Sakhisizwe Local Municipality

Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	The entity functions as a local Municipality in terms of section 1 of the Local Government Municipal Structures Act (Act 117 of 1998) read with section 155(1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Sakhisizwe Local Municipality is a South African Category B Municipality
The following is included in the scope of operations	The principal activities of the municipality are: Provide democratic activities and accountable government Ensure sustainable service delivery to communities Provide social and economic development Provide basic service to the community
Mayoral committee	
Honourable Mayor	Cllr B. Ponoshe
Speaker	Cllr N Mkati
Councillors	Cllr: A Mpakane - resigned
	Cllr: V Filana
	Cllr: Z J Phonoshe
	Cllr: W M Kumsha
	Cllr: T Tasana
	Cllr: P Mahlombe
	Cllr: A Mbebe - resigned
	Cllr: M. J. Malungisa
	Cllr: M. Ngqayimbana
	Cllr M. Mxhonywa
	Cllr: N Miso
	Cllr:L Thulelo
	Cllr: N Nopote
	Cllr: Mayongo
	Cllr: N Stofile
	Cllr: K.S Ncapayi replaced Cllr A Mbebe on 31 March 2025
	Cllr: T. Jam Jam replaced Cllr Mpakane on 28 May 2025
Grading of local authority	Category B Grade 1
Accounting Officer	SG.Sotshongaye
Chief Finance Officer (CFO)	Nontsikelelo Nolawu
Registered office	Erf 5556 Umtata Road Cala 5455
Business address	Erf 5556 Umtata Road Cala 5455
Bankers	First National Bank

General Information

Auditors	Auditor-General of South Africa
Attorneys	Notyesi Incorporated Jolwana Mgidlana Incorporated
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
mSCOA	Municipal Standard chart of accounts
FMG	Financial Management Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
VAT	Value Added Tax
MDRG	Municipal Disaster Response Grant
REDP	Rural Economic Development and Planning

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the interim financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period ended.

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

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

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

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

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors who are responsible for indpendently reviewing and reporting on municipal's Annual Financial Statements, senior managers and other oversight governance structures of council..

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the council on 28 August 2025 and were signed on municipality's behalf by:

SG Sotshongaye
Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Sakhisizwe is a Category B, Grade 1 municipality responsible for providing public services to the citizens under the jurisdiction of Sakhisizwe, on behalf of local government. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

2. Going concern

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

The municipality is largely dependent on the government 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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period year ended 30 June 2025.

4. Bankers

The municipality banks with the First National Bank (FNB).

5. Auditors

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

SG Sotshongaye
Accounting Officer

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Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	20 786 286	20 290 783
Statutory receivable	4	16 755 156	14 118 019
Other Receivables	5	3 304 637	610 360
Vat input Accual	6	1 845 471	1 034 678
Vat Receivable	7	2 472 170	2 524 496
Cash and cash equivalents	8	55 318 144	51 924 177
		100 481 864	**90 502 513**
Non-Current Assets			
Investment property	9	13 502 054	13 620 296
Property, plant and equipment	10	292 350 495	235 784 790
		305 852 549	**249 405 086**
Total Assets		**406 334 413**	**339 907 599**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	22 405 891	17 944 602
Vat Output Accrual		7 351 643	6 403 892
Consumer deposits	12	73 382	73 382
Employee benefit obligation	13	650 000	350 000
Unspent conditional grants and receipts	14	5 807 475	36 882 027
		36 288 391	**61 653 903**
Non-Current Liabilities			
Employee benefit obligation	13	3 264 073	3 337 073
Provisions	15	31 124 550	28 539 018
		34 388 623	**31 876 091**
Total Liabilities		**70 677 014**	**93 529 994**
Net Assets		**335 657 399**	**246 377 605**
Accumulated surplus		335 657 399	246 377 605
Total Net Assets		**335 657 399**	**246 377 605**

* See Note 41

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Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	29 251 554	26 660 578
Construction contracts	19	4 468 974	10 502 499
Other income	20	3 424 759	3 366 042
Interest received	21	13 300 741	7 339 200
Gain on disposal of assets		3 083 553	-
Actuarial gains		163 000	3 046
Total revenue from exchange transactions		**53 692 581**	**47 871 365**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	9 491 493	7 617 582
Interest from non-exchange receivables		5 956 078	5 435 144
Transfer revenue			
Government grants & subsidies	23	192 923 724	125 517 668
Fines, Penalties and Forfeits	18	58 350	53 550
Total revenue from non-exchange transactions		**208 429 645**	**138 623 944**
Total revenue	16	**262 122 226**	**186 495 309**
Expenditure			
Employee related costs	24	(52 657 296)	(50 847 247)
Remuneration of councillors	25	(8 022 447)	(8 163 992)
Depreciation and amortisation	26	(10 009 997)	(9 141 195)
Finance costs	27	(4 668 281)	(5 150 225)
Impairment loss	29	(33 847 488)	(28 106 374)
Bad debts written off		(567 690)	(11 100 110)
Bulk purchases	30	(18 992 494)	(20 703 007)
Contracted services	31	(19 331 989)	(23 075 110)
General Expenses	32	(24 744 755)	(30 189 460)
Total expenditure		**(172 842 437)**	**(186 476 720)**
Surplus for the year		**89 279 789**	**18 589**

* See Note 41

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	254 554 239	254 554 239
Adjustments		
Prior year adjustments 41	(8 195 223)	(8 195 223)
Balance at 01 July 2023 as restated*	**246 359 016**	**246 359 016**
Changes in net assets		
Surplus for the year	18 589	18 589
Total changes	18 589	18 589
Restated* Balance at 01 July 2024	**246 377 610**	**246 377 610**
Changes in net assets		
Surplus for the year	89 279 789	89 279 789
Total changes	89 279 789	89 279 789
Balance at 30 June 2025	**335 657 399**	**335 657 399**

Note(s)

* See Note 41

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 505 554	23 585 599
Government grants		161 849 172	158 451 263
Interest income		19 256 819	12 774 345
		203 611 545	194 811 207
Payments			
Employee costs		(60 227 435)	(57 992 474)
Suppliers		(63 780 363)	(74 643 834)
Finance costs		(322 481)	(1 056 941)
		(124 330 279)	(133 693 249)
Net cash flows from operating activities	33	**79 281 266**	**61 117 958**
Cash flows from investing activities			
Purchase of property, plant and equipment		(82 269 936)	(27 346 923)
Proceeds from sale of property, plant and equipment		6 382 637	-
Net cash flows from investing activities		**(75 887 299)**	**(27 346 923)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**3 393 967**	**33 771 035**
Cash and cash equivalents at the beginning of the year		51 924 177	18 153 142
Cash and cash equivalents at the end of the year	8	**55 318 144**	**51 924 177**

* See Note 41

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	26 555 951	3 906 661	**30 462 612**	29 251 554	**(1 211 058)**	1
Construction contracts	-	-	-	4 468 974	**4 468 974**	2
Other income	3 785 664	(462 592)	**3 323 072**	3 424 759	**101 687**	3
Interest received	6 513 195	6 451 391	**12 964 586**	13 300 741	**336 155**	4
Total revenue from exchange transactions	**36 854 810**	**9 895 460**	**46 750 270**	**50 446 028**	**3 695 758**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 764 636	(1 679 990)	**12 084 646**	9 491 493	**(2 593 153)**	5
Interest Received -Non exchange	2 278 539	3 592 630	**5 871 169**	5 956 078	**84 909**	4
Transfer revenue						
Government grants & subsidies	167 401 000	37 230 222	**204 631 222**	192 923 724	**(11 707 498)**	6
Fines, Penalties and Forfeits	232 471	(173 371)	**59 100**	58 350	**(750)**	7
Total revenue from non-exchange transactions	**183 676 646**	**38 969 491**	**222 646 137**	**208 429 645**	**(14 216 492)**	
Total revenue	**220 531 456**	**48 864 951**	**269 396 407**	**258 875 673**	**(10 520 734)**	
Expenditure						
Employee costs	(50 442 970)	(5 530 658)	**(55 973 628)**	(52 657 296)	**3 316 332**	8
Remuneration of councillors	(8 196 314)	(910 541)	**(9 106 855)**	(8 022 447)	**1 084 408**	9
Depreciation and amortisation	(5 735 913)	-	**(5 735 913)**	(10 009 997)	**(4 274 084)**	10
Finance costs	(119 934)	(50 584)	**(170 518)**	(4 668 281)	**(4 497 763)**	11
Impairment loss	(5 168 760)	4 168 000	**(1 000 760)**	(33 847 488)	**(32 846 728)**	12
Bad debts written off	(2 272 007)	1 050 490	**(1 221 517)**	(567 690)	**653 827**	13
Bulk purchases	(20 883 680)	-	**(20 883 680)**	(18 992 494)	**1 891 186**	14
Contracted Services	(28 111 650)	(1 425 935)	**(29 537 585)**	(19 331 989)	**10 205 596**	15
General Expenses	(24 540 294)	(2 795 023)	**(27 335 317)**	(24 744 755)	**2 590 562**	16
Total expenditure	**(145 471 522)**	**(5 494 251)**	**(150 965 773)**	**(172 842 437)**	**(21 876 664)**	
Operating surplus	**75 059 934**	**43 370 700**	**118 430 634**	**86 033 236**	**(32 397 398)**	
Gain on disposal of assets and liabilities	-	-	-	3 083 553	**3 083 553**	17
Actuarial gains/losses	-	-	-	163 000	**163 000**	18
	-	-	-	**3 246 553**	**3 246 553**	
Surplus before taxation	**75 059 934**	**43 370 700**	**118 430 634**	**89 279 789**	**(29 150 845)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**75 059 934**	**43 370 700**	**118 430 634**	**89 279 789**	**(29 150 845)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Vat Receivable	36 241	(36 241)	-	2 472 170	**2 472 170**	19
Vat input Accual	600 000	900 000	**1 500 000**	1 845 471	**345 471**	20
Receivables from Exchange Transaction	27 970 710	16 306 797	**44 277 507**	20 786 286	**(23 491 221)**	21
Receivables from Non Exchange Transaction	62 078 842	(45 452 665)	**16 626 177**	16 755 156	**128 979**	22
Other receivables	1 000 000	-	**1 000 000**	3 304 637	**2 304 637**	23
Cash and cash equivalents	22 663 467	51 985 430	**74 648 897**	55 318 144	**(19 330 753)**	24
	114 349 260	**23 703 321**	**138 052 581**	**100 481 864**	**(37 570 717)**	
Non-Current Assets						
Investment property	14 163 974	(543 678)	**13 620 296**	13 502 054	**(118 242)**	25
Property, plant and equipment	334 019 098	26 181 061	**360 200 159**	292 350 495	**(67 849 664)**	26
	348 183 072	**25 637 383**	**373 820 455**	**305 852 549**	**(67 967 906)**	
Total Assets	**462 532 332**	**49 340 704**	**511 873 036**	**406 334 413**	**(105 538 623)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	7 846 372	6 015 090	**13 861 462**	22 405 894	**8 544 432**	27
Consumer deposits	88 099	-	**88 099**	73 382	**(14 717)**	28
Employee benefit obligation	429 461	(29 461)	**400 000**	650 000	**250 000**	
Unspent conditional grants and receipts	-	-	-	5 807 475	**5 807 475**	29
Vat Output Accrual	-	2 500 000	**2 500 000**	7 351 643	**4 851 643**	30
Payables from non exchange transactions	16 000	34 000	**50 000**	-	**(50 000)**	
	8 379 932	**8 519 629**	**16 899 561**	**36 288 394**	**19 388 833**	
Non-Current Liabilities						
Employee benefit obligation	2 830 202	469 798	**3 300 000**	3 264 073	**(35 927)**	31
Provisions	16 894 816	3 105 184	**20 000 000**	31 124 550	**11 124 550**	32
	19 725 018	**3 574 982**	**23 300 000**	**34 388 623**	**11 088 623**	
Total Liabilities	**28 104 950**	**12 094 611**	**40 199 561**	**70 677 017**	**30 477 456**	
Net Assets	**434 427 382**	**37 246 093**	**471 673 475**	**335 657 396**	**(136 016 079)**	
Net Assets						
Reserves						
Accumulated surplus	511 821 978	3 488 479	**515 310 457**	335 657 401	**(179 653 056)**	33

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	37 484 681	18 771 722	**56 256 403**	22 505 554	**(33 750 849)**	34
Grants	167 399 000	37 232 222	**204 631 222**	161 849 172	**(42 782 050)**	35
Interest income	7 726 742	8 261 601	**15 988 343**	19 256 819	**3 268 476**	
	212 610 423	**64 265 545**	**276 875 968**	**203 611 545**	**(73 264 423)**	
Payments						
Employee costs and Suppliers	(132 175 385)	(10 661 682)	**(142 837 067)**	(124 007 798)	**18 829 269**	36
Finance costs	(119 934)	(50 584)	**(170 518)**	(322 481)	**(151 963)**	37
	(132 295 319)	**(10 712 266)**	**(143 007 585)**	**(124 330 279)**	**18 677 306**	
Net cash flows from operating activities	**80 315 104**	**53 553 279**	**133 868 383**	**79 281 266**	**(54 587 117)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(74 651 637)	(43 230 622)	**(117 882 259)**	(82 269 936)	**35 612 323**	38
Proceeds from sale of property, plant and equipment	-	6 382 000	**6 382 000**	6 382 637	**637**	
Net cash flows from investing activities	**(74 651 637)**	**(36 848 622)**	**(111 500 259)**	**(75 887 299)**	**35 612 960**	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	13 000 000	(13 000 000)	-	-	-	
Net increase/(decrease) in cash and cash equivalents	18 663 467	16 704 657	**22 368 124**	3 393 967	**(18 974 157)**	39
Cash and cash equivalents at the beginning of the year	4 000 000	47 924 177	**51 924 177**	51 924 177	-	
Cash and cash equivalents at the end of the year	**22 663 467**	**64 628 834**	**74 292 301**	**55 318 144**	**(18 974 157)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

1. Performance less than the budget.

2. Budgeted under capital budget as the project INEP is capital in nature.

3. The increase contributing factors are increase Duplicate drivers license issued, recoveries revenue ,and increase in trading license.

4. Due to increase in investments and favourable cashflow that enabled to more investment.

5.Included erroneously in the budget amount were municipal properties which are not eligible for billing.

6. Reclasiffication for construction contract and MDRG unspent grant.

7. Lesser traffic fines issued that what was budgeted for.

8. Included in the budget was the budget for vacant positions which were later not filled .

9. Difference is due to Budgeting for increment of 5.5% sebsequently gazetted increment was 3%

10. Under Budgeted and increase in is due to additional assets acquired in the new year

11. Increase is due to interest in calaculation for provisions of landfillsite and post employee benefit.

12. Increase is due accounting for impairment as requirements by Grap 104 which were under provisioned for.

13. The difference is due to an increase in bad debts compaired what was provisionaly made

14. Due credit balance received by the municipality

15.The decrease is due less budget spent on items that were projected for during budgeting period such as security services, maintenance of assets, contracted casuals , advisory consultants.

16. The decrease is due less budget spent on items that were projected for during budgeting period such as software expense , travelling costs,short term insurance

17. Due to assets that were sold through auction.

18. Actuarial valuation reports were not budgeted for.

19. Increase in expenditure that is a vatable supply and refund received at the end of the finacial year.

20. The municipal had an increase in VAT input accrual from Trade payables accruals Invoices and retentions.

21. This is due to debt write off and impairment and payments.

22. 100% percent perfomance

23. This is due detobtors that were previously impaired but due to changing in circumstatnces where prospects of recovery are high were demmed

24. The municipality decrease in cash and cash equivalents was due planned extra collection on arear debt which subsequently didn't materialise in the year under audit.

25. Due to depreciation.

26. Due being impairment and under implementation as per provision.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

27. Due to increase on provisons and retention.

28. Less movement on deposits

29. Due to conditions not met from the Grants and subsidies.

30. This is due to prior recognition of INEP VAT, major contribution and reasonability testing on debtors.

31. Due calculation from experts of post employee benefits, and landfill site.

32. Due to increase in landfill site calculation liability

33. Affected by movement in all accounts increases and decreases.

34. This income collected and affected by impairment and debts written off

35. This is due to an unspent on Municipal disaster grant which was not unspent prior year only spent in 2024-25.

36. The decrease is due less budget spent on items that were projected for during budgeting period such as security services, maintenance of assets, contracted casuals , advisory consultants, and vacant positions that were not filled.

37. Due to high increase in penalties as aresult of invoices received late.

38. Due to less assets acquired during the year.

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 7.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Materiality

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

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

Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

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

Provisions and Contingent Liabilities

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provision for Landfill Sites:

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

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

Provision for Staff leave:

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

Provision for Performance bonuses:

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

Componentisation of Infrastructure assets:

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

Contingent liabilities and Contingent assets:

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Useful lives of property, plant and equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment

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

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligations and long service awards depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate expected rates of return on assets, future salary increases, mortality rates and future pension increases. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Pre-paid electricity estimation:

Pre-paid electricity is recognised as income when the electricity is sold.

Investment property

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

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

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

Revenue Recognition

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30
Plant and machinery	Straight-line	5 - 10
Furniture and fixtures	Straight-line	5 - 7
Motor vehicles	Straight-line	5
Office equipment	Straight-line	5 - 7
IT equipment	Straight-line	5 - 7
Infrastructure	Straight-line	25 - 50
Community	Straight-line	30
Community assets - Recreational Facilities	Straight-line	20 - 30
Community assets - Security	Straight-line	5
Electricity infrastructure	Straight-line	15 - 50

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

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

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

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

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

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

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

1.5 Financial instruments

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

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

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

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

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

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

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

1.5 Financial instruments (continued)

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost

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

Class	Category
Borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Payments received in advance	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other deposits	Financial liability measured at amortised cost

Initial recognition

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

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

1.5 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.5 Financial instruments (continued)

Presentation

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

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Statutory receivables

Identification

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

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

Statutory receivables can arise from both exchange and non-exchange transactions.

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

Subsequent measurement

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

Impairment losses

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

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1.6 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

1.7 Leases

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

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

Accounting Policies

1.7 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished

Finance leases - lessee

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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. The interest rate used is the interest rate implicit in the lease or the bank prime interest rate.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Operating leases - lessee

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

1.8 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, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs

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.

1.9 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

1.9 Impairment of cash-generating assets (continued)

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

Designation

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

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

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

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

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

Reversal of impairment loss

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

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

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

Redesignation

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

1.10 Impairment of non-cash-generating assets

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

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

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

Accounting Policies

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

Identification

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

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

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. 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 and is recognised in the Statement of Financial Performance.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information
- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be significantly worse than expected.

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

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

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

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

Accounting Policies

1.11 Employee benefits

Identification

Employee benefits

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

Provision for Staff Leave:

- Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.
- Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term:
- Accumulated leave is vesting

Staff Bonuses Accrued;

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Recognition and measurement

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

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

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 municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Post Retirement Defined Benefit Medical Obligations:

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25.

The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in service element. The liability is recognised at 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 requirements.

Post Retirement Defined Benefit Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.12 Provisions and contingencies

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

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

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

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

1.12 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

1.16 Accounting by principals and agents

Identification

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

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

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

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

1.16 Accounting by principals and agents (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.

1.17 Comparative figures

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

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as 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 practicable, and the prior year comparatives are restated accordingly.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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

1.21 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.

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

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.

Aggregated segments

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

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:
- Segment 1 - Community and public safety
- Segment 2 - Planning and development
- Segment 3 - Road transport
- Segment 4 - Waste management
- Segment 5 - Energy sources

Accounting Policies

1.22 Budget information

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

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

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

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

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

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

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts for all differences exceeding 10% or R1'000'000.

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.23 Related parties

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

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

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

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

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

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

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

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

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

Accounting Policies

1.23 Related parties (continued)

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. 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.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.25 Unspent conditional government grants and receipts

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

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

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:
- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance

Accounting Policies

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure.The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment.

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised 2021): Employee Benefits	April 1, 2025	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 105 Transfer of functions between Entities under common control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106: Transfer of functions between entities not under common control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 107: Mergers	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2025	2024
Gross balances		
Electricity	19 061 867	19 632 556
Refuse	90 813 628	77 250 719
	109 875 495	**96 883 275**
Less: Allowance for impairment		
Electricity	(11 739 299)	(10 958 590)
Refuse	(77 349 910)	(65 633 902)
	(89 089 209)	**(76 592 492)**
Net balance		
Electricity	7 322 568	8 673 966
Refuse	13 463 718	11 616 817
	20 786 286	**20 290 783**
Electricity		
Current (0 -30 days)	2 176 295	726 823
31 - 60 days	573 914	363 088
61 - 90 days	229 307	176 922
91 - 120 days	6 290 706	7 407 133
	9 270 222	**8 673 966**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Receivables from exchange transactions (continued)

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Current (0 -30 days)	257 670	134 383
31 - 60 days	232 092	130 500
61 - 90 days	208 344	117 704
91 - 120 days	12 765 612	11 234 230
	13 463 718	**11 616 817**

Reconciliation of allowance for impairment

Balance at beginning of the year	(76 592 493)	(76 143 659)
Contributions to allowance	(12 496 716)	(448 834)
	(89 089 209)	**(76 592 493)**

4. Statutory receivable

Consumer debtors - Rates	16 755 156	14 118 019

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

Rates gross	90 336 908	78 363 589
Less: Allowance for doubtful debts	(73 581 752)	(64 245 570)
	16 755 156	**14 118 019**

Rates: Ageing above are as follows:

Current (0-30 days	377 544	173 438
30 - 60 days	155 612	105 217
60 - 90 days	173 501	96 826
+ 90 days	16 048 499	13 742 538
	16 755 156	**14 118 019**
	-	-
Total receivables from non-exchange transactions	16 755 156	14 433 286

Statutory receivable pledged as security

The municipality did not pledge any of its statutory receivables as security for borrowing purposes.

Rates are billed based monthly. No interest is charged on rates accounts until
the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.
The municipality did not pledge any of its statutory receivables as security for borrowing purposes.

In determining the recoverability of statutory receivables, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Elliot and Cala geographical area. Accordingly, management believe that there is no further credit provision required in excess of the allowance for impairment.

5. Other Receivables

Property Rental	601 793	370 214
Other receivables	2 702 844	4 740 146
Allowance for impairment - other receivables	-	(4 500 000)
	3 304 637	**610 360**

Figures in Rand	2025	2024

5. Other Receivables (continued)

Other receivables : Ageing

	2025	2024
Current (0 - 30 days)	2 093	215 070
30 - 60 days	1 069	-
60 - 90 days	1 069	-
+90 days	3 300 406	394 804
	3 304 637	**609 874**
	-	-
Total receivables from exchange transactions	3 304 637	610 360

There were no Trade and other receivables pledged as security.

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Reconciliation of allowance for impairment of trade and other receivables

	2025	2024
Opening balance	4 500 000	4 500 000
Provision for impairment	(4 500 000)	-
	-	**4 500 000**

6. Vat input Accual

	2025	2024
Input Vat Accrual	1 845 471	1 034 678

Vat input accrual represents the input recognised on creditors and retensions due at the reporting date.

7. VAT Receivable

	2025	2024
Vat Claimable from SARS	2 472 170	2 524 496

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

Vat receivable from SARS at year end is made up of VAT receivable from outstanding returns as at the end of the reporting date.

SARS always refunding the municipality on within 30 days of submission of the return as such the outstanding balance at year end was not impaired.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Bank balances	10 206 340	434 974
Short-term deposits	45 111 804	51 489 203
	55 318 144	**51 924 177**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank Primary Bank Account 6207-652-3135	10 204 353	420 817	3 400 212	10 206 766	434 974	3 399 764
First National Bank MIG 6207-657-7091	23 685	24 428	3 533 978	23 685	24 428	3 533 978
First National Bank Elliot Housing 6207-745-0056	2 113 195	1 026 374	-	2 113 195	1 026 374	-
First National bank Extension 15 6207-740-8203	18 401 511	5 194 229	2 649 128	18 401 511	5 194 229	2 649 128
First National Bank Extension 13&14 6207-745-1278	6 300 705	38 526 874	3 940 000	6 300 705	38 526 874	3 940 000
First National Bank DME 6220-960-0776	680	2 126	185 479	680	2 126	185 479
First National Bank Operating Call Account 6216-534-1943	15 816 629	4 684 632	3 004 932	15 816 629	4 684 632	3 004 932
First National Bank Business NSTD Call 6280-822-2822	640	66 004	3 433	640	66 004	668
First National Bank- 62910526914	26	1 654	410	26	1 654	410
First National Bank 62935973968	2 457 392	1 977 637	1 435 570	2 457 392	1 962 882	1 438 783
Total	**55 318 816**	**51 924 775**	**18 153 142**	**55 321 229**	**51 924 177**	**18 153 142**

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	15 012 287	(1 510 233)	13 502 054	15 012 287	(1 391 991)	13 620 296

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	13 620 296	(118 242)	13 502 054

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	13 738 540	(118 244)	13 620 296

Pledged as security

No Investment Properties were pledged as security:

Figures in Rand	2025	2024

9. Investment property (continued)

Investment property in the process of being constructed or developed

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

There is no Investment Property that is taking a significantly longer period of time to complete than expected.

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

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.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds.

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

The market value of Investment Properties are significantly different from their cost disclosed. It is the policy of the municipality to disclose Investment Property on the cost basis, therefore these properties were not revalued to their relevant market values.

Amounts recognised in surplus or deficit

	2025	2024
Rental revenue from Investment property Refer to note 19	339 587	640 851
	339 587	**640 851**

Details of property

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

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

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20 876 654	-	20 876 654	20 876 654	-	20 876 654
Buildings	5 660 497	(2 455 017)	3 205 480	5 660 497	(2 260 935)	3 399 562
Plant and machinery	2 743 523	(1 246 006)	1 497 517	9 677 759	(8 017 918)	1 659 841
Furniture and fixtures	1 954 604	(1 532 655)	421 949	1 709 861	(1 447 300)	262 561
Motor vehicles	7 203 702	(5 261 079)	1 942 623	11 303 052	(9 124 706)	2 178 346
IT equipment	2 977 931	(1 946 776)	1 031 155	2 695 188	(1 644 127)	1 051 061
Infrastructure	350 504 055	(139 518 635)	210 985 420	274 760 556	(116 411 982)	158 348 574
Community	63 864 701	(11 475 004)	52 389 697	57 659 149	(9 650 958)	48 008 191
Total	**455 785 667**	**(163 435 172)**	**292 350 495**	**384 342 716**	**(148 557 926)**	**235 784 790**

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Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	20 876 654	-	-	-	-	-	-	-	20 876 654
Buildings	3 399 562	-	-	-	-	-	(194 082)	-	3 205 480
Plant and machinery	1 659 841	75 347	(12 775)	-	-	-	(224 896)	-	1 497 517
Furniture and fixtures	262 561	213 762	(1 326)	-	-	-	(53 048)	-	421 949
Motor vehicles	2 178 346	900 435	(435 186)	-	-	-	(700 972)	-	1 942 623
IT equipment	1 051 061	282 743	-	-	-	-	(302 649)	-	1 031 155
Infrastructure	158 348 574	77 107 768	-	39 465 431	(39 465 431)	(1 364 269)	(6 592 062)	(16 514 591)	210 985 420
Community	48 008 191	9 055 340	(2 849 788)	-	-	-	(1 824 046)	-	52 389 697
	235 784 790	**87 635 395**	**(3 299 075)**	**39 465 431**	**(39 465 431)**	**(1 364 269)**	**(9 891 755)**	**(16 514 591)**	**292 350 495**

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Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	20 876 654	-	-	-	-	-	-	-	20 876 654
Buildings	3 593 644	-	-	-	-	-	(194 082)	-	3 399 562
Plant and machinery	1 763 540	292 068	-	-	-	-	(271 920)	(123 847)	1 659 841
Furniture and fixtures	298 618	17 737	-	-	-	-	(53 019)	(775)	262 561
Motor vehicles	2 347 129	804 400	(152 088)	-	-	-	(595 999)	(225 096)	2 178 346
IT equipment	907 428	366 942	-	-	-	-	(196 871)	(26 438)	1 051 061
Infrastructure	156 246 797	25 471 001	-	14 302 437	(14 302 437)	(1 409 800)	(5 935 159)	(16 024 265)	158 348 574
Community	46 732 585	3 051 509	-	3 461 225	(3 461 225)	-	(1 775 903)	-	48 008 191
	232 766 395	**30 003 657**	**(152 088)**	**17 763 662**	**(17 763 662)**	**(1 409 800)**	**(9 022 953)**	**(16 400 421)**	**235 784 790**

Pledged as security

No assets were pledged as security.

Land Occupied

Land disclosed above includes land that was occupied by unregistered or illigal individuals. The municipality did not write off the land as they still have control of the asset.

Other information

Property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Roads (Delays are mainly due to heavy rains and cashflow challenges experienced by contractors and termination letter had been issued)	15 789 411	15 789 411
Community Assets (Delays are mainly due to heavy rains and cashflow challenges experienced by contractors)	1 929 241	1 929 241
	17 718 652	**17 718 652**

Figures in Rand	2025	2024

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	36 983 100	2 965 054	39 948 154
Additions/capital expenditure	76 825 536	9 055 339	85 880 875
Transferred to completed items	(39 465 431)	-	(39 465 431)
	74 343 205	**12 020 393**	**86 363 598**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	25 814 536	3 374 767	29 189 303
Additions/capital expenditure	25 471 001	3 051 512	28 522 513
Transferred to completed items	(14 302 437)	(3 461 225)	(17 763 662)
	36 983 100	**2 965 054**	**39 948 154**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	4 080 420	6 240 119

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.

11. Payables from exchange transactions

Trade payables	1 764 500	2 651 521
Debtors with credit balances	1 369 706	1 679 604
Accrued leave pay	5 232 893	4 781 116
Accrued bonus	1 074 859	1 080 328
Retentions	12 513 807	7 148 347
Income received in advance (INEP)	680	-
Hall and dam deposits	24 157	21 213
Other payables	425 289	582 473
	22 405 891	**17 944 602**

12. Consumer deposits

Electricity	73 382	73 382

No guarantees are held in lieu of Electricity Deposits.

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

13. Employee benefit obligations

Defined benefit plan

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

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

	2025	2024
Non-current liabilities	(3 264 073)	(3 337 073)
Current liabilities	(650 000)	(350 000)
	(3 914 073)	**(3 687 073)**

Long Service Awards Liability

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The liability represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2025 by ZAQ Consultants and Actuaries. Its members are Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At 31 June 2025, 126 (2024: 125) employees were eligible for long-service awards.

Long Service award obligation

	2025	2024
Opening balance	2 625 000	2 310 138
Current Service cost	321 000	261 659
Interest cost	283 000	223 197
Benefits paid	(199 000)	(284 166)
Acturial losses/(gains)	(183 000)	114 172
	2 847 000	**2 625 000**

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	9,13 %	10,70 %
Expected increase in salaries	5,00 %	6,79 %
CPI	4,00 %	5,79 %
Net Discount Rate	3,93 %	3,66 %

The basis used to determine the overall expected rate of return on assets is as follow:

Discount rate

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligationed.

The nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine the discounted rates and CPI assumptions at each relevant time period was used. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Although the yield curve was used for the discount rates and corresponding inflation rates, for indicative purposes it show the discount rate and CPI that corresponds to the implied duration of the liability. The implied duration of the liability for this valuation is 5.74 years. It is however important to note that this is solely for indicative purposes as the entire yield curve was used to obtain the financial variables.

Normal Salary Inflation Rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2025 of 5.01%.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years

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.

Other assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	2025	2024
Normal retirement age (years)	65	65
Average retirement age (years)1	62	62
Mortality	SA85-90	SA85-90

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed discount rate would have the following effects:

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

Post Employment Medical Subsidy

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired employees 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. The municipality is thus liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2025 by ZAQ Consultants and Actuaries. Its members are Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At 31 June 2025, 2 (2024: 2) employees were eligible for to receive post employment medical aid subsidies from the Municipality.

	2025	2024
Opening balance	1 062 000	1 169 423
Current service cost	-	-
Interest cost	113 000	127 795
Benefits paid	(128 000)	(118 000)
Actuarial Loss/(Gain)	20 000	(117 218)
	1 067 000	**1 062 000**

Key assumptions used

	2025	2024
Discount rates used	9,83%	11,28%
Expected increase in salaries	4,49%	7,84%
CPI	5,99%	5,84%
Net Discount Rate	3,62%	3,67%

The basis used to determine the overall expected rate of return on assets is as follow:

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
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 nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Although the yield curve was used for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 7,28 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables.

Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

Figures in Rand	2025	2024

13. Employee benefit obligations (continued)

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out strip general inflation by 1,5% per annum over the foreseeable future.

Average Retirement Age

he average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

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)-1 ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Municipal Disaster Recovery Grant	5 807 486	36 882 038
EPWP	(1)	(1)
Environmental Affairs: Wattle Removal	(10)	(10)
	5 807 475	**36 882 027**

See note 24 for reconciliation of grants received.

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest cost	Change in estimate	Total
Environmental rehabilitation	28 539 018	3 949 801	(1 364 269)	31 124 550

Reconciliation of provisions - 2024

	Opening Balance	Interest cost	Change in estimate	Total
Environmental rehabilitation	26 206 526	3 742 292	(1 409 800)	28 539 018

The municipality has an obligation to rehabiliate the landfill sites of Carla and Elliot Landfill Sites.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. The valuation of the landfill site provision was done by ZAQ Consultants and Actuaries who are independent statutory actuarial valuer and the professional valuator with extensive experience and expertise relevant for this type of work. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is materialsettle the obligation.

The estimated years to rehabilitation is 2024: 17 years (2023: 18 years).

Key Assumptions

Elliot and Cala Landfill Site

The following assumptions were used in the financial calculations for closure and post closure:

For calculating the inflation on professional services, the "Consumer Price Index – P0141, specifically Table B2 - CPI headline year-on-year rates" was used. The price adjustment from June 2024 to June 2025 is 5,1%;

The remaining site life and inflation rate is based on South African Government Bonds Yield curves;

The estimates differ from that of the previous year since the areas to be rehabilitated were interpreted differently and the rates used differ significantly from that of the previous year's report. Hence the previous year's values were restated.

Below are the rates used for the periods below;

Assumptions	30 June 2025	30 June 2024	30 June 2023
Discount rate (D)	12,69%	13,84%	14,28%
Consumer price inflation (C) (Bond yield curves)	7,16%	8,21%	8,72%
CPI (Stats SA, Jun - Jun	3,00%	5,10%	5,40%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Revenue

Service charges	29 251 554	26 660 578
Construction contracts	4 468 974	10 502 499
Other income	3 424 759	3 366 042
Interest received - investment	13 300 741	7 339 200
Property rates	9 491 493	7 617 582
Interest from non-exchange receivables	5 956 078	5 435 144
Government grants & subsidies	192 923 724	125 517 668
Fines, Penalties and Forfeits	58 350	53 550
	258 875 673	**186 492 263**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	29 251 554	26 660 578
Construction contracts	4 468 974	10 502 499
Other income	3 424 759	3 366 042
Interest received - investment	13 300 741	7 339 200
	50 446 028	**47 868 319**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	9 491 493	7 617 582
Interest from non-exchange receivables	5 956 078	5 435 144
Transfer revenue		
Government grants & subsidies	192 923 724	125 517 668
Fines, Penalties and Forfeits	58 350	53 550
	208 429 645	**138 623 944**

17. Service charges

Sale of electricity	20 979 425	18 014 569
Solid waste	7 443 781	9 638 961
Free basic services/rebates	828 348	(992 952)
	29 251 554	**26 660 578**

18. Fines, Penalties and Forfeits

Court Traffic Fines	58 350	53 550

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Construction Contracts

	2025	2024
Construction contracts revenue	4 468 974	10 502 499

Intergrated National Electrification Programme reconciliation

	2025	2024
Opening balance : Income received in advance at beginning of year	2 126	330 952
Current year receipts	5 140 000	12 080 000
Conditions met - transferred to revenue	(4 468 974)	(10 502 499)
Vat Output	(670 346)	(1 575 375)
Other - rollover application denied transferred to equitable share	(2 126)	(330 952)
Income received in advance (refer to note 11)	**680**	**2 126**

Retention on construction contracts is as follows:

	2025	2024
Intergrated National Electrification Programme (INEP)	410 609	1 019 931

Methods used to determine the contract revenue recognised in the period

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 R4 468 974 (2024: R10 502 499 was recognised by reference to the stage of ompletion method at reporting date.

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

The propotion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Construction contract costs

	2025	2024
Rural electrification projects in terms of INEP	4 468 974	10 502 673

Aggregate costs to date and recognised surpluses to date 2025	Opening balance	Aggregate revenue	Aggregate costs	Recognised in surplus/deficit
INEP electrification projects	-	4 468 974	(4 468 974)	-

Aggregate costs to date and recognised surpluses to date 2024	Opening balance	Aggregate revenue	Aggregate costs	Recognised in surplus/deficit
INEP electrification projects	-	10 502 673	(10 502 673)	-

20. Other income

	2025	2024
Traffic department income	2 287 096	2 023 008
Rates Clearance Certificates	30 584	26 540
Sale of goods and rendering of services	301 893	295 118
Rental Income	339 587	640 851
Electricity: Connection & re-connection fees	5 521	-
Commission on collection	69 473	55 987
Trading licences	109 874	76 121
Insurance Refund	280 731	248 417
	3 424 759	**3 366 042**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Interest Received

Interest revenue		
Bank	5 372 265	3 546 604
Interest charged on trade and other receivables	7 928 476	3 792 596
	13 300 741	**7 339 200**

22. Property rates

Rates received

Property rates: Residential, Commercial Property, State	9 491 493	7 617 582

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

The rates rebate for the current financial year is included in rates revenue received

Valuations

Residential	1 005 256 000	763 839 732
Commercial	338 124 000	198 129 025
State	160 747 000	72 418 160
Municipal	36 878 000	174 339 859
Small holdings and farms	478 093 000	338 197 017
Churches	35 889 000	24 080 000
Public Service Infrastructure	17 000	203 000
Institutional	14 280 000	54 509 000
State Trust Land	272 000	8 154 220
Vacant	54 714 402	16 326 844
	2 124 270 402	**1 650 196 857**

The new general valuation will be implemented on 01 July 2029.

Figures in Rand	2025	2024

23. Government grants & subsidies

Operating grants		
Equitable share	88 876 569	84 504 952
Library subsidy	762 000	500 000
Financial Management Grant	3 000 000	1 700 000
Expanded Public Works Program	1 423 000	1 208 000
LG Seta Reimbursive allowance	249 000	83 532
	94 310 569	**87 996 484**
Capital grants		
Municipal Infrastructure Grant	30 684 000	19 557 000
Department of Transport Taxi Rank Transfer	1 348 046	3 571 779
Municipal Disaster Grant	66 581 109	14 392 405
	98 613 155	**37 521 184**
	192 923 724	**125 517 668**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	104 047 155	41 012 716
Unconditional grants received	88 876 569	84 504 952
	192 923 724	**125 517 668**

Equitable Share

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

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	36 882 038	3 948 443
Current-year receipts	35 515 000	47 326 000
Conditions met - transferred to revenue	(66 589 552)	(14 392 405)
	5 807 486	**36 882 038**

Conditions still to be met - remain liabilities (see note 14).

Municipal Infrastructure Grant

Current-year receipts	30 684 000	19 557 000
Conditions met - transferred to revenue	(30 684 000)	(19 557 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Works Programme

Current-year receipts	1 423 000	1 208 000
Conditions met - transferred to revenue	(1 423 000)	(1 208 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Government grants & subsidies (continued)

Financial Management Grant (FMG)

Current-year receipts	3 000 000	1 700 000
Conditions met - transferred to revenue	(3 000 000)	(1 700 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

LG Seta Reimbursive allowance

Current-year receipts	249 000	83 532
Conditions met - transferred to revenue	(249 000)	(83 532)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Department of Transport Taxi Rank Transfer - Pounds

Current-year receipts	1 348 046	3 571 779
Conditions met - transferred to revenue	(1 348 046)	(3 571 779)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Library subsidy

Current-year receipts	762 000	500 000
Conditions met - transferred to revenue	(762 000)	(500 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Figures in Rand	2025	2024

24. Employee related costs

Basic	33 431 024	31 242 432
Bonus	2 307 927	2 430 653
Medical aid - company contributions	2 918 064	2 579 343
UIF	271 851	255 422
WCA	268 806	283 346
SDL	410 506	380 382
Leave pay provision charge	450 802	1 027 519
Pension Fund contributions	5 492 670	4 897 170
Travel, motor car, accommodation, subsistence and other allowances	149 554	144 543
Overtime payments	505 672	442 654
Long-service awards	86 199	(149 278)
Cellphone allowance	2 400	2 400
Other allowances	186 000	8 142
Bargaining Council contributions	19 097	17 651
Adjustments to post retirement benefits obligation	(6 000)	270 089
	46 494 572	**43 832 468**

Remuneration of Municipal Manager: N.Mazwayi

Backpay	-	15 778

N. Mazwayi (former Municipal Manager) resigned during 2022/23 financial year and received a back pay in the prior year.

Remuneration of Municipal Manager: SG. Sotshongaye

Annual Remuneration	1 052 563	1 095 810
Car Allowance	60 000	101 039
Contributions to UIF, Medical and Pension Funds	190 283	193 650
Cellphone and other Allowance	50 553	18 000
Bargain Council	143	137
Rural Allowance	51 659	50 146
	1 405 201	**1 458 782**

Remuneration of Chief Financial Officer: Nontsikelelo Nolawu

Annual Remuneration	909 564	709 032
Car Allowance	120 000	106 101
Contributions to UIF, Medical and Pension Funds	57 318	32 453
Cellphone and other Allowance	35 565	9 000
Bargain Council	143	102
Rural Allowance	43 033	31 359
	1 165 623	**888 047**

N Nolawu was appointed as the Chief Financial Officer on 1 October 2023

Remuneration of Chief Financial Officer (Busisiwe Lubelwana)

Annual Remuneration	-	146 877
Car Allowance	-	17 630
Bargain Council	-	23
Contributions to UIF, Medical and Pension Funds	-	11 460
Cellphone and other Allowance	-	1 480
Leave payout	-	102 253
Rural allowance	-	4 671
	-	**284 394**

Figures in Rand	2025	2024

24. Employee related costs (continued)

B Lubelwana resigned on 15 August 2023.

Director: Corporate Services: Thandiwe Malangabi

Backpay	-	26 593

Thandiwe Malangabi resigned in 2022/2023 and received back pay in 2023/24.

Director: Corporate Services:Fezekile Mphako

Annual Remuneration	978 366	953 126
Car Allowance	60 000	59 181
Contributions to UIF, Medical and Pension Funds	48 636	42 111
Cellphone and other Allowance	12 000	11 000
Bargain Council	143	137
Rural Allowance	43 033	39 635
	1 142 178	**1 105 190**

Director: Community Services: Pumeza Mngcitha

Annual Remuneration	180 759	771 308
Car Allowance	15 000	60 000
Leave payout	169 004	-
Contributions to UIF, Medical and Pension Funds	26 225	112 872
Cellphone and other Allowance	3 000	12 000
Bargain Council	36	137
Rural Allowance	8 802	34 178
	402 826	**990 495**

Pumeza Mngcitha's contract ended on 30 September 2024.

Director: Technical Services: Sifundo Tunzi

Annual Remuneration	-	315 336
Car Allowance	-	20 000
Contributions to UIF, Medical and Pension Funds	-	12 572
Cellphone and other Allowance	-	4 000
Bargain Council	-	194 997
Rural Allowance	-	12 503
	-	**559 408**

Mr S Tunzi resigned 31 October 2023.

Director Technical Services: Simnikiwe Mkabile

Annual Remuneration	696 499	419 299
Car Allowance	60 000	48 039
Contributions to UIF, Medical and Pension Funds	131 438	76 232
Cellphone and other Allowance	64 352	7 000
Bargain Council	143	80
Rural Allowance	35 209	19 977
	987 641	**570 627**

Simnikiwe Mkabile was appointed on 01 November 2023.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Employee related costs (continued)

Director: REDP: Mahlubi Pamla

Annual Remuneration	807 662	860 304
Car Allowance	120 000	139 308
Contributions to UIF, Medical and Pension Funds	60 401	66 973
Cellphone and other Allowance	32 849	12 000
Bargain Council	143	137
Rural Allowance	39 121	37 976
	1 060 176	**1 116 698**

25. Remuneration of councillors

Mayor	1 049 305	1 008 781
Speaker	846 896	807 865
Councillors	6 126 246	6 347 346
	8 022 447	**8 163 992**

26. Depreciation and amortisation

Property, plant and equipment	9 891 755	9 022 953
Investment property	118 242	118 242
	10 009 997	**9 141 195**

27. Finance costs

Interest cost - Landfill site provision	3 949 800	3 742 292
Trade and other payables	322 481	1 056 941
Employee benefits obligation	396 000	350 992
	4 668 281	**5 150 225**

28. Auditors' remuneration

Fees	5 652 225	4 316 695

29. Impairment loss

Debt impairment	17 332 897	11 542 266
Impairment - Fixed assets	16 514 591	16 564 108
	33 847 488	**28 106 374**

30. Bulk purchases

Electricity - Eskom	18 992 494	20 703 007

31. Contracted services

Outsourced Services		
Administrative and Support Staff	352 151	124 036
Catering Services	921 478	401 580
Security Services	3 470 242	4 011 109
Transport Services	289 550	225 381

Figures in Rand	2025	2024

31. Contracted services (continued)

Consultants and Professional Services		
Business and Financial Management	7 595 530	10 812 887
Infrastructure and Planning	148 620	138 757
Business and Advisory	360 475	489 344
Legal Cost	2 113 523	631 897
Contractors		
Repairs and Maintenance of Buildings and Facilities	442 656	103 342
Repairs and Maintenance of Other assets	3 637 764	6 136 777
	19 331 989	**23 075 110**

32. General expenses

Advertising	602 373	558 752
Auditors remuneration	5 652 225	4 316 695
Bank charges	388 060	198 387
Commission paid	211 809	194 952
Electrification expensed	4 468 974	10 502 673
Consumables	764 130	500 446
Hire Charges	417 288	134 149
Rent - office equipment	511 089	493 708
Insurance	325 097	640 505
Conferences and seminars	128 212	83 231
IT expenses and software license fees	367 498	1 024 649
Indigent relief	378 908	1 656 660
Fuel and oil	1 029 593	1 108 453
Telephone, postage & fax	1 976 820	2 172 514
Protective clothing	73 224	564 135
Royalties and license fees	392 161	353 816
Subscriptions and membership fees	566 543	505 945
Electricity purchases	3 745 331	2 809 954
Training	419 222	288 359
Travel and accomodation	1 293 275	1 041 836
Remuneration Ward Committees	1 012 000	985 000
Personnel Agency fees	20 923	54 641
	24 744 755	**30 189 460**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Cash generated from operations

Surplus	89 279 789	18 589
Adjustments for:		
Depreciation and amortisation	10 009 997	9 141 195
Loss/(profit) on sale of assets and liabilities	(3 083 553)	-
Acturial gains/(losses)	(163 000)	(3 046)
Movements in retirement benefit assets and liabilities	(6 000)	(140 507)
Finance costs	4 345 801	4 093 284
Debt and fixed asset impairment	33 847 488	28 106 374
Bad debts written off	567 690	11 100 110
Changes in working capital:		
Inventories	-	136 251
Other Receivables	1 805 723	514 490
Receivables from exchange transactions	(13 559 910)	(13 756 257)
Statutory Receivable	(11 973 319)	(8 915 204)
Payables from exchange transactions	(904 172)	(730 990)
VAT	189 284	(1 379 926)
Unspent conditional grants and receipts	(31 074 552)	32 933 595
	79 281 266	**61 117 958**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	24 049 037	47 198 039
Total capital commitments		
Already contracted for but not provided for	24 049 037	47 198 039

Total commitments

Total commitments		
Authorised capital expenditure	24 049 037	47 198 039

35. Contingencies

Contigent liabilities		
Hlumukhanye Securities CC - Action: breach of contract	1 900 000	1 900 000
Sarha Rose Marry King - Action: recovery of damages	1 900 000	1 900 000
Mrs Zoliswa Cynthia Msali-Morose - the dispute is the letter of demand for damages suffered by the applicant	4 500 000	4 500 000
AmanzAbantu / Sakhisizwe LM – Case No: 1744/2024 - These are action proceedings. The lawyers have filed a plea. The plaintiff has not filed a reply or replication. The matter was only referred to our office on 31 May 2024. It is not finalised. The municipality has a good defence	1 500 000	-
Maximum Profit Recovery / Sakhisizwe LM (matter finalised during 2024-25 financial year) - This is a review of a tender. The municipality is in the process of complying with the judgement of Zono AJ in the implementaion of awarding of the tender.	-	-
Pension fund and another - An application was launched to appeal against the determination of the pensions fund. Awaiting the returns of service from the various Sheriffs from Belville, Pretoria and Tsolo who were instructed to service the application	1 500 000	-
	11 300 000	**8 300 000**

Notes to the Annual Financial Statements

36. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	16 098 138	-	-	-
Consumer deposits	73 382	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	12 083 158	-	-	-
Consumer deposits	73 382	-	-	-

Figures in Rand	2025	2024

36. Risk management (continued)

Credit risk

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

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.

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.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's 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
Cash and cash equivalents	55 318 144	51 924 177
Receivables from Exchange Transactions	20 786 286	20 290 783
Other receivables	3 304 637	609 874

Market risk

Interest rate risk

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

Potential concentrations of interest rate risk 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 assets and liabilities. All of the municipality's interest bearing external loan liabilities, as are trade and other payables from exchange transactions.

37. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	20 786 286	20 786 286
Other receivables	3 304 637	3 304 637
Cash and cash equivalents	55 318 144	55 318 144
Vat Input accrual	1 845 471	1 845 471

Figures in Rand	2025	2024

37. Financial instruments disclosure (continued)

	81 254 538	**81 254 538**

Financial liabilities

	At amortised cost	Total
Trade and other payables	16 098 138	16 098 138
Vat Output Accrual	7 351 643	7 351 643
Consumer deposits	73 382	73 382
	23 523 163	**23 523 163**

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	20 033 185	20 033 185
Other receivables	609 874	609 874
Cash and cash equivalents	51 924 177	51 924 177
	72 567 236	**72 567 236**

Financial liabilities

	At amortised cost	Total
Trade and other payables	12 083 158	12 083 158
Vat accrual payable	4 642 024	4 642 024
Consumer deposits	73 382	73 382
	16 798 564	**16 798 564**

38. Unauthorised expenditure

	2025	2024
Opening balance	122 762 225	101 468 396
Correction of prior period error	-	156 258
Add: Unauthorised expenditure - current	25 051 522	21 137 571
Less: Amount authorised - current	(54 821 201)	-
Closing balance	**92 992 546**	**122 762 225**

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

Non-cash	25 051 522	21 137 571

There was no unauthorised expenditure of cash in nature.

Analysed as follows: non-cash

Finance cost: (interest employee benefits), Impairment loss, Bad debts written off	25 051 522	21 137 571

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal department:

Budget and Treasury	13 429 270	19 229 142
Community Services	11 622 252	1 908 429
	25 051 522	**21 137 571**

39. Fruitless and wasteful expenditure

Opening balance as previously reported	5 459 833	4 402 876
Add: Fruitless and wasteful expenditure identified - current	326 623	1 056 957
Less: Amount written off - current	(169 875)	-
Less: Amount written off - prior period	(5 459 833)	-
Closing balance	**156 748**	**5 459 833**

The fruitless and wasteful expenditure relates to interest charged on overdue accounts and penalties.

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

39. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Late payment	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	19 876	310 417
Fraud	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	14 917	-
Court fees	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	-	6 686
Interest from pension fund contributions	Management is still investigating the root cause and will institute disciplinary action once all processes are finalised	141 830	739 854
Penalty	Landfill Site fine	150 000	-
		326 623	**1 056 957**

An amount of R156 748 relates to cases recommended by council for further investigation.

40. Irregular expenditure

	2025	2024
Opening balance as previously reported	105 048 507	125 882 267
Add: Irregular expenditure - current	31 414 641	9 776 931
Add: Irregular expenditure incurred in prior year but identified in current year	45 950 418	3 356 247
Less: Amount written off - current	(76 502 586)	-
Less: Amount written off - prior period	(14 649 101)	(33 966 938)
Closing balance	**91 261 879**	**105 048 507**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

40. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCM Regulations	No discplinary action and/or investigation has taken place	77 365 059	13 133 178

Cases under investigation

An amount of R92 889 (R212 857 prior year) cases related to other non-compliance with laws, regulations, council policies and/or by-laws.

Municipal Finance Management Act	92 889	212 857

41. Prior period errors

The correction of the error(s) results in adjustments as follows:

Slot

41. Prior period errors (continued)

Statement of Financial Position	Note	As previously reported	Correction of error	Re classification	Restated
Property, Plant and Equipment	[1]	242 317 900	(6 533 011)	-	235 784 889
VAT Input Accrual	[2]	-	1 034 679	-	1 034 679
VAT Output Accrual	[3]	(4 642 024)	(1 761 868)	-	(6 403 892)
Other receivables	[7]	609 874	386	-	610 260
Receivables from exchange transactions	[10]	20 033 185	257 598	-	20 290 783
Statutory receivable	[11]	14 433 286	(315 267)	-	14 118 019
Payables from exchange transactions	[4]	(17 051 496)	(893 106)	-	(17 944 602)
Accumulated Surplus	[5]	(254 588 194)	8 210 589	-	(246 377 605)
		1 112 531	**-**	**-**	**1 112 531**

Statement of Financial Performance	Note	As previously reported	Correction of error	Re classification	Restated
Depreciation and amortisation	[6]	9 504 467	(363 271)	-	9 141 196
Loss on disposal of assets	[8]	-	163 687	-	163 687
Other Income	[9]	(3 464 322)	-	83 532	(3 380 790)
Government Grants and Subsidies	[9]	(125 434 136)	-	(83 532)	(125 517 668)
General Expenditure	[12]	29 987 975	201 484	-	30 189 459
		(89 406 016)	**1 900**	**-**	**(89 404 116)**

Cashflow Statement	Note	As previously reported	Correction of error	Restated
Cash flows from operating activities				
Sale of goods and services	[13]	23 669 131	(83 532)	23 585 599
Government grants	[13]	158 367 731	83 532	158 451 263
Interest Income		12 774 345	-	12 774 345
Employee costs	[14]	(58 066 422)	73 948	(57 992 474)
Supplies	[14]	(74 569 886)	(73 948)	(74 643 834)
Finance costs		(1 056 941)	-	(1 056 941)
		61 117 958	**-**	**61 117 958**

1. Property, Plant and Equipment	
Previously reported	242 317 900
Infrastructure - Opening Accumulated Depreciation adjustment 2024	(7 596 826)
Infrastructure - Opening Accumulated Impairment adjustment 2024	105 256
Infrastructure - Depreciation adjustment 2024	363 271
Infrastructure - Opening cost adjustment 2024	758 975
Loss on disposal of assets -written off	(163 687)
Restated balance	**235 784 889**

Infrastructure - Opening Accumulated Depreciation 2024 adjusted by R 7 596 826 resulting in decrease in accumulated surplus by the same amount.

Infrastructure - Opening Accumulated Impairment adjustment 2024 adjusted by R105 256 resulting in increase in accumulated depreciation by the same amount.

Infrastructure assets - Depreciation for 2024 had been decreased by R363 271 due to changes in opening accumulated depreciation resulting in decrease in accumulated depreciation by the same amount.

Infrastructure - Opening cost adjustment 2024 had been decreased by the same amount resulting in decrease in accumulated surplus by the same amount.

Loss on disposal on motor vehicle written off during the year.

Figures in Rand	2025	2024

41. Prior period errors (continued)

2. VAT accrual receivable

Previously reported		-
Disclosure of vat input accrual seperately		1 034 678
Restated balance		**1 034 678**

Vat accrual receivable and vat accrual payable was netted off in the prior year no disclosed seperately as per GRAP 1 disclosure requirements.

3. Vat accrual payable

Previously reported		(4 642 024)
Correction of vat output accrual		1 488 303
Disclosure of vat input accrual seperately		(1 034 678)
Adjustment of VAT on INEP		(2 215 493)
Restated balance		**(6 403 892)**

Vat accrual payable was a net of vat accrual output and input which is not inline with Grap 1 disclosure requirement. Furthermore the vat output accrual was overstated by R1 488 303 and understatement of accumulated surplus by the same amount.

VAT on Construction contracts was previously understated by R2 215 493 now corrected

4. Payables from exchange transactions

Previously reported		(17 051 496)
Correction of leave accrual		(1 283)
Correction of salary control payable		(322 241)
Correction of agency fee payable		(569 582)
Restated balance		**(17 944 602)**

Leave accrual was understated by R1 283 and salary control was understated by R322 241 as it was not cleared in the previous years resulting in overstatement of accumulated surplus by R323 524.

Agency fee payable was incorrectly accounted for in prior years now corrected resulting in increase in other payables by R569 582 . Agency fees adjustment of R569 582 also affected general expenditure R201 784 and accumulated surplus R367 798

5. Accumulated Surplus

Previously reported		(254 588 194)
Other receivable understated in prior year		(491)
Correction of vat output accrual		(1 488 303)
Correction of leave accrual		1 283
Correction of salary control payable		322 242
Infrastructure - Opening Accumulated Depreciation adjustment 2024		7 596 826
Infrastructure - Opening Accumulated Impairment adjustment 2024		(105 256)
Infrastructure - Depreciation adjustment 2024		(363 271)
Motor Vehicles - Loss on disposal on motor vehicle written off		163 687
Infrastructure - Opening cost adjustment 2024		(758 972)
Restated balance		**(249 220 449)**

Accumulated surplus was adjusted due to the reasons noted above resulting in net decrease in accumulated surpus by R5 36 7745.

6. Depreciation and amortisation

Previously reported	-	9 504 467
Infrastructure decrease in depreciation	-	(363 271)
Restated balance	**-**	**9 141 196**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Prior period errors (continued)

Infrastructure assets - Depreciation for 2024 had been decreased by R363.27 due to changes in opening accumulated depreciation resulting in decrease in accumulated depreciation by the same amount.

7. Other receivables

Previously reported	-	609 874
Other receivable understated in prior year	-	486
Restated balance	**-**	**610 360**

Other receivables overstated in prior year now corrected.

8. Loss on disposal

Previously reported	-	-
Loss on disposal on motor vehicle disposed prior year	-	163 687
Restated balance	**-**	**163 687**

Motor Vehicle was written off prior year but not disposed in the fixed asset register now corrected.

9. Other Income and Government grants and subsidies

	-	-

Local Government SITA was reclassified from Other Income to Government Grants and subsidies.

10. Receivable from exchange transactions

Previously reported	-	20 033 185
Correction of general ledger not agreeing to age analysis	-	257 598
Restated balance	**-**	**20 290 783**

General ledger was adjuted to agree to age analysis.

11. Statutory Receivables

Previously reported	-	14 433 286
Correction of general ledger not agreeing to age analysis	-	(315 267)
Restated balance	**-**	**14 118 019**

General ledger was adjuted to agree to age analysis.

12. General Expenditure

Previously reported	-	29 987 975
Reclassification of: IT expenses and software licence fees	-	(431 860)
Increase in Royalties and licence fees	-	201 784
Reclassification of: Telephone postage & Faxes	-	431 860
	-	**30 189 759**

Expenditure amounting to R431 860 was incorrectly classified under IT expenses and software licence fees now reclassified under Telephone postage and faxes.

Royalties and licence fees was understated by R201 784 in the prior year as the municipality was not recording expenditure relating to licencing of municipal vehicles.

41. Prior period errors (continued)

Cash Flow Statement

13. Cash flows from operating activities- Receipts: Sale of goods and government grants was adjusted due to reclassification of LG Seta from other income to goverment grants and subsidies.

14. Cash flows from operating activities- Payments: Employee related costs and supplies were adjusted as result of correction of prior year cashflow calculation.

42. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Municipality acting as an agent

The municipality is a party to a principal-agent arrangement(s). A description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent's own financial statements. if non, indicate as such.

- significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and
- any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.
- the aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and
- a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.
- The category of revenue received or to be received, as well as the category of expenses paid or accrued on behalf of the principal.
- The amount of revenue received or to be received, as well as the amount of expenses paid or accrued on behalf of the principal during the reporting period per category of revenue or expense..

Details of the arrangment(s) are as follows:

The income from traffic department income includes agency fees consists of commission received from the Department of Transport for the issuing of vehicle registrations. The municipality (agent) collects licencing fees for vehicles on behalf of the Department of Transport (principal).

The revenue collected as disclosed is earned with as follows:

- Registering Authority: The municipality is entitled to 19% of the total amount collected and the balance of 81% accrues to the Department of Transport.
- Driving License Testing Centre: The municipality must deposit the prescribed amount to the Driving License Card Production Entity for each drivers' license card ordered. The municipality is entitled to all the fees collected other than the prescribed amount per card ordered.
- Vehicle Testing Station: The municipality is of the revenue collected and the remainder accrues to the Department of Transport.

The municipality does not incur costs on behalf of the Department of Transport.

Fees paid

The aggregate amount of monies collected by the municipality on behalf of Department of Transport is 4 233 384 (2024: 4 982 651).

Payables recognised

Amount payable to Department of Transport at year end is R225 060 (2024: R320 641)

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of Department of Transport is R656 724 (2024: R667 746).

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Figures in Rand	2025	2024

42. Accounting by principals and agents (continued)

Municipality as Principal

Fee paid

Commission paid to prepaid vendors	211 809	225 485

The municipality has directed Cigi Cell through a binding arrangement to undertake transactions with third parties on behalf of Sakhisizwe Local Municipality, which is sale of municipal electricity. These are vendors which are used due to capacitation of the municipality and is more cost effective which provide customers easy access to prepaid electricity.

Electricity vendors are entitled to of claim 2.24% commission on sales of prepaid electricity tokens and third party and arreas collection.

43. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	6 500 058	4 964 199
Amount paid - current year	(6 500 058)	(4 964 199)
	-	-

PAYE and UIF

Current year subscription / fee	8 332 263	8 059 686
Amount paid - current year	(8 332 263)	(8 059 686)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	14 998 963	13 283 522
Amount paid - current year	(14 998 963)	(13 283 522)
	-	-

VAT

VAT output payables and VAT input receivables are shown in note 6 .

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

43. 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
Councillor B. Ponoshe	535	-	535
Councillor A Mpakane	1 114	30 590	31 704
Councillor Z J Phonoshe	1 019	5 259	6 278
Councillor N S Nopote	668	5 812	6 480
Councillor N Miso	2 080	35 944	38 024
Councillor L Thulelo	2 074	29 327	31 401
Councillor M Ngqayimbana	786	11 755	12 541
Councillor M Mxhonywa	1 424	15 996	17 420
Councillor M Malungisa	867	17 895	18 762
Councillor V Filana	1 114	30 573	31 687
	11 681	**183 151**	**194 832**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor B. Ponoshe	282	-	282
Councillor A Mpakane	461	27 896	28 357
Councillor Z J Phonoshe	131	3 184	3 315
Councillor N S Nopote	364	5 541	5 905
Councillor N Miso	686	32 553	33 239
Councillor L Thulelo	396	25 649	26 045
Councillor M Ngqayimbana	461	9 747	10 208
Councillor M Mxhonywa	575	12 649	13 224
Councillor M Malungisa	461	15 718	16 179
	3 817	**132 937**	**136 754**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviations	2025	2024
July	49 774	70 463
August	158 116	167 868
September	5 842	166 067
October	71 616	47 295
November	12 268	28 563
December	12 852	236 784
January	32 715	-
February	153 480	-
March	155 742	128 032
April	43 815	-
May	229 211	95 267
June	37 168	234 796
	962 570	**1 175 135**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Incident

Impractical Impossible	962 570	1 062 336
Emergency	-	105 248
Sole Provider	-	7 551
	962 570	**1 175 135**

44. Segment information

General information

Identification of segments

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Community and public safety
Segment 2	Planning and development
Segment 3	Road transport
Segment 4	Waste management
Segment 5	Energy sources

Notes to the Annual Financial Statements

Figures in Rand

44. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and public safety	Planning and development	Roads	Waste management	Energy sources	Total
Revenue						
Revenue from exchange transactions: Service charges	-	-	-	7 443 781	21 807 773	29 251 554
Revenue from exchange transactions: Construction contracts	-	4 468 974	-	-	-	4 468 974
Revenue from exchange transactions: Other income	64 354	905 225	-	-	22 540	992 119
Revenue from exchange transactions: Interest Received	-	-	-	6 867 661	12 240	6 879 901
Revenue from exchange transactions: Gain on disposal of assets	3 097 653	-	-	-	-	3 097 653
Revenue from non-exchange transactions: Grants & subsidies	2 110 046	28 883 204	69 804 905	-	249 000	101 047 155
Total segment revenue	**5 272 053**	**34 257 403**	**69 804 905**	**14 311 442**	**22 091 553**	**145 737 356**
Entity's revenue						**145 737 356**
Expenditure						
Employee related costs	2 258 393	11 015 556	5 170 017	9 945 958	1 556 563	29 946 487
Remuneration of councillors	-	1 200	-	-	-	1 200
Depreciation and amortisation	-	194 082	6 592 062	-	1 824 046	8 610 190
Finance costs	-	-	-	3 949 800	-	3 949 800
Bad debts written off	-	-	-	-	567 690	567 690
Bulk Purchases	-	-	-	-	18 992 494	18 992 494
Contracted Services	66 534	5 326 955	1 134 291	-	654 759	7 182 539
General Expenditure	34 222	658 772	259 837	790 061	8 749 157	10 492 049
Impairement loss	-	-	-	16 514 591	780 708	17 295 299
Total segment expenditure	**2 359 149**	**17 196 565**	**13 156 207**	**31 200 410**	**33 125 417**	**97 037 748**
Total segmental surplus/(deficit)	**2 912 904**	**17 060 838**	**56 648 698**	**(16 888 968)**	**(11 033 864)**	**48 699 608**

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Notes to the Annual Financial Statements

Figures in Rand

44. Segment information (continued)

	Community and public safety	Planning and development	Roads	Waste management	Energy sources	Total
Revenue allocated that do meet the defintion of a segment						145 737 356
Revenue allocated that do not meet the defintion of a segment						-
Revenue from exchange transactions: Other Income						2 432 639
Revenue from exchange transactions: Interest Received						6 420 840
Revenue from non exchange transactions: Interest Received						5 956 078
Revenue from exchange transactions: Actuarial gains						163 000
Revenue from non exchange transactions: Faines penalties and forfeits						58 350
Revenue from non exchange transactions: Government grants & subsidies						91 876 569
Revenue from non exchange transactions: Property rates						9 491 493
Revenue from exchange transactions: Gains on disposal of assets						(14 100)
Total Revenue per the Statement of Financial Performance						**262 122 225**
Expenditure allocated that do meet the defintion of a segment						97 037 748
Expenditure allocated that do not meet the defintion of a segment						
Employee costs						22 759 660
Remuneration of councillors						7 973 598
Depreciation and amortisation						1 399 808
Finance costs						718 481
Impairment loss						16 552 189
Contracted Services						12 149 451
General Expenses						14 251 502
Total Expenditure per the Statement of Financial Performance						**172 842 437**

Reporting on segment assets and liabilities.

44. Segment information (continued)

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed

2024

		Community and public safety	Planning and development	Road transport	Waste management	Energy sources	Total
Revenue							
Revenue from exchange transactions: Service charges	-	-	-	9 638 960	17 021 617	-	26 660 577
Revenue from exchange transactions: Other income	821 353	288 666	-	-	18 288	-	1 128 307
Revenue from non exchange transactions: Grants & subsidies	4 071 779	20 765 000	14 392 405	-	-	-	39 229 184
Revenue from exchange transactions: Interest Received	-	88	-	4 015 375	(222 867)	-	3 792 596
Revenue from exchange transactions: Construction contracts	-	-	-	-	10 502 499	-	10 502 499
Total segment revenue	**4 893 132**	**21 053 754**	**14 392 405**	**13 654 335**	**27 319 537**	**-**	**81 313 163**
Entity's revenue							**81 313 163**
Expenditure							
Employee related costs	5 431 189	8 294 101	3 262 746	7 826 970	1 732 743	-	26 547 749
Depreciation and amortisation	-	-	5 881 913	-	-	-	5 881 913
Impairment loss	-	-	-	3 742 292	(1 452 676)	-	2 289 616
Bulk Purchases	-	-	-	-	20 703 007	-	20 703 007
Contracted Services	4 029 871	588 560	4 175 485	389 240	423 617	-	9 606 773
General Expenditure	254 080	201 455	161 954	341 442	15 131 244	-	16 090 175
Total segment expenditure	**9 715 140**	**9 084 116**	**13 482 098**	**12 299 944**	**36 537 935**	**-**	**81 119 233**
Total segmental surplus/(deficit)	**(4 822 008)**	**11 969 638**	**910 307**	**1 354 391**	**(9 218 398)**	**-**	**193 930**

Notes to the Annual Financial Statements

Figures in Rand

44. Segment information (continued)

Revenue allocated that do meet the defintion of a segment							81 313 163
Revenue from exchange transactions allocated that do not meet the defintion of a segment							-
Revenue from exchange transactions: Other Income							2 237 735
Revenue from exchange transactions: Interest Received							3 546 604
Revenue from non exchange transactions: Interest Received							5 435 144
Revenue from non exchange transactions: Property rates							7 617 582
Revenue from non exchange transactions: Government grants & subsidies							86 288 531
Revenue from non exchange transactions: Fines, Penalties and Forfeits							53 550
Total Revenue per the Statement of Financial Performance							**186 492 309**
Expenditure not allocated to reportable segment							
Employee related costs	-	-	-	-	-	27 938 416	27 938 416
Remuneration of councillors	-	-	-	-	-	8 058 027	8 058 027
Depreciation and amortisation	-	-	-	-	-	3 688 430	3 688 430
Finance costs	-	-	-	-	-	1 407 933	1 407 933
Impairment loss	-	-	-	-	-	29 395 363	29 395 363
Contracterd Services	-	-	-	-	-	13 468 337	13 468 337
Actuarial losses	-	-	-	-	-	(3 046)	(3 046)
General Expenses	-	-	-	-	-	25 225 746	25 225 746
	-	-	-	-	-	**109 179 206**	**109 179 206**
							-

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

Information about geographical areas

Figures in Rand	2025	2024

44. Segment information (continued)

Although the Municipality operates in a number of geographical areas (i.e.wards), the geographical information is not be 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 geographical area.

45. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Compensation to key management	Refer to employee related cost note
Compensation to Councillors	Refer to General information page 1

Related party transactions

Rental of the municipal building by the Municipal Manager

	2025	2024
Annual rental of the municipal property	12 000	12 000

The council did approve the renting out of municipal property to the Municipal Manager at a subsdised amount of R1000 per month.

Remuneration of management - refer to note 25

Remuneration of Councillors refer to note 26

46. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 335 657 399 and that the municipality's total liabilities exceed its assets by 335 657 399.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

47. Electricity distribution losses

	2025	2024
Units purchased (Kwh)	8 779 199	8 524 503
Unit lost during distribution (Kwh)	1 008 575	1 832 191
Electricity lost during distibution (R)	2 690 917	4 449 746
Percentage lost during distribution (%)	11%	21%
	12 478 702	**14 806 461**

Technical electricity distribution losses are attributed to transformer efficiency, line losses within the network infrastructure due to faulty meters and theft.

48. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to be disclosed.

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