estimated completion date of 15 December 2025.

Paving of Ngonyama Clinic

The construction process was halted due to lack of funding, Work to complete the project resumed in July 2025 and it is anticipated to be complete by 15 December 2025.

9. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2025

	Preventative Maintenance		Corrective Maintenance	
	Condition Based	Total	Total	Total
Machinery and equipment	116 103	116 103	-	116 103
Community assets	170 477	170 477	-	170 477
Other assets	2 929 164	2 929 164	-	2 929 164
	3 215 744	**3 215 744**	**-**	**3 215 744**

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance		Corrective Maintenance	
	Condition Based	Total	Total	Total
Machinery and equipment	341 678	341 678	-	341 678
Community assets	828 533	828 533	-	828 533
Other assets	1 915 287	1 915 287	-	1 915 287
	3 085 498	**3 085 498**	**-**	**3 085 498**

Notes to the Annual Financial Statements

Figures in Rands

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	908 670	(770 482)	138 188	908 670	(644 340)	264 330

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	264 330	(126 142)	138 188

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	402 146	(137 816)	264 330

Pledged as security

No intangible assets have been pledged as security.

Notes to the Annual Financial Statements

Figures in Rands

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	182 536	-	182 536	182 536	-	182 536

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical buildings	182 536	182 536

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical buildings	182 536	182 536

Pledged as security

There are no heritage assets pledged as security for debt and there are no restrictions on the title of heritage assets owned by the municipality.

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

12. Payables from exchange transactions

Bulk purchases- Eskom	4 602 461	2 266 017
Payments received in advanced - contract in process	127 598	-
Other payables	13 903 655	5 869 974
Retention	13 796 255	12 285 792
Control and clearing accounts	(109 811)	(98 119)
Statutory payables - COID	2 535 489	2 311 623
	34 855 647	**22 635 287**

Control and clearing accounts		
Employee deductions FICS	304 315	30 018
Medical aid control	81 378	51 774
Salary Control - Employee Related Costs	(1 964 373)	(920 888)
Salary Control - Remuneration of Councillors	1 334 649	636 916
Travel control	134 220	104 060
	(109 811)	**(98 120)**

Other payables		
Agency fees	-	207 151
Payables and accruals	12 243 164	4 251 032
Unallocated deposits	865 432	5 685
Advance payments	795 064	934 281
Other current assets in credit	-	471 824
	13 903 660	**5 869 973**

Payments received in advance- contracts in process		
Opening balance	-	30
Funds received	44 431 000	22 381 000
Amounts recognised as contract revenue	(44 303 402)	(22 381 030)
	127 598	**-**

13. Output VAT Accrual

Output VAT Accrual	643 199	309 570

Output VAT Accrual represents amounts that are associated with transactions that are yet to be collected.

14. VAT Payable

VAT payable	12 176 785	7 271 030

VAT is a statutory receivable. The municipality pays Value Added Tax (VAT) to South African Revenue Service (SARS) on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

Vat payable from SARS at year end is made up of VAT payable from outstanding returns as at the end of the reporting date as well as vat output on INEP grants and Department of Transport that the municipality is yet to declare.

15. Consumer deposits

Rental properties	106 240	97 955

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

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

16. Employee benefit obligations

Post employment health care benefits	14 280 717	11 913 103
Long-service awards	4 909 780	4 133 123
Bonus	2 463 349	2 182 460
Leave	7 914 254	7 018 830
Overtime	165 311	160 958
	29 733 411	**25 408 474**

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

16. Employee benefit obligations (continued)

Non-current employee benefits		
Post employment health care benefits	14 143 401	11 815 750
Long-service awards	4 058 024	3 633 841
	18 201 425	**15 449 591**

Current employee benefits		
Post employment health care benefits	137 316	97 353
Bonus	2 463 410	2 182 460
Leave	7 914 254	7 018 830
Long-service awards	851 756	499 282
Overtime	165 311	160 958
	11 532 047	**9 958 883**

Post employment health care benefits

The municipality provides certain post-retirement medical 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 qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by Mr D. T. Mureriwa and Mr D. M Nkomo of One Pangaea Expertise & Solutions (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

In-service members (Employees)	113	104
Continuation members (Retirees)	4	3
	117	**107**

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

In-service members (Employees)	12 757 922	10 400 448
Continuation members (Retirees)	1 522 795	1 512 655
	14 280 717	**11 913 103**

Current	137 316	97 353
Non-current	14 143 401	11 815 750
	14 280 717	**11 913 103**

Movements in the present value of the defined benefit obligation		
Opening balance	11 913 103	9 068 000
Current service cost	992 269	643 000
Interest cost	1 611 190	1 206 000
Actual employer benefit payments	(147 004)	(91 000)
Actuarial loss/ (gain) recognised in the year	(88 841)	1 087 103
	14 280 717	**11 913 103**

Contributions from the employer	(147 004)	(91 000)
Benefits paid	147 004	91 000

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

16. Employee benefit obligations (continued)

	-	-

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

- Bonitas
- LA Health
- Samwumed

	2025	2024
Current liability	137 316	97 353
Non-current liability	14 143 401	11 815 750
	14 280 717	**11 913 103**

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The yield curves used for the derivation of the discount rate are the NACS (Nominal and Real) Zero Curves as published by the Johannesburg Stock Exchange. The Nominal NACS curve illustrates the nominal zero-coupon yields which are Nominal Compounded Semi-Annually. This gives an idea of the nominal return at varying durations. The Real NACS curve illustrates Real zero-coupon bond yields which are Nominal Annual Compounded Semi-Annually. This gives an idea of the real return at varying durations.

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,42 %	13,58 %
Consumer Price Inflation (CPI)	6,87 %	7,95 %
Health care cost inflation rate	8,37 %	9,45 %
Net effective discount rate	3,74 %	3,77 %

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS

Normal retirement age

The average retirement age for all active employees was assumed to be 65 years. This assumption implicitly allows for illhealth and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Reconciliation		
Opening accrued liability	11 913 103	9 068 000
Service cost	992 269	643 000
Net interest expense	1 611 190	1 206 000
Remeasurements	(88 841)	1 087 103
Medical contributions subsidies for continuation members	(147 004)	(91 000)
	14 280 717	**11 913 103**

Amounts recognised in the statement of financial position		
Present value of unfunded obligations	14 280 717	11 913 103

Amounts recognised in the statement of financial performance		
Current service cost	992 269	643 000
Interest cost	1 611 190	1 206 000
Actuarial loss/ (gain) recognised in the year	(88 841)	1 087 103
	2 514 618	**2 936 103**

Figures in Rands	2025	2024

16. Employee benefit obligations (continued)

Long service awards		
Current portion	851 756	499 282
Non-current portion	4 058 024	3 633 841
	4 909 780	**4 133 123**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by Mr D. T. Mureriwa and Mr D. M. Nkomo of OnePangaea Expertise and Solutions (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 222 (2024: 208) employees were eligible for long services awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	8,86 %	9,90 %
Consumer Price Inflation (CPI)	3,84 %	4,96 %
Normal salary increase rate CPI+1	4,84 %	5,96 %
Net effective discount rate	3,83 %	3,72 %
	-	-

Discount rate

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2025 supplied by the Johannesburg Stock Exchange to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability.

Amounts recognised in the statement of financial position		
Present value of unfunded obligations	4 909 780	4 133 123

Amounts recognised in the statement of financial performance		
Current service cost	530 855	482 000
Interest cost	384 654	474 000
Actuarial losses/ (gains) recognised	118 438	(179 134)
Benefits paid	(257 290)	(287 743)
	776 657	**489 123**

Reconciliation		
Opening accrued liability	4 133 123	3 644 000
Service cost	530 855	482 000
Interest cost	384 654	474 000
Actuarial losses/ (gains) recognised	118 438	(179 134)

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

16. Employee benefit obligations (continued)

Benefits paid	(257 290)	(287 743)
Closing balance	**4 909 780**	**4 133 123**

Sensitivity analysis

Discount rate

2025	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	599 446	666 885
Effect interest cost	424 070	375 601
Effect on defined benefit obligation	4 678 738	5 141 553

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	491 316	550 903
Effect interest cost	407 811	372 796
Effect on defined benefit obligation	3 864 303	4 268 442

Salary inflation

2025	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	564 436	500 198
Effect interest cost	407 069	364 033
Effect on defined benefit obligation	4 359 432	-

2024	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	564 436	500 198
Effect interest cost	407 069	364 033
Effect on defined benefit obligation	4 359 432	3 924 929

Withdrawal Decrement

The table that follows shows the impact of a change in the withdrawal assumption. The effect is illustrated by assuming that withdrawals are 50% lower and 200% more than assumed.

2025	**50 percentage point decrease**	**200 percentage point increase**
Effect on the service cost	770 794	458 537
Effect interest cost	466 389	302 338
Effect on defined benefit obligation	5 694 795	3 827 919

2024	**50 percentage point decrease**	**200 percentage point increase**
Effect on the service cost	654 008	374 631

Notes to the Annual Financial Statements

Figures in Rands	2025	2024
16. Employee benefit obligations (continued)		
Effect interest cost	453 890	290 159
Effect on defined benefit obligation	4 834 785	3 173 802

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Capital grants	4 339 281	20 633 018
Operational grants	181 519	(25)
	4 520 800	**20 632 993**

Unspent capital monetary allocations

2025	Opening balance	Funds received	Transfer to revenue	Closing balance
MDRG	20 633 018	32 071 000	(48 365 457)	4 339 281
MIG	-	48 891 000	(48 891 000)	-
	20 633 018	**80 962 000**	**(97 256 457)**	**4 339 281**

2024	Opening balance	Funds received	Transfer to revenue	Closing balance
MDRG	3 395 000	42 739 000	(25 500 982)	20 633 018
MIG	6 391 247	35 003 700	(41 394 947)	-
	9 786 247	**77 742 700**	**(66 895 929)**	**20 633 018**

Unspent operational monetary allocations

2025	Opening balance	Funds received	Transfer to revenue	Closing balance
National government				
EPWP	(25)	3 556 000	(3 389 902)	166 073
FMG	-	3 000 000	(2 995 724)	4 276
MIG	-	1 944 550	(1 944 550)	-
Library	-	1 509 000	(1 497 830)	11 170
	(25)	**10 009 550**	**(9 828 006)**	**181 519**

2024	Opening balance	Funds received	Transfer to revenue	Closing balance
National Government				
EPWP	-	2 128 000	(2 128 025)	(25)
FMG	-	3 100 000	(3 100 000)	-
MIG	-	1 842 300	(1 842 300)	-
	-	**7 070 300**	**(7 070 325)**	**(25)**

Figures in Rands	2025	2024

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Reversed during the year	Interest cost	Total
Landfill sites rehabilitation	25 200 082	(140 060)	2 140 060	27 200 991

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Landfill sites rehabilitation	17 128 333	8 071 749	25 200 082

	2025	2024
Non-current liabilities	13 813 667	23 059 115
Current liabilities	13 387 324	2 140 967
	27 200 991	**25 200 082**

Lady Frere

The Lady Frere landfill has been issued with a closure license which states that the rehabilitation of the site must commence within a period of two years from the license issue date, which is 30/06/2014. Commencement of rehabilitation must therefore have started by 30/06/2016, and the license also states that the Licence is valid for a period of four years, meaning the site should have closed by 30/06/2020, depending on how the dates are interpreted. The Municipality has requested an extension of 5 years to operate the site until a new facility can be identified, licensed, and constructed. The Department of Economic Development, Environment Affairs & Tourism approved the extension of the existing licence by 5 years on the 29/06/2023,hence the additional provision have been raised

Additional text

Landfill site rehabilitation provision

The municipality operates one landfill site in Lady Frere and 2 transfer stations in Dodrecht and Indwe. In accordance with legislation and to comply with the Department of Water and Sanitation (DWS) and Department of Economic Development and Environmental Affairs (DEDEAT) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the sites are situated.

Lady Frere

The Lady Frere landfill is located approximately 2.0km west of Indwe Road R394. The landfill site has been issued with a closure license which states that the rehabilitation of the site must commence within a period of two years from the license issue date, which is 30/06/2014. Commencement of rehabilitation must therefore have started by 30/06/2016, and the license also states that the Licence is valid for a period of four years, meaning the site should have closed by 30/06/2020, depending on how the dates are interpreted. The Municipality has requested an extension of 5 years to operate the site until a new facility can be identified, licenced, and constructed. The Department of Economic Development, Environment Affairs & Tourism approved the extension of the existing licence by 5 years on the 29/06/2023,hence the additional provision have been raised.

Dordrecht

The Dordrecht site is located approximately 0.9km from R56 road. The landfill transfer site has been issued with a closure license which states that the rehabilitation of the site must be done within two years from the license issue date, which is 11/09/2014. The site must therefore have been rehabilitated by 11/09/2016 according to the license, the rehabilitation of the site is not complete, but the site has no remaining lifetime.

Indwe site

Figures in Rands	2025	2024

18. Provisions (continued)

The Indwe landfill site is located east of R56 road and approximately 0.3km from Indwe town. The site has no license to operate. Timelines for closure and rehabilitation will be stipulated in the closure license. However, the site is considered to have no remaining lifetime. Waste in the meantime is being transferred via the licensed transfer station to the Indwe landfill site.

Due to uncertainties about the amount or timing of these costs, the provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30th of June 2025. The estimated years for the rehabilitating these sites are three years for Lady Frere landfill, zero years for Dodrecht, and two years for Indwe site.

A valuation of the rehabilitation was conducted by an independent valuer One Pangaea Expertise & Solutions (2024:JPCE Specialist Consulting Engineers) and a liability has been raised. Movements in the provision are recognised in the Statement of Financial Performance. The Provision has been determined on the basis of a recent independent financial requirement and viability.

Rehabilitation provision per location		
Lady Frere	6 830 930	6 745 171
Dodrecht	13 988 369	14 382 248
Indwe	6 381 692	4 072 663
	27 200 991	**25 200 082**

Current portion	13 387 324	15 324 278
Non-current portion	13 813 667	8 974 106
	27 200 991	**24 298 384**

19. Revenue

Rendering of services	139 534	169 267
Service charges	32 926 191	32 786 616
Construction contracts	38 524 697	21 551 676
Rental of fixed assets	213 501	398 909
Interest from trade receivables on exchange	8 097 535	6 939 039
Agency services	1 234 447	1 405 983
Licences and permits	706 246	668 245
Operational revenue	148 684	1 372 498
Interest received - cash and cash equivalents	14 194 186	12 829 760
Property rates	12 053 885	12 001 732
Gain on derecognition of liabilities	-	1 339 898
Government grants & subsidies	272 180 344	233 776 840
Fines, Penalties and Forfeits	494 513	202 060
Interest - from non exchange receivables	3 695 650	3 391 836
	384 609 413	**328 834 359**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	32 926 191	32 786 616
Rendering of services	139 534	169 267
Construction contracts	38 524 697	21 551 676
Rental of facilities and equipment	213 501	398 909
Interest from receivables from exchange transactions	8 097 535	6 939 039
Agency services	1 234 447	1 405 983
Licences and permits	706 246	668 245
Operational revenue	148 684	1 372 498
Interest received - cash and cash equivalents	14 194 186	12 829 760
	96 185 021	**78 121 993**

Figures in Rands	2025	2024

19. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12 053 885	12 001 732
Gain from derecognition of liabilities	-	1 339 898
Transfer revenue		
Government grants & subsidies	272 180 344	233 776 840
Fines, Penalties and Forfeits	494 513	202 060
Interest from non-exchange receivables	3 695 650	3 391 836
	288 424 392	**250 712 366**

20. Service charges

Sale of electricity	22 257 023	23 307 695
Waste management	10 669 168	9 478 921
	32 926 191	**32 786 616**

21. Construction contract revenue

Construction revenue	38 524 697	21 551 676

The Department of Energy provides funds to the municipality for the implementation of the Integrated National Electrification programme which is aimed at reducing electrification backlogs in residential and informal settlements.

During the year construction revenue of R38,524,797 (2024: R21,551,676) was recognised by reference to the stage of completion method at reporting date.

The municipality constructed access roads on behalf of the Department of Transport and earned construction revenue of R0, (2024: R2,089,910).

Aggregate costs to date and recognised surpluses to date 2025	**Aggregate revenue**	**Aggregate costs**	**Recognised in surplus/deficit**
INEP electrification projects	57 986 462	(59 459 315)	(1 472 853)

Retention balance for INEP construction contracts as at 30 June 2025 amounted to R7,873,005.00 and Machubeni Road construction was R492,511.27.

Aggregate costs to date and recognised surpluses to date 2024	**Aggregate revenue**	**Aggregate costs**	**Recognised in surplus/deficit**
INEP electrification projects	19 461 765	(20 934 618)	(1 472 853)
Road construction	22 767 118	(22 767 118)	-
	42 228 883	**(43 701 736)**	**(1 472 853)**

Retention balance for construction contracts as at 30 June 2024 amounted to R4,391,463.00 and Machubeni Road construction was R1,435,022.54.

22. Sales of goods and rendering of services

Cemetery and burial	35 040	34 691
Building plan approval	100 167	125 490
Clearance certificates	4 327	9 086
	139 534	**169 267**

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

23. Rental of fixed assets

Rental by class		
Investment property	196 430	332 650
Community assets	16 786	66 086
Land	285	174
	213 501	**398 910**
Market related- Investment property	196 430	332 650
Non - market related - Community assets	16 786	66 086
Not market related- land	285	174
	213 501	**398 910**

24. Interest from receivables from exchange transactions

Interest charged on exchange receivables	8 097 535	6 939 039

25. Agency services

Vehicle Registration	1 234 447	1 405 983

26. Licences and permits

Trading	284 359	215 636
Road and transport	421 887	452 609
	706 246	**668 245**

27. Operational revenue

Operational revenue	148 684	1 372 498

Operational revenue		
Administrative handling fees	(4 135)	405 866
Commission	115 370	108 058
Inspection fees	4 102	7 475
Insurance Refund	33 347	851 099
	148 684	**1 372 498**

28. Investment revenue

Interest revenue		
Bank accounts	16 656	14 973
Short-term investments and call accounts	14 177 530	12 814 787
	14 194 186	**12 829 760**

29. Fines, Penalties and Forfeits

Illegal connections fines	-	25 750
Pound fees fines	68 713	43 308
Municipal traffic fines	425 800	133 002
	494 513	**202 060**

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

30. Interest from non-exchange receivables

Interest on non-exchange receivables	3 695 650	3 391 836

31. Property rates

Rates received

Residential properties	2 060 842	2 020 982
Business and commercial properties	1 895 751	2 069 829
Agricultural property	903 525	860 294
Public service purposes properties	7 048 183	6 803 886
Vacant land	145 584	246 741
	12 053 885	12 001 732
	12 053 885	**12 001 732**

Valuations

Agricultural property	754 264 004	754 264 004
Business and commercial properties	179 631 303	179 631 303
Cemetery	76 000	76 000
Churches	27 972 701	27 972 701
Consolidated erven	38	38
Industrial properties	1 784 000	1 784 000
General residential	103 693 000	103 693 000
Municipal properties	31 833 300	31 833 300
Museum	4 873 000	4 873 000
Public open space	4 100	4 100
Public service infrastructure properties	2 139 000	2 139 000
Public service purposes properties	341 276 600	341 276 600
Residential properties	352 561 900	352 561 900
Sport clubs and fields	901 000	901 000
Vacant land	29 098 800	29 098 800
	1 830 108 746	**1 830 108 746**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 2018/07/01. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2025.

32. Gain or derecognition of liabilities

Unknown creditors write-off	-	1 339 898

The municipality received a qualification from Auditor-General for Payables from exchange transaction for the limitation of scope. There are no supporting documents /schedules that were submitted or found as per underlying folders supporting the line item of the creditors balance. Management then sought council approval for the write-off of this creditors' balance.

33. Transfer and subsidies

Transfers and subsidies - Expenditure		
Allocations in-kind to households - Capital	-	25 513
Allocations in-kind households- Operational	652 261	1 151 589
	652 261	**1 177 102**

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

34. Government grants & subsidies

Operating grants		
Equitable share	161 888 000	153 876 000
DEDEAT	153 149	152 535
Expanded public works programme (EPWP)	3 389 902	2 128 025
Finance management grant (FMG)	2 995 724	3 100 000
Municipal infrastructure grant (MIG)	1 944 551	1 974 351
Library grant	1 497 831	950 000
	171 869 157	**162 180 911**
Capital grants		
Municipal infrastructure grant (MIG)	46 946 450	41 394 947
Municipal disaster recovery grant (MDRG)	48 364 737	25 500 982
Office of the Premier (OTP grant)	5 000 000	4 700 000
	100 311 187	**71 595 929**
	272 180 344	**233 776 840**

MIG

Balance unspent at beginning of year	-	6 391 247
Current-year receipts	48 891 000	35 003 700
Conditions met - transferred to revenue	(48 891 000)	(41 394 947)
	-	**-**

The MIG aims to eradicate municipal infrastructure backlogs in poor communities to ensure the provision of basic services such as water, sanitation, roads and community lighting.

FMG

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(2 995 724)	(3 100 000)
Closing balance unspent	**4 276**	**-**

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

MDRG

Balance unspent at beginning of year	20 633 018	3 395 000
Current-year receipts	32 071 000	42 739 000
Conditions met - transferred to revenue	(48 421 937)	(25 500 982)
Closing balance unspent	**4 282 081**	**20 633 018**

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

The purpose of this grant is to restore functionality of municipal infrastructure following a disaster by rehabilitating and reconstructing municipal infrastructure damaged by disasters.

EPWP

Current-year receipts	3 556 000	2 128 000
Conditions met - transferred to revenue	(3 389 902)	(2 128 000)
	166 098	**-**

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

34. Government grants & subsidies (continued)

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

The purpose of the grant is to provide EPWP funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Equitable share

	2025	2024
Current-year receipts	161 888 000	153 876 000
Conditions met - transferred to revenue	(161 888 000)	(153 876 000)
	-	-

The equitable share is an unconditional allocation and provides funding for municipalities to deliver free basic services to poor households.

Library grant

	2025	2024
Current-year receipts	1 509 000	950 000
Conditions met - transferred to revenue	(1 497 830)	(950 000)
	11 170	-

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

Office of the Premier

	2025	2024
Current-year allocation	5 000 000	4 700 000
Conditions met - transferred to revenue	(5 000 000)	(4 700 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

35. Employee related costs

Basic	64 472 318	58 179 709
Bonus	4 891 348	3 073 927
Medical aid - company contributions	4 357 609	3 493 439
UIF	480 392	362 414
Leave pay provision charge	1 458 160	(93 248)
Post-retirement benefit: Medical	845 265	643 000
Pension	10 471 231	9 217 953
Travel, motor car, accommodation, subsistence and other allowances	4 963 965	3 989 446
Long-service awards	530 855	482 000
Acting allowances	134 503	102 164
Housing benefits and allowances	175 894	172 758
Cellphone allowance	1 411 656	1 137 994
Standby Allowance	266 519	231 112
Overtime	1 993 774	1 921 209
Bargaining council	28 497	25 981
	96 481 986	**82 939 858**

Employee related cost		
Senior management	9 989 573	10 588 645
Municipal staff	96 481 986	82 939 858
	106 471 559	**93 528 503**

Remuneration of Municipal Manager - POB Makoma

Annual Remuneration	955 074	911 081
Bonuses	54 360	54 360
Service-related benefits*	71 980	39 279
Allowances	417 576	417 577
Pension	385 110	385 110
Medical	132 706	132 706
Unemployment insurance	2 125	2 125
	2 018 931	**1 942 238**

* Included in the Service related benefits is acting allowance paid to M Mntuyedwa for acting as the Municipal manager during the year.

Remuneration of Chief Financial Officer - Mr X Sikobi*

Annual Remuneration	191 491	1 064 959
Allowances	84 105	538 834
Pension	34 330	205 982
Medical	16 151	96 908
Unemployment insurance	354	2 125
Leave payout	204 505	-
	530 936	**1 908 808**

*Resigned 31 August 2024.

Remuneration of Chief Financial Officer - B Lubelwana

Annual Remuneration	472 967	-
Allowances	183 125	-
Pension	78 645	-
Medical	78 645	-

Figures in Rands	2025	2024

35. Employee related costs (continued)

UIF	177	-
	813 559	**-**

Appointed 1 December 2024

Director - Corporate services - T Javu*

Annual Remuneration	347 274	979 224
Allowances	215 501	632 409
Pension	51 484	151 053
Unemployment insurance	709	2 125
Leave payout	180 128	-
	795 096	**1 764 811**

Director - Corporate services - TT Madotyeni**

Annual Remuneration	524 211	-
Acting allowance	3 443	-
Allowances	64 177	-
Pension	22 470	-
	614 301	**-**

*Mr T Javu resigned on 31 October 2024.

**TT Madotyeni appointed 20 January 2025

Director - Community services- MSV Gatyeni

Annual Remuneration	1 168 959	1 106 700
Service-related benefits	7 439	8 528
Allowances	322 993	311 536
Pension	164 029	158 100
Medical	49 450	47 663
Unemployment insurance	2 125	2 125
	1 714 995	**1 634 652**

Director- Infrastructure (IDHS) -M Lehlehla *

Annual Remuneration	914 023	948 600
Bonuses	275 358	158 100
Allowances	280 056	288 408
Pension	225 391	237 150
UIF	2 125	2 125
Leave payout	162 597	-
	1 859 550	**1 634 383**

* Resigned on 31 May 2025.

Director - Planning (PEDTA)- M Mntuyedwa

Annual Remuneration	1 391 347	856 837
Service- related benefits	-	250 071
Car Allowance	46 479	338 530
Pension	-	228 117
Medical	-	28 608
UIF	-	1 594

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

35. Employee related costs (continued)

	1 437 826	**1 703 757**

36. Remuneration of councillors

Mayor	1 020 002	998 473
Section 79 committee chairperson	881 237	863 751
Mayoral committee members	3 557 016	3 483 421
Speaker	824 882	807 659
Councillors	9 190 185	8 569 426
	15 473 322	**14 722 730**

Mayor NF Koni

Basic salary	975 602	954 073
Cell phone and data allowance	44 400	44 400
	1 020 002	**998 473**

Speaker M Mtyobile

Basic salary	780 482	763 259
Cell phone and data allowance	44 400	44 400
	824 882	**807 659**

Executive committee

Basic salary	2 786 952	2 716 701
Cell phone and data allowance	222 000	222 000
Travelling allowance	548 064	544 720
	3 557 016	**3 483 421**

Section 79 committee chairperson

Basic salary	792 437	774 951
Cell phone and data allowance	88 800	88 800
	881 237	**863 751**

All other councillors

Basic salary	7 691 054	7 467 636
Cell phone and data allowance	1 107 188	1 095 910
Out of pocket expenses	4 300	5 880
Social Contributions	387 643	-
	9 190 185	**8 569 426**

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Figures in Rands	2025	2024

37. Contracted services

Consultants and Professional Services		
Business and Financial Management	3 642 602	1 797 672
Audit Committee	224 562	257 859
Commissions and Committees	23 874	-
Organisational	31 900	269 700
Infrastructure and planning	134 265	-
Quality Control	72 479	141 868
Research and Advisory	1 000	100 000
Legal Cost	7 299 556	4 751 990
Infrastructure and Planning	171 399	-
Contractors		
Repairs and maintenance of buildings and facilities	170 477	828 533
Repairs and maintenance of equipment	116 103	341 678
Repairs and maintenance of transport assets	2 929 164	(1 109 982)
Outsourced Services		
Accounting and Auditing	5 861 716	555 829
Human Resources	620 124	102 709
Valuer	707 645	123 826
Security Services	9 016 124	7 841 964
	31 022 990	**16 003 646**

38. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	-	1 585 824
Plant and equipment		
Contractual amounts	305 028	703 235
	305 028	**2 289 059**

39. Depreciation and amortisation

Property, plant and equipment	21 577 781	19 929 107
Investment property	42 322	46 238
Intangible assets	126 142	137 816
	21 746 245	**20 113 161**

40. Finance costs

Interest charges	4 191 046	1 724 573

Interest charges		
Eskom- late payment	33 566	22 728
Telkom - late payment	1 939	3 210
COIDA- late payment	18 729	18 547
The Reporter	-	88
Unwinding of discount rate- landfill sites provision	2 140 968	-
Unwinding of discount rate- post employment medical benefit	1 611 190	1 206 000
Unwinding of discount rate- long service awards	384 654	474 000
	4 191 046	**1 724 573**

41. Construction contracts

Construction contracts costs	37 093 904	23 024 528

Figures in Rands	2025	2024

42. Inventory consumed

Materials and supplies	2 154 001	1 985 071

43. Debt impairment

Debt impairment	21 451 448	36 946 813
Trade and other receivables from exchange transactions	15 489 461	21 311 298
Trade and other receivables from non-exchange	5 961 987	15 635 515
	21 451 448	**36 946 813**

44. Actuarial gains/ losses

Actuarial gains/ losses	29 597	907 969

Reconciliation of actuarial gains/ losses

Post employment medical benefit	(88 841)	1 087 103
Long service awards	118 438	(179 134)
	29 597	**907 969**

45. Gain or loss on disposal of assets

Gain or loss on disposal of assets	1 928 545	343 966

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

46. Operational costs

Advertising, publicity and marketing	951 010	705 828
Auditors remuneration	5 860 711	5 720 982
Bank charges, facility and card fees	783 993	961 712
Cleaning	240 345	47 580
Bursaries (employees)	-	414 650
Catering services	1 167 329	1 214 478
Learnerships and internships	526 517	245 181
Hire charges	303 319	626 822
Insurance	1 474 015	2 098 178
Deeds	13 950	185 263
System access and information fees	109 963	167 940
Registration Fees	569 679	190 467
Municipal services	3 939 217	3 033 816
Medical expenses	49 021	94 304
Drivers Licence and Permits	60 830	59 327
External computer service	4 629 459	4 422 327
Wet fuel	2 246 634	2 145 794
Prepaid electricity vendors	5 204 257	500 566
Clearing and grass cutting	150 000	21 900
Printing and stationery	992 335	338 136
Contribution to provisions	(140 060)	8 071 749
Communication	1 329 551	1 254 923
Subscriptions and membership fees	1 340 010	1 278 479
Transport	420 370	568 770
Travel and subsistence	5 187 503	5 043 424
Transport provided as part of Departmental Activities	13 000	81 000
Assets expensed	-	71 975
Uniforms	671 055	1 409 575
Licences	4 900	6 868
Workmen's Compensation Fund	205 136	610 920
Indigent relief	2 114 832	1 263 512
Seating allowance for traditional leaders	81 000	75 090
Vehicle tracking	100 400	35 473
Remuneration to ward committees	3 057 360	3 060 976
Skills development fund levy	809 817	727 904
	44 467 458	**46 755 889**

47. Bulk purchases

Electricity - Eskom	24 224 093	20 278 351

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

47. Bulk purchases (continued)

Electricity losses

		KHW	Amount	KHW	Amount
Units purchased		10 253 506	16 539 612	10 042 796	14 179 718
Units sold		(7 628 012)	(12 308 878)	(7 910 352)	(11 168 858)
Total loss		**2 625 494**	**4 230 734**	**2 132 444**	**3 010 860**
Percentage Loss:					
Technical and non technical losses	25,61%		25,61 %	21,37 %	21,37 %

Reasons for the losses

Losses occurred because of a combination of these factors illegal connections, aging electrical infrastructure, exceeding Eskom notified maximum demand which led to penalties as well as non metering of municipality's own consumption.

Action taken

The municipality embarked on smart meter installation to mitigate against the reoccurrence of such losses.

The municipality will do meter audit to identify illegal connections;

The municipality is already busy applying the upgrade of Eskom NMD;

Municipality will install meters to all the municipality buildings and public lighting in the municipal network;

The municipality is refurbishing the electrical infrastructure network.

Figures in Rands	2025	2024

48. Cash generated from operations

Surplus	73 281 153	46 362 805
Adjustments for:		
Depreciation and amortisation	21 746 245	20 113 161
Gain or losses on disposals	1 928 545	343 966
Impairment loss	30 002	-
Debt impairment	23 809 943	36 946 813
Bad debts written off	86 762	2 670 188
Movements in provisions	1 746 083	8 274 480
Gain on derecognition of liabilities	-	(1 339 898)
Actuarial gains or losses	29 597	907 969
Interest on long service and post medical aid benefit	1 995 844	1 680 000
Interest on landfill sites	2 140 968	-
Changes in working capital:		
Receivables from exchange transactions	(18 612 045)	(36 000 810)
Other receivables from non-exchange transactions	(7 848 653)	(6 239 832)
Payables from exchange transactions	10 660 454	42 925 409
Unspent conditional grants and receipts	(15 787 892)	4 972 581
Consumer deposits	8 285	3 395
Other receivables	-	(2 338 201)
Prepayments	(114 419)	1 216 789
VAT payable	4 905 755	(24 321 391)
Increase / decrease in operating lease asset	(3 807)	71 948
Traffic fines	(165 500)	-
Accrued interest and income	(1 802 757)	-
	98 034 563	**96 249 372**

49. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	10 120 692	10 120 692
Cash and cash equivalents	135 371 168	135 371 168
	145 491 860	**145 491 860**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	34 965 460	34 965 460
Consumer deposits	106 240	106 240
Bank overdraft	142 431	142 431
	35 214 131	**35 214 131**

2024

Financial assets

	At amortised cost	Total

Figures in Rands	2025	2024

49. Financial instruments disclosure (continued)

Trade and other receivables from exchange transactions	5 549 524	5 549 524
Cash and cash equivalents	133 845 815	133 845 815
	139 395 339	**139 395 339**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 369 270	20 369 270
Consumer deposits	97 956	97 956
	20 467 226	**20 467 226**

50. Commitments

Authorised capital expenditure

Approved and contracted for		
• Infrastructure	41 697 695	99 603 299
• Community assets	10 959 785	1 002 433
	52 657 480	**100 605 732**

Total capital commitments		
Property, plant and equipment	52 657 480	100 605 732

The municipality had entered into various contracts with suppliers for the construction of items of property plant and equipment. These contracts will give rise to capital expenditure of R52 657 480 (2024: R100 605 732) in the next few years that is financed by grants and own internally generated funds.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	203 691

Operating lease payments represent rentals payable by the municipality for printers and photocopying machines. The lease was for a three year term which ended on 29 February 2025. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

51. Contingencies

Contingent liabilities

U Njuze vs Emalahleni Local Municipality The applicants seeks payment for services rendered for performing the service of the Financial Controller from August 2013 to July 2018	1 326 130	1 326 130
S Fokazi vs Emalahleni Local Municipality The applicant brought the matter for an alleged unfair labour practice performed by the Municipality through deductions made on the applicant's salary.	-	26 471
Balintulo Trading CC vs Emalahleni Local Municipality The plaintiff is suing the municipality for the alleged unpaid work done of a road surface from a tender awarded to the plaintiff by the municipality.	17 892 506	17 892 506
	19 218 636	**19 245 107**

Over and above the contingent liabilities listed above the municipality is a defendant in a case Ramasehla and other vs Emalahleni whereby municipal employees are claiming unpaid management-level salaries backdating from 2019 as well as appointment to managerial positions. As at 30 June 2025 the plaintiff have not furnished the court and the municipality the total amount of the back pay claimed.

Contingent assets

Emalahleni Local Municipality vs N Ngqola Recovery of assets attached on case with N Ngqola	250 000	250 000
Emalahleni Local Municipality vs Dr Vatala and Mr De Jager Recovery of fruitless and wasteful expenditure	7 947 503	7 947 503
	8 197 503	**8 197 503**

52. Related parties

Relationships	
Councillors	Refer to note 36
Key management	Refer to note 35

Related party transactions

Key management and councillors receive and pay for services from the municipality on the same terms and conditions as other ratepayers. Services are rendered within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality reasonably expected to have adopted when dealing with individual persons in similar circumstances. These terms and conditions are within the normal operating parameters established by the municipality's mandate. The rates, services charges and other charges are in accordance with the approved tariffs.

Rates, refuse and interest charges		
Councillors		
MP Masiza	2 313	-
S Qomoyi	2 562	-
V Mnyuko	2 467	-

53. Awards to close family members - SCM Regulation 45

Supplier name	Employee name	Relationship	Department	2025	2024
				-	-
Ficra	K Rantjie	Spokesperson	Department of Transport	168 457	353 649

54. Risk management

Financial risk management objectives

Liquidity risk

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 4 to the annual financial statements.

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.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained..

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

Financial instrument	2025	2024
Trade and other receivables from exchange transactions	10 120 692	5 549 524
Cash and cash equivalents	135 371 168	133 845 815

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rate. No formal policy exists to hedge volatilities in the interest rate market.

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 on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality's interest bearing external loan liabilities, as are trade and other payables from exchange transactions.

The municipality's maximum 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 Rands	2025	2024

55. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 618 429 268 and that the municipality's total assets exceed its liabilities by R 618 429 268.

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

The municipality is solvent and is fairly liquid with cash and cash equivalents balance of R 135,371,168 as at 30 June 2025. Based on the projected cash flows for the 2025/26 financial year and the fact that there no plans by government to dissolve or discontinue the municipality the Accounting Officer is confident that the municipality will continue to operate in the foreseeable future.

56. Events after the reporting date

The Chief Whip X Lali passed on in July 2025.

The Accounting Officer POB Makoma resigned from her office in September 2025.

The Council of Emalahleni resolved to place the Chief Financial Officer, Mrs. Busisiwe Lubelwana on precautionary suspension effective from 17 November 2025. Council further, appointed Mr. Lwandile Juwele as the Acting Chief Financial Officer.

In light of the challenges including capacity constraints faced by the municipality, a letter was written to Provincial Treasury to second an official to assist with the finalisation of the Annual Financial Statements and Audit Related matters. Provincial Treasury seconded an official.

These events are non adjusting as they do not affect the transactions or balances as at 30 June 2025.

The Acting Accounting Officer is not aware of any other subsequent events arising since the end of the financial year, that may need to be adjusted for or disclosed in the Financial Statements.

57. Unauthorised expenditure

Opening balance	130 549 429	58 195 709
Add: Unauthorised expenditure - current	85 417 691	72 353 720
Closing balance	**215 967 120**	**130 549 429**

The over expenditure incurred by the municipality during the year is attributable to not budgeting for contract costs and under budgeting of non cash items such as debt impairment.

58. Fruitless and wasteful expenditure

Opening balance as previously reported	2 068 131	2 033 388
Add: Fruitless and wasteful expenditure identified - current year	206 843	34 743
Add: Fruitless and wasteful expenditure identified in the current period relating to prior years	7 051 474	-
Closing balance	**9 326 448**	**2 068 131**

Notes to the Annual Financial Statements

Figures in Rands		2025	2024

58. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on overdue account-Eskom	Under investigation	32 336	29 205
Interest on overdue account-Telkom	Under investigation	5 499	5 538
Overpayment	Under investigation	1 485	-
Payments made on behalf of former councillors cellphones not recoverable	Under investigation	32 990	-
Audit committee member	Under investigation	27 718	-
State of municipality address setup costs	Under investigation	88 085	-
Interest on ovedue account - COIDA	Under investigation	92 297	-
Expenditure paid to MBS Civils JV Cudjoe Quantity Surveying for work subsequently demolished and rebuild by MVI_ Indwe Sports field.	Under investigation	5 613 507	-
Penalties forgone from Contractor MBS Civils JV Cudjoe Quantity Surveying for project delayes_ Indwe sports field	Under investigation	1 364 400	-
		7 258 317	**34 743**

Figures in Rands	2025	2024

59. Irregular expenditure

	2025	2024
Opening balance as previously reported	45 661 584	29 410 625
Add: Irregular expenditure - current year	55 573 569	8 112 362
Add: Irregular expenditure identified in current year but relating to prior year	8 256 577	8 138 597
Less: Amount recovarable	-	-
Less: Amount written off - current	-	-
Closing balance	**109 491 730**	**45 661 584**

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

	Disciplinary steps taken/criminal proceedings		
SCM process was not followed	Referred to MPAC for investigation and DC for financial misconduct	59 865 950	5 013 812
Management remunerated above the determined upper limits	Referred to MPAC for investigation and DC for financial misconduct	2 588 670	11 237 147
Councillors remunerated above the determined upper limits	Referred to MPAC for investigation and DC for financial misconduct	1 375 526	-
		63 830 146	**16 250 959**

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of the MFMA. No steps have been taken at this stage to recover any monies.

Irregular expenditure is inclusive of VAT were applicable.

60. Additional disclosure in terms of Municipal Finance Management Act

2025	Pension	Medical	PAYE	UIF	SALGA contributions	Audit Fees
Opening balance	-	-	1 319 725	84 660	-	-
Current year subscription / fee	11 432 690	4 634 461	17 379 524	1 032 398	1 190 316	5 860 711
Amount paid - current year	(9 954 343)	(3 924 202)	(17 182 932)	(1 029 355)	(1 190 316)	(5 860 711)
Closing balance	**1 478 347**	**710 259**	**1 516 317**	**87 703**	**-**	**-**

The outstanding balance for PAYE and UIF was remited to SARS on 7 July 2025.

The outstanding Medical and Pension balance was subsequently paid on 4 July 2025.

2024	Pension	Medical	PAYE	UIF	SALGA contributions	Audit fees
Current year subscription / fee	10 583 464	3 799 323	15 702 915	941 213	1 208 248	5 720 892
Amount paid - current year	(10 583 464)	(3 799 323)	(14 383 190)	(856 553)	(1 208 248)	(5 720 892)
Closing balance	**-**	**-**	**1 319 725**	**84 660**	**-**	**-**

The prior year PAYE, UIF balances were restated to reflect the outstanding balance for PAYE, UIF that was paid over to SARS on 05 July 2024.

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

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
MP Masiza	587	966	1 553
S Qomoyi	640	2 953	3 593
V Mnyuko	630	2 765	3 395
	1 857	**6 684**	**8 541**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
TG Kulashe	-	2 406	2 406
S Qomoyi	-	184	184
V Mnyuko	-	181	181
	-	**2 771**	**2 771**

61. 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.

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

	2025	2024
Appointment of consultants	-	32 711

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality’s SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

62. Segment information

General information

62. Segment information (continued)

Identification of segments

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.

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

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 reporting measurement basis for the management reports is the same as that of the annual financial statements.

Information about geographical areas

The municipality's operations are in the Eastern Cape.

Although the municipality's operations are in a number of geographical areas (i.e. wards), the geographic 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 geagraphical area.

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.

Measurement of segment surplus or deficit, assets and liabilities

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

Aggregated segments

The municipality operates throughout the Chris Hani District in the Eastern Cape. Segments were not aggregated except the non segment support services (finance, internal audit and administration and other functions).

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**
Segment 1	Energy sources (Electricity)
Segment 2	Waste management (Solid waste removal services)
Segment 3	Planning and development
Segment 4	Community and social services
Segment 5	Public safety
Segment 6	Roads
Segment 7	Sport and recreation
Segment 8	Housing
Non-segment -Support services	Finance, internal audit, administrative and other functions

Notes to the Annual Financial Statements

Figures in Rands

62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Energy sources	Waste management	Sport and recreation	Planning and development	Roads	Community and Social services	Public safety	Housing	Non-segment - Support services	Total
Revenue										
Service charges	22 140 783	10 669 168	-	-	-	-	-	-	116 240	32 926 191
Rendering of services	-	-	-	100 167	-	35 040	-	-	4 327	139 534
Construction revenue	38 524 697	-	-	-	-	-	-	-	-	38 524 697
Rental of fixed assets	-	-	-	-	-	-	213 501	-	-	213 501
Interest received from receivables	2 070 447	6 009 514	-	-	-	-	-	-	17 574	8 097 535
Agency services	-	-	-	-	-	-	-	-	1 234 447	1 234 447
Licences and permits	-	-	-	263 278	-	-	21 081	-	421 887	706 246
Operational revenue	-	-	-	-	-	4 102	-	-	144 581	148 683
Interest received from bank	-	-	-	-	-	-	-	-	14 194 186	14 194 186
Property rates	-	-	-	-	-	-	-	-	12 053 885	12 053 885
Fines, penalties and forfeits	-	-	-	-	-	-	-	68 713	425 800	494 513
Interest from non exchange receivables	-	-	-	-	-	-	-	-	3 695 650	3 695 650
Government grants	-	-	-	52 280 903	-	1 497 831	-	-	218 401 610	272 180 344
Total segment revenue	**62 735 927**	**16 678 682**	**-**	**52 644 348**	**-**	**1 536 973**	**234 582**	**68 713**	**250 710 187**	**384 609 412**
Entity's revenue										**384 609 412**

Notes to the Annual Financial Statements

Figures in Rands

62. Segment information (continued)

	Energy sources	Waste management	Sport and recreation	Planning and development	Roads	Community and Social services	Public safety	Housing	Non-segment - Support services	Total
Expenditure										
Employee related costs	4 791 130	7 558 858	1 914 951	15 418 068	3 226 707	17 969 494	1 969 596	1 790 909	51 831 846	106 471 559
Remuneration of councillors	-	-	-	-	-	-	-	-	15 473 322	15 473 322
Depreciation and amortisation	458 003	8 386	-	-	14 316 092	3 041 717	-	-	3 922 046	21 746 244
Construction contract costs	37 093 904	-	-	-	-	-	-	-	-	37 093 904
Finance costs	33 566	2 140 968	-	-	-	-	-	-	2 016 512	4 191 046
Lease rentals on operating lease	-	-	-	-	-	-	-	-	305 028	305 028
Debt impairment	3 206 436	12 429 079	-	-	-	-	-	-	5 815 933	21 451 448
Bad debts written off	-	71 831	-	-	-	-	-	-	14 931	86 762
Bulk purchases	24 224 093	-	-	-	-	-	-	-	-	24 224 093
Transfers and subsidies	-	-	-	127 500	-	430 095	-	-	94 666	652 261
Actuarial gains and losses	-	-	-	-	-	-	-	-	29 597	29 597
Operational costs	4 065 058	629 135	15 080	6 122 418	679 114	1 071 084	15 541	14 666	31 855 362	44 467 458
Contracted services	399 150	1 000	-	1 925 146	-	333 969	21 000	-	28 342 724	31 022 989
Inventory consumed	20 720	372 169	-	1 379 305	-	127 050	-	-	254 757	2 154 001
Impairment loss	-	-	-	-	-	-	-	-	30 002	30 002
Gain or loss on disposal of assets	-	-	-	-	-	-	-	-	1 928 545	1 928 545
Total segment expenditure	**74 292 060**	**23 211 426**	**1 930 031**	**24 972 437**	**18 221 913**	**22 973 409**	**2 006 137**	**1 805 575**	**141 915 271**	**311 328 259**
Total segmental surplus/(deficit)	**(11 556 133)**	**(6 532 744)**	**(1 930 031)**	**27 671 911**	**(18 221 913)**	**(21 436 436)**	**(1 771 555)**	**(1 736 862)**	**108 794 916**	**73 281 153**

Notes to the Annual Financial Statements

Figures in Rands

62. Segment information (continued)

	Energy sources	Waste management	Sport and recreation	Planning and development	Roads	Community and Social services	Public safety	Housing	Non-segment - Support services	Total
Assets										
Current assets		3 728 912	1 051 796	-	-	-	-	-	151 141 745	155 922 453
Non current assets		33 698 621	411 902	-	-	106 961 494	-	-	431 138 664	572 210 681
Total segment assets		**37 427 533**	**1 463 698**	**-**	**-**	**106 961 494**	**-**	**-**	**582 280 409**	**728 133 134**
Total assets as per Statement of financial Position										**728 133 134**
Liabilities										
Current liabilities	4 602 461	13 387 324	-	-	-	-	-	-	59 698 990	77 688 775
Non current liabilities	-	13 813 667	-	-	-	-	-	-	18 201 425	32 015 092
Total segment liabilities	**4 602 461**	**27 200 991**	**-**	**-**	**-**	**-**	**-**	**-**	**77 900 415**	**109 703 867**
Total liabilities as per Statement of financial Position										**109 703 867**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2024

	Energy sources	Waste management	Sport and recreation	Planning and development	Roads	Community and Social services	Public safety	Housing	Non-segment - Support services	Total

Notes to the Annual Financial Statements

Figures in Rands

62. Segment information (continued)

Revenue

Service charges	23 307 695	9 478 921	-	-	-	-	-	-	-	32 786 616
Rendering of services	-	-	-	128 372	-	34 691	-	-	6 204	169 267
Construction revenue	21 551 676	-	-	-	-	-	-	-	-	21 551 676
Rental of fixed assets	-	-	-	-	-	-	398 909	-	-	398 909
Interest received from receivables	1 428 278	5 384 195	-	-	-	-	126 566	-	-	6 939 039
Agency services	-	-	-	-	-	-	-	-	1 405 983	1 405 983
Licences and permits	-	-	-	190 047	-	-	22 272	-	455 926	668 245
Operational revenue	-	-	-	-	-	7 475	-	-	1 365 024	1 372 499
Interest received from bank	-	-	-	-	-	-	-	-	12 829 760	12 829 760
Property rates	-	-	-	-	-	-	-	-	12 001 732	12 001 732
Fines, penalties and forfeits	-	-	-	-	-	-	43 308	-	158 752	202 060
Interest from non exchange receivables	-	-	-	-	-	-	-	-	3 391 836	3 391 836
Government grants	-	-	-	45 497 323	4 700 000	950 000	-	-	182 629 517	233 776 840
Gain and losses from derecognition of liabilities	-	-	-	-	-	-	-	-	1 339 898	1 339 898
Total segment revenue	**46 287 649**	**14 863 116**	**-**	**45 815 742**	**4 700 000**	**992 166**	**591 055**	**-**	**215 584 632**	**328 834 360**
Entity's revenue										**328 834 360**

62. Segment information (continued)

	Energy sources	Waste management	Sport and recreation	Planning and development	Roads	Community and Social services	Public safety	Housing	Non-segment - Support services	Total
Expenditure										
Employee related costs	4 158 865	13 316 372	1 711 923	14 798 864	4 914 839	15 033 617	1 642 070	1 619 274	36 332 683	93 528 507
Remuneration of councillors	-	-	-	-	-	-	-	-	14 722 730	14 722 730
Depreciation and amortisation	424 215	9 162	-	14 085 523	-	3 085 598	-	-	2 508 664	20 113 162
Construction contract costs	20 934 618	-	-	-	2 089 910	-	-	-	-	23 024 528
Finance costs	-	-	-	-	-	-	-	-	1 724 573	1 724 573
Lease rentals on operating lease	-	1 293 334	-	-	-	-	-	-	995 725	2 289 059
Debt impairment	15 077 942	7 569 830	-	-	-	-	-	-	14 299 041	36 946 813
Bad debts written off	-	95 284	-	-	-	-	-	-	2 574 904	2 670 188
Bulk purchases	20 278 351	-	-	-	-	-	-	-	-	20 278 351
Transfers and subsidies	-	25 513	-	17 870	-	1 133 719	-	-	-	1 177 102
Operational costs	298 051	617 129	14 540	5 396 447	883 396	268 347	35 500	17 287	39 225 192	46 755 889
Contracted services	-	170 744	-	2 906 386	-	697 150	-	-	12 229 268	16 003 548
Inventory consumed	69 282	195 600	-	1 070 462	239 400	265 122	-	-	145 204	1 985 070
Gain or loss on disposals	-	-	-	-	-	-	-	-	343 966	343 966
Actuarial gains or losses	-	-	-	-	-	-	-	-	907 969	907 969
Total segment expenditure	**61 241 324**	**23 292 968**	**1 726 463**	**38 275 552**	**8 127 545**	**20 483 553**	**1 677 570**	**1 636 561**	**126 009 919**	**282 471 455**
Total segmental surplus/(deficit)	**(14 953 675)**	**(8 429 852)**	**(1 726 463)**	**7 540 190**	**(3 427 545)**	**(19 491 387)**	**(1 086 515)**	**(1 636 561)**	**89 574 713**	**46 362 905**
Assets										
Current assets	1 213 283	1 088 110	-	-	-	-	-	-	145 138 100	147 439 493
Non-current assets	17 523 336	420 288	-	-	219 628 566	103 897 165	-	-	157 794 658	499 264 013
Total segment assets	**18 736 619**	**1 508 398**	**-**	**-**	**219 628 566**	**103 897 165**	**-**	**-**	**302 932 758**	**646 703 506**

Notes to the Annual Financial Statements

Figures in Rands

62. Segment information (continued)

	Energy sources	Waste management	Sport and recreation	Planning and development	Roads	Community and Social services	Public safety	Housing	Non-segment - Support services	Total
Total assets as per Statement of financial Position										**646 703 506**
Liabilities										
Current liabilities	2 066 293	2 140 967	-	-	-	-	-	-	58 839 425	63 046 685
Non-current liabilities	-	23 059 115	-	-	-	-	-	-	15 449 591	38 508 706
Total segment liabilities	**2 066 293**	**25 200 082**	**-**	**-**	**-**	**-**	**-**	**-**	**74 289 016**	**101 555 391**
Total liabilities as per Statement of financial Position										**101 555 391**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

63. Budget differences

The budget is approved on an accrual basis by functional classification. The approved budget covers the period from 1 July 2024 to 30 June 2025.

The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance in accordance with GRAP.

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Emalahleni Local Municipality as approved by Council.

Material differences between budget and actual amounts

63.1 Service charges

63. Budget differences (continued)

Under performance is mainly due to due to residents and consumers consuming less electricity than anticipated as a result of escalating Eskom tariffs.

63.2 Rendering of services

Under budget by 13% due to low business volume than anticipated.

63.3 Construction contracts

Construction contracts revenue was not budgeted for as separate line as it was included under Government grants hence the variance.

63.4 Rental of facilities

Under budget due to lower uptake in leasing and hiring of the municipalities facilities.

63.5 Interest received from exchange receivables

The amount refers to the additional billing of interest, receivables from exchange transactions due to the debtors who are past due which have increase considerably.

63.6 Agency services

The amount refers to the under-collection on Agency services due to the municipality experiencing extended periods of poor connectivity during the financial year where the driving licence testing centre were not able to operate as envisaged.

63.7 Licences and permits

Under budget due to lower business than anticipated.

63.8 Operational income

Lower than budget due to lower commission collected than anticipated.

63.9 Interest received investment

The Municipality invested more funds during the year which resulted to a positive cash position. The sourced quotes were selected based on the highest interest rates.

63.10 Government grants and subsidies

The under performance is due to less allocations being received from National and Provincial government than anticipated.

63.11 Fines, penalties and forfeits

Mainly due to an increase to the traffic fines issued that has increased.

63.12 Interest from non- exchange receivables

The variance is due to additional billing of interest on Property Rates due to the non payment of debtors

63.13 Employee related costs

Over budget due to filling of vacancies in the year coupled with task grade changes.

63.14 Depreciation and amortisation

Over budget due to unbundling of assets that were completed in the current year that was not factored in the budget.

63. Budget differences (continued)

63.15 Impairment loss

The municipality did not budget for impairment of its non current assets.

63.16 Construction contract costs

The 100% variance is due to construction contracts projects costs was not included in the budget as a separate line item.
.

63.17 Finance costs

The 100% variance relates to finance costs which have not been budgeted for (land fill site, long service bonuses, post retirement medical benefits and interest on late payments to suppliers)

63.18 Lease rentals on operating lease

Budgeted under operating costs not included as a separate line item.

63.19 Debt impairment

This over-expenditure variance reflects the under-estimation of the Debt impairment which was calculated at year-end. Where a significant number of debts were impaired.

63.20 Bad debts written-off

The variance relates to bad debts written off which have not been budgeted for.

63.21 Bulk purchases

This variance reflects the under-estimation of the bulk purchases from the previous financial year the bulk purchases have escalated due to the very high tariff increase for electricity. As well as penalties from Eskom NMD.

63.22 Contracted services

Underbudget due to fluctuation of expenditure.

63.23 Transfers and Subsidies

Variance is due to less spending on transfers and subsidies than anticipated.

63.23 Inventories consumed

The under-expenditure variance relates to inventories consumed which were under-estimated.This relates to materials used for maintenance works.

63.24 Expenses by function

Budget overrun is mainly attributed to under budgeting couple with general inflationary increase in the market.

63.25 Inventories consumed

Under budget due to less spending than anticipated.

63.26 Loss on disposal of assets and liabilities

Variance is due to the municipality not considering loss on disposal of assets in its budget.

63.27 Actuarial gains/losses

Notes to the Annual Financial Statements

63. Budget differences (continued)

This is due to the municipality not budgeting for actuarial gains and losses.

63.28 Operating lease asset

Under budget due to the budget being set at higher amounts than what can be realised given the existing leases.

63.29 Receivables from exchange transactions

Under budget is mainly attributed to higher impairment amount being processed in the current year as a result of the inclusion of government debt.

63.30 Receivables from non-exchange transactions

Under budget is mainly attributed to higher impairment amount being processed in the current year as a result of the inclusion of government debt.

63.31 VAT receivable

Variance is due to the municipality owing SARS for VAT on INEP grants.

63.32 VAT Input accrual

The municipality did not budget for VAT input accrual hence the variance.

63.33 Cash and cash equivalents

Over budget due to the budgeting process not taking into account the available cash balances and the historical spending and cash collection trends in setting up the cash and cash equivalents at the end of the financial year.

63.34 Investment property

Investment property was not budgeted for in the current year hence the variance.

63.35 Property, plant and equipment

Variance is mainly due to the ommission of the carrying amounts of property plant and equipment and centered on the anticipated capital expenditure for the year.

63.36 Intangible assets

The municipality did not budget for intangible assets hence the variance.

63.37 Heritage assets

The municipality did not budget for heritage assets hence the variance.

63.38 VAT payable

VAT on construction contracts projects was not factored during the budget process.

63.39 Payables from exchange transactions

Variance is due to goods and services planned for the year being delivered after year end hence the saving.

63.40 Employee benefit obligation

The municipality did not budget for employee benefit obligations hence the variance.

63.41 Unspent conditional grants and receipts

63. Budget differences (continued)

Variance is due to delays in the implementation of the projects funded by the disaster grant resulting in more unspent amounts than anticipated.

63.42 Provisions (Current and non current)

Under budget due to the impact of actuarial remeasurements not factored in the budget.

63.43 Bank overdraftt

The municipality did not budget for an overdraft as it does not overdraws its accounts. This overdraft is due to the fact that the funds deposited to cover for the debit orders only reflected a day after the debit orders have gone through the account.

63.44 Output VAT accrual

Employee benefit obligation Non Current

63.44 Employee benefit obligation Non Current

The municipality did not budget for employee benefit obligation in its budget.

63.45 Accumulated surplus

Variance is due to prior period error corrections and surplus for the year being less than anticipated.

63.46 Property rates

Variance is due to customers not settling their property rates accounts as anticipated.

63.46 Service charges

Variance is due to customers not settling their electricity and solid waste accounts as anticipated. Revenue enhancements strategies that were planned to improve cash collection were only applied post year end.

63.47 Other revenue

Variance is mainly due to INEP grant income not being considered as construction revenue during the budgeting process.

63.48 Transfers and subsidies operational

Variance is due to less being received than budgeted.

63.49 Transfers and subsidies capital

Variance is due to more capital grants being received than budgeted.

63.50 Interest

Variance is due to more cash being deposited in interest earning call accounts with better interest rates resulting in more interest being earned.

63.50 Suppliers and employees

Over budget due to increases in employee costs and fluctuation in expenditure.

63.51 Purchase of plant and equipment

Variance is due to more capital funds being allocated to the municipality and accelerated implementation of grant funded projects.

63. Budget differences (continued)

63.52 Net increase/(decrease) in cash and cash equivalents

The variance is due to the entity not generating enough cash flows from its operating activities as anticipated.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

64. Accounting by principals and agents

The municipality is a party to principal-agent arrangements.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal (eastern Cape department of Transport is R 1 234 447 (2024: R 1 405 983).

	2025	2024
Revenue received on behalf of the principal	8 048 576	4 542 589
Agency fees -recognised as revenue	(1 234 447)	(1 405 983)
	6 814 129	**3 136 606**

	2025	2024
Reconciliation of amounts payable to Eastern Cape Department of Transport		
Opening balance	207 152	120 223
Revenue received on behalf of principal (incl. commission)	8 048 576	4 542 589
Revenue recognised by municipality as agency fee	(1 234 447)	(1 405 983)
Revenue paid over to the principal	(7 135 700)	(3 049 677)
	(114 419)	**207 152**

The municipality acts as agent for the Department of Eastern Cape Transport, where it collects monies for motor vehicle licences on behalf of the department.

65. Bad debts written off

	2025	2024
Trade and other receivables from exchange transactions	-	2 380 213
Property rates	86 762	289 975
	86 762	**2 670 188**

66. Impairment loss

	2025	2024
Impairments		
Property, plant and equipment	30 002	-
During the physical verification exercise, the condition of assets were assessed for impairment and an impairment of R30,002 was raised.		

67. 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:

Statement of financial position

Notes to the Annual Financial Statements

67. Prior period errors (continued)

2023

	Note	As previously reported	Re-classification	Restated
Roads infrastructure		250 379 145	(59 249 393)	191 129 752
Work in progress		-	59 249 393	59 249 393
		250 379 145	**-**	**250 379 145**

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment property	8	1 565 452	(3 789)	-	1 561 663
Intangible assets	10	265 348	(1 018)	-	264 330
Property, plant and equipment	9	495 288 848	1 966 636	-	497 255 484
Provisions current	18	(24 952 989)	(247 093)	23 059 114	(2 140 968)
Provisions non-current		-	-	(23 059 114)	(23 059 114)
Receivables from exchange transactions	4	20 687 839	(16 702 630)	1 564 315	5 549 524
Receivables from non-exchange transactions	5	13 550 299	(6 128 272)	(1 564 315)	5 857 712
Input VAT accrual		70 438 995	(68 282 017)	-	2 156 978
Output VAT accrual		(21 338 219)	21 028 649	-	(309 570)
Vat payable		(50 545 179)	43 274 149	-	(7 271 030)
Trade and other payables from exchange	12	(21 714 727)	(920 561)	-	(22 635 288)
Unspent conditional grants and receipts	17	(21 019 202)	386 209	-	(20 632 993)
Employee benefit obligation (current)	16	(9 984 687)	25 805	-	(9 958 882)
Accumulated surplus		(570 752 049)	25 603 932	-	(545 148 117)
		(118 510 271)	**-**	**-**	**(118 510 271)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		-	-	32 786 616	32 786 616
Services charges- Electricity		23 173 468	134 227	(23 307 695)	-
Services charges- Waste Management		9 478 921	-	(9 478 921)	-
Interest earned from bank	28	11 363 084	1 466 676	-	12 829 760
Rental from fixed assets	23	398 736	-	170	398 906
Rent on land		170	-	(170)	-
Depreciation and amortisation	39	(23 733 762)	3 620 600	-	(20 113 162)
Construction contracts costs	41	(20 906 940)	(27 678)	(2 089 910)	(23 024 528)
Operational cost	46	(50 961 935)	4 206 046	-	(46 755 889)
Contracted services		-	-	(16 003 647)	(16 003 647)
Security services		(7 841 964)	-	7 841 964	-
Legal services		(4 751 990)	-	4 751 990	-
Business and advisory		(3 349 464)	-	3 349 464	-
Repairs and maintenance	37	(3 136 512)	986 373	2 150 139	-
Loss on disposal of assets	45	(42 558)	(301 408)	-	(343 966)
Lease rentals on operating lease	38	(1 996 569)	(292 940)	-	(2 289 509)
Employee related costs		(95 234 304)	25 805	1 680 000	(93 528 499)
Finance costs		(26 026)	(18 547)	(1 680 000)	(1 724 573)
Debt impairment	43	(14 736 257)	(22 210 556)	-	(36 946 813)
Surplus for the year		**(182 303 902)**	**(12 411 402)**	**-**	**(194 715 304)**

Errors

67. Prior period errors (continued)

The following prior period errors adjustments occurred:

Investment property

Restatement is mainly due to recalculation of depreciation.

Property plant and equipment

In the prior year property plant and equipment balance per annual financial statements did not match the amounts per trial balance and fixed asset register. Furthermore asset useful lives were revised upward without adequate basis. To correct these errors management reconstructed a fixed asset register that ties to the trial balance and annual financial statements.

A portion of the Indwe Sports field that is included as work in progress in property, plant and equipment was demolished in and reperformed by the second contractor. The value of the demolished component of R4,881,209,42 was never derecognised from work in progress. A correcting entry was processed to correct this misstatement.

Intangible assets

Adjustment is due to the recalculation of amortisation.

Receivables from exchange transactions

Accrued interest earned in the prior year amounting to R3,174,177.15 was omitted in error in the records of the municipality as well as prepaid electricity sales by the agent for the last 3 days of June 2024 that were remitted in July 2024.

Receivables from non- exchange transactions

Restatement is mainly due to the impairment of government debt together with the reclassification of accrued income which was incorrectly recognised as receivables from non exchange transactions.

Trade and other payables from exchange transactions

The restatement is mainly due to the recognition of a payable that was not accounted for in the prior year of R363,364, COIDA payable of R543,767 and additional retention being raised in 2024 of R40,429.

Input VAT Accrual

The municipality was not clearing the input accrual upon payment of supplier invoices resulting in accumulation of a non existent receivable.

Output VAT Accrual

The municipality was not clearing the output accrual upon collection from receivables resulting in accumulation of a non-existent payable.

VAT payable

The VAT control account was not being cleared with the actual amounts declared, paid to and refunded from SARS resulting in accumulation of the VAT Control accounts. Output VAT on INEP construction projects and Department of Transport was not declared upon receipt of the funds.

Employee benefit obligation (current)

Being correction of the outstanding overtime at 30 June 2024 that was misstated.

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

67. Prior period errors (continued)

Provisions

Being correction of an error were the amount provided for a litigation case was less than the amount per the arbitration award. The underprovision was capitalised by creating a provision with a debit balance instead of being expensed in the statement of financial performance.

Accumulated Surplus

The overall changes made resulted to an increase in accumulated surplus.

Service Charges

Prepaid electricity sales transactions amounting to R134,227 for the last three days of 2024 via an agent channel Ontec were not accrued for in the 2024 financial year. The amounts were erroneously recorded in the 2025 financial year instead of the 2024 financial period.

Unauthorised expenditure

Balance as previously reported	-	58 195 709
Adjustments made	-	72 353 720
Restated opening balance	**-**	**130 549 429**

Adjustment made to opening balance of unauthorised expenditure to address AGSA findings.

67. Prior period errors (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification of work in progress

In the prior years work in progress balance was allocated and disclosed in the property plant and equipment note as part of the asset class it related to in accordance with the mSCOA reporting requirements. To comply with GRAP 17 work in progress was unbundled and disclosed separately.

Reclassification of Service charges

In the prior year mSCOA mapping was adopted to present services charges being waste management and electricity separately in the face of the Statement of Financial Performance. In the current year the services charges were aggregated and present together and disaggregation was done in the disclosure note hence the reclassifications.

Reclassification of Rental of fixed assets

Due to mSCOA mapping that was applied in the current year rental from land and fixed assets were presented separately in the face of the Statement of Financial Performance. In the current year these were aggregated together in the face hence the reclassification.

Reclassification of Finance costs

Finance charges determined from the actuarial valuation of employee benefits obligation (long services and medical benefit) amounting to R1,680,000 was incorrectly classified as employee related costs in the prior year.

Reclassification of Contracted services

Legal services, Business and advisory services, Repairs and maintenance and security services costs previously presented and disclosed as separate financial statement line items in the financial statements in error have been reclassified and presented as contracted services costs to comply with the requirements of GRAP.

Reclassification of contract costs

Expenditure incurred for the construction of a road undertaken on behalf of the Department of Transport was incorrectly accounted for as WIP instead of construction costs.

Depreciation, amortisation and impairment

Adjustment is mainly due to the recalculation of depreciation after the reconstructed fixed asset register.

Lease rentals on operating lease

Lease rental expense for hire of refuse compactor truck relating to the 2024 financial year were not recorded in the prior year due to an error of omission. The transaction was incorrectly recorded in the 2025 financial year.

Interest from investment

Interest accrued in 2023 financial year of R1,564,315 was incorrectly recognised as income in the 2024 financial year in error.

Accrued interest amounting to R3,030,991 for the 2024 financial period was not accounted for in the prior year but recorded in 2025 financial year in error.

Operational cost

Hire charges that were identified to be capital in nature amounting to R4,293,595 were expensed in the prior year instead of being capitalised together with the additional recognition of the workmen's compensation's charges as per statement from COIDA amounting to R87,543.

67. Prior period errors (continued)

Construction contract costs

Restatement is due to INEP project costs that were incorrectly capitalised in the 2024 financial year instead of being expensed.

Debt impairment

Receivables from organs of state was not considered for impairment due to an error in the prior year. Additional impairment was raised for the government debt that was outstanding as at 30 June 2024.

Repairs and maintenance

Items that met asset recognition criteria were erroneously classified as repairs and maintenance instead of being capitalised. T

Loss on disposal of assets

The restatement is due to correction of disposal journals previously captured incorrectly.

Finance costs

Finance charges for late payment of COIDA amounting to R18,547 was not factored in the prior year as the statement was only received in 2025.

Commitments

Capital commitments		
Balance previously reported	-	104 366 580
Prior year error correction	-	(3 776 432)
Restated balance	**-**	**100 590 148**

The decrease in capital commitments is mainly due to removal of INEP projects from the commitments register as well as corrections of clerical errors.

Operating lease commitments		
Balance as previously reported	-	-
Correction of an error	-	203 691
Restated balance	**-**	**203 691**

Lease commitment for the leasing of printing and photocopying equipment contract whose initial lease term ended in February 2025 and extended for a further month, that was supposed to be disclosed in the 2024 financial statements was omitted in error.

Change in useful lives of property, plant and equipment.

The municipality revised the estimated useful lives of its property plant and equipment in the fixed asset register however, the change was not done on the Annual financial statements.

	Useful life as previously disclosed	**Restated useful life**
Electrical infrastructure	10-50 years	10-80 years
Machinery and equipment	01-25 years	01-30 years
Computer equipment	01-25 years	04-25 years
Storm water infrastructure	10-50 years	10-90 years
Community assets	04-30 years	50-110 years
Other assets	06-100 years	05-100 years

Notes to the Annual Financial Statements

Figures in Rands	2025	2024

68. Change in estimate

During 2025 the municipality reviewed the useful lives, which resulted in the changes in the expected usage of certain community assets. Community assets which management had previously intended to use for service delivery for a range of 30 years is now expected to remain in use for 50 to 100 years. Consequently the depreciation rates were adjusted downwards to reflect a more accurate pattern of consumption of economic benefits.

The effect of the change on actual and expected depreciation expense was as follows:

in Rands	**2025 and later years**
(Decrease)/increase in depreciation expense	(478 750)