ENOCH MGIJIMA
LOCAL MUNICIPALITY

Enoch Mgijima Local Municipality
(Registration number EC139)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no. 117 of 1998)
Nature of business and principal activities	Enoch Mgijima Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Mayoral committee	
Executive Mayor	Mayor M Papiyana
Executive Committee	Cllr N Nqabisa (Speaker)
	Cllr N S Ndlebe (Chief Whip)
	Cllr S S Lali (Community Services Portfolio Head)
	Cllr O Adonisi (Human Settlement and Land Portfolio Head)
	Cllr B C Simina (SPU Portfolio Head)
	Cllr P Madubedube (Corporate Services Portfolio Head)
	Cllr T Bunu (IPED Portfolio Head)
	Cllr U Galada (Budget and Treasury Portfolio Head)
	Cllr Z N E Ralane (Public Safety Portfolio Head)
	Cllr M Mangcotywa (Technical Services Portfolio Head) Cllr A N Hendrieks (MPAC)
	Cllr M Mnyaka
	Cllr L A Haggard
	Cllr D D MacTaggart
	Cllr D U Stellenberg
	Cllr K L Clark
	Cllr S C Ndarala
	Cllr A T Cetywayo
	Cllr N M Solani
	Cllr S V Mkefa
	Cllr V S Nqayi
	Cllr P P Z Mandile (Resigned 9 April 2024)
	Cllr N S Kweza
	Cllr A B Zondi
	Cllr F N Duda
	Cllr W Booi
	Cllr K Nonyongo
	Cllr E Mavango
	Cllr S Neli
	Cllr Z Baleni
	Cllr X Williams
	Cllr A Sizani
	Cllr M Ndyalivani
	Cllr N Nduku (Resigned 30 September 2024)
	Cllr L L Ndlebe
	Cllr Z S Manqaphela
	Cllr T M Panya
	Cllr T Vali
	Cllr N X Tom
	Cllr S Dukwe

General Information

	Cllr L Komeni Cllr S Plaatjie Cllr N Makasi Cllr A Keva Cllr N Yaliwe Cllr S A Qwalela Cllr L Pukwana Cllr N C Twalo Cllr Z S Tutwana Cllr M Ngesi Cllr S Mkhunqe Cllr V V Bomela Cllr M S Hokolo Cllr B Fingwana Geld (Deceased April 2025) Cllr E N Marawu Cllr G T Titus Cllr C O Everitt Cllr A T Ngoma Cllr M M Jacobs (Appointed 1 September 2023) Cllr A Ngonyama Cllr L C S Tokwe Cllr H A Deysel Cllr B Quqa Cllr M Matsolo Cllr A A Ganca Cllr L Amos (Appointed 13 May 2025) Cllr F Malatoe (Appointed 10 June 2024) Cllr A Mbete (Appointed 09 December 2024) Cllr M Mxakwe (Appointed 18 July 2024) Cllr A Njikela (Appointed 18 July 2024)
Jurisdiction	Molteno, Hofmeyer, Sterkstroom, Tarkastad, Whittlesea, Komani
Accounting Officer	A. Ntengenyane
Registered office	70 Cathcart Road Komani 5320
Postal address	Private Bag X7111 Komani 5320
Bankers	First National Bank
Auditors	Auditor-General of South Africa (AGSA)
Attorneys	Gray Burmeister Inc Jolwana Mgidlana Inc Joubert Galpin Searle Matiwane Attorneys Inc Matiwane Zukisani Attorneys Mbabane & Maswazi Inc

General Information

Peyper Attorneys
Philip & Mabona Attorneys Inc JV Benmazwi Inc Attorneys
PX Limba
Siyatemba Sokutu Attorneys Inc
Sonamzi Attorneys Inc
Wesley Pretorius and Associates Inc
Yandiswa Sonamzi Attorneys

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

DORA	Division of Revenue Act
DSRAC	Department of Sports, Recreation, Arts and Culture
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEG	Integrated National Electrification Programme Grant
IPSAS	International Public Sector Accounting Standards
ISDG	Integrated Skills Development Grant
MDTG	Municipal Demarcation Transition Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSIG	Municipal Systems Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
MDRG	Municipal Disaster Relief Grant
OTP	Office of the Premier
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places 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, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 113, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed by her:

ANtengenyane

A Ntengenyane
Municipal Manager

Statement of Financial Position as at 30 June 2025

	Notes	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	1 491 252	3 180 236
Receivables from exchange transactions	4	53 704 287	74 700 739
Receivables from non-exchange transactions	5	28 642 969	60 418 227
VAT receivable	6	763 823	1 013 935
VAT accrual - input	7	213 222 228	164 127 641
Cash and cash equivalents	8	69 995 556	72 755 914
		367 820 115	**376 196 692**
Non-Current Assets			
Biological assets	9	9 557 731	7 120 557
Investment property	10	326 352 511	326 352 511
Property, plant and equipment	11	1 263 919 355	1 273 014 108
Heritage assets	12	2 820 600	2 820 600
		1 602 650 197	**1 609 307 776**
Total Assets		**1 970 470 312**	**1 985 504 468**
Liabilities			
Current Liabilities			
Finance lease obligation	13	583 958	621 154
Payables from exchange transactions	14	1 858 306 675	1 468 771 412
Payables from non-exchange transactions	15	941 862	941 862
Consumer deposits	16	11 806 385	11 272 521
Employee benefit obligation	17	50 262 861	51 314 958
Unspent conditional grants and receipts	18	21 664 997	40 068 185
VAT accrual - output	19	7 638 714	7 714 513
		1 951 205 452	**1 580 704 605**
Non-Current Liabilities			
Finance lease obligation	13	-	583 958
Employee benefit obligation	17	43 119 000	40 731 000
Provisions	20	133 818 855	105 117 248
		176 937 855	**146 432 206**
Total Liabilities		**2 128 143 307**	**1 727 136 811**
Net (Liabilities) / Assets		**(157 672 995)**	**258 367 657**
Accumulated (deficit) / surplus		(157 672 995)	258 367 657
Total Net (Liabilities) / Assets		**(157 672 995)**	**258 367 657**

* See Note 49

Statement of Financial Performance

	Notes	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	392 473 523	347 546 180
Rental of facilities and equipment	22	4 213 711	3 678 596
Interest earned on debtors		127 445 111	113 655 352
Income from agency services	23	4 809 132	4 420 273
Licences and permits	24	5 311 930	4 693 120
Movement in leave provision		-	7 931 547
Construction contract revenue	25	22 073 897	104 847 005
Other income	26	6 088 626	7 862 426
Interest received on investments	27	8 738 715	6 805 976
Total revenue from exchange transactions		**571 154 645**	**601 440 475**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	170 017 681	145 788 079
Transfer revenue			
Government grants and subsidies	29	394 704 893	349 820 158
Public contributions and donations	30	-	90 713
Fines	31	4 493 422	3 120 919
Total revenue from non-exchange transactions		**569 215 996**	**498 819 869**
Total revenue		**1 140 370 641**	**1 100 260 344**
Expenditure			
Employee related costs	32	(329 231 666)	(328 740 338)
Remuneration of councillors	33	(31 864 689)	(28 363 758)
Depreciation and amortisation	34	(61 626 519)	(77 671 577)
Finance costs	35	(40 111 098)	(72 806 209)
Debt Impairment	36	(326 911 824)	(275 068 947)
Repairs and maintenance	37	(57 772 048)	(25 703 003)
Bulk purchases	38	(463 020 407)	(377 658 224)
Contracted services	39	(49 363 824)	(52 857 668)
Transfers and Subsidies	40	(1 690 817)	(1 629 816)
General Expenses	41	(79 954 282)	(165 580 443)
Total expenditure		**(1 441 547 174)**	**(1 406 079 983)**
Operating deficit		**(301 176 533)**	**(305 819 639)**
Loss on disposal of assets and liabilities		(265 048)	(540 125)
Gain on foreign exchange		-	43 782
Actuarial gains / (losses)	17	(24 000)	3 296 000
Fair value adjustment on biological assets		2 437 174	1 412 490
Impairment loss	42	(117 011 890)	(34 621 369)
VAT provision write off		-	(1 367 688)
Eskom interest adjustment	43	-	64 692 243
		(114 863 764)	**32 915 333**
Deficit for the year		**(416 040 297)**	**(272 904 306)**

* See Note 49

Statement of Changes in Net Assets

	Accumulated (deficit) / surplus	Total net assets
Opening balance as previously reported	540 187 397	540 187 397
Adjustments		
Prior year adjustments	(8 915 434)	(8 915 434)
Balance at 01 July 2023 as restated*	**531 271 963**	**531 271 963**
Changes in net assets		
Restated* deficit for the year	(272 904 306)	(272 904 306)
Total changes	(272 904 306)	(272 904 306)
Restated* Balance at 01 July 2024	**258 367 302**	**258 367 302**
Changes in net assets		
Deficit for the year	(416 040 297)	(416 040 297)
Total changes	(416 040 297)	(416 040 297)
Balance at 30 June 2025	**(157 672 995)**	**(157 672 995)**
Note	49	

* See Note 49

Cash Flow Statement

	Notes	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		283 282 308	275 658 437
Government grants and subsidies		376 301 705	392 462 117
Interest income		136 183 826	120 461 328
Other receipts		(326 147)	138 376 079
		795 441 692	926 957 961
Payments			
Employee costs		(359 847 266)	(356 801 209)
Suppliers		(261 380 556)	(387 180 488)
Finance costs		(29 192 371)	(49 839 376)
Other payments		(1 690 817)	(1 629 816)
		(652 111 010)	(795 450 889)
Net cash flows from operating activities	45	**143 330 682**	**131 507 072**
Cash flows from investing activities			
Purchase of movable and immovable assets	11	(145 469 886)	(95 183 776)
Proceeds from sale of property, plant and equipment	11	-	232 692
Net cash flows from investing activities		**(145 469 886)**	**(94 951 084)**
Cash flows from financing activities			
Movement in finance leases		(621 154)	(997 595)
Net increase/(decrease) in cash and cash equivalents		**(2 760 358)**	**35 558 393**
Cash and cash equivalents at the beginning of the year		72 755 914	37 197 521
Cash and cash equivalents at the end of the year	8	**69 995 556**	**72 755 914**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	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	512 996 574	5 154 519	**518 151 093**	392 473 523	**(125 677 570)**	62.1
Rental of facilities and equipment	4 903 570	-	**4 903 570**	4 213 711	**(689 859)**	62.2
Interest received on debtors	57 295 205	77 587 473	**134 882 678**	127 445 111	**(7 437 567)**	
Income from agency services	4 582 200	1 607 198	**6 189 398**	4 809 132	**(1 380 266)**	62.3
Licences and permits	4 695 300	1 232 636	**5 927 936**	5 311 930	**(616 006)**	62.3
Miscellaneous other revenue	3 390 494	-	**3 390 494**	22 073 897	**18 683 403**	62.4
Other income	3 343 900	-	**3 343 900**	6 088 626	**2 744 726**	62.5
Interest received on investments	5 094 400	2 250 719	**7 345 119**	8 738 715	**1 393 596**	62.6
Total revenue from exchange transactions	**596 301 643**	**87 832 545**	**684 134 188**	**571 154 645**	**(112 979 543)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	160 581 131	21 387 437	**181 968 568**	170 017 681	**(11 950 887)**	
Transfer revenue						
Operating	305 243 200	(32 028 000)	**273 215 200**	255 626 381	**(17 588 819)**	62.7
Fines, Penalties and Forfeits	4 596 683	-	**4 596 683**	4 493 422	**(103 261)**	
Total revenue from non-exchange transactions	**470 421 014**	**(10 640 563)**	**459 780 451**	**430 137 484**	**(29 642 967)**	
Total revenue	**1 066 722 657**	**77 191 982**	**1 143 914 639**	**1 001 292 129**	**(142 622 510)**	
Expenditure						
Employee related costs	(359 492 099)	-	**(359 492 099)**	(329 231 666)	**30 260 433**	
Remuneration of councillors	(27 744 292)	(2 200 000)	**(29 944 292)**	(31 864 689)	**(1 920 397)**	62.8
Depreciation and amortisation	(54 678 008)	(23 000 000)	**(77 678 008)**	(61 626 519)	**16 051 489**	62.9
Impairment loss	-	-	**-**	(117 011 890)	**(117 011 890)**	62.10
Finance costs	(10 195 367)	(15 000 000)	**(25 195 367)**	(40 111 098)	**(14 915 731)**	62.11
Debt Impairment	(57 570 443)	-	**(57 570 443)**	(326 911 824)	**(269 341 381)**	62.12
Other materials / Repairs and maintenance	(25 990 200)	541 000	**(25 449 200)**	(57 772 048)	**(32 322 848)**	62.13
Bulk purchases	(362 945 234)	(37 500 000)	**(400 445 234)**	(463 020 407)	**(62 575 173)**	62.14
Contracted Services	(75 726 166)	(25 538 000)	**(101 264 166)**	(49 363 824)	**51 900 342**	62.15
Transfers and Subsidies	(2 200 000)	-	**(2 200 000)**	(1 690 817)	**509 183**	62.16
General Expenses	(87 069 904)	27 525 000	**(59 544 904)**	(79 954 282)	**(20 409 378)**	62.17
Total expenditure	**(1 063 611 713)**	**(75 172 000)**	**(1 138 783 713)**	**(1 558 559 064)**	**(419 775 351)**	
Operating deficit	**3 110 944**	**2 019 982**	**5 130 926**	**(557 266 935)**	**(562 397 861)**	
Loss on disposal of assets and liabilities	-	-	**-**	(265 048)	**(265 048)**	62.18
Actuarial gains/losses	-	-	**-**	(24 000)	**(24 000)**	62.19

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Fair value adjustment on biological assets	-	-	**-**	2 437 174	**2 437 174**	62.20
	-	**-**	**-**	**2 148 126**	**2 148 126**	
Surplus	**3 110 944**	**2 019 982**	**5 130 926**	**(555 118 809)**	**(560 249 735)**	
Surplus / (deficit) for the year from continuing operations	**3 110 944**	**2 019 982**	**5 130 926**	**(555 118 809)**	**(560 249 735)**	
Transfers recognised - capital	207 762 103	(14 973 601)	**192 788 502**	139 078 512	**(53 709 990)**	62.22
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**210 873 047**	**(12 953 619)**	**197 919 428**	**(416 040 297)**	**(613 959 725)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	541 000	**541 000**	1 491 252	**950 252**	62.23
Receivables from exchange transactions	364 854 754	-	**364 854 754**	53 704 287	**(311 150 467)**	62.24
Receivables from non-exchange transactions	101 389 845	-	**101 389 845**	28 642 969	**(72 746 876)**	62.25
VAT receivable	45 276 209	14 496 209	**59 772 418**	763 823	**(59 008 595)**	62.26
VAT accrual - input	-	-	**-**	213 222 228	**213 222 228**	62.27
Cash and cash equivalents	21 325 632	20 790 161	**42 115 793**	69 995 556	**27 879 763**	62.28
	532 846 440	**35 827 370**	**568 673 810**	**367 820 115**	**(200 853 695)**	
Non-Current Assets						
Biological assets	5 822 227	-	**5 822 227**	9 557 731	**3 735 504**	62.29
Investment property	326 352 511	-	**326 352 511**	326 352 511	**-**	
Property, plant and equipment	2 055 085 358	(4 386 029)	**2 050 699 329**	1 263 919 355	**(786 779 974)**	62.30
Intangible assets	299 861	-	**299 861**	-	**(299 861)**	62.31
Heritage assets	2 510 920	-	**2 510 920**	2 820 600	**309 680**	62.32
	2 390 070 877	**(4 386 029)**	**2 385 684 848**	**1 602 650 197**	**(783 034 651)**	
Total Assets	**2 922 917 317**	**31 441 341**	**2 954 358 658**	**1 970 470 312**	**(983 888 346)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	583 958	**583 958**	62.33
Payables from exchange transactions	1 326 500 200	-	**1 326 500 200**	1 858 306 675	**531 806 475**	62.34
Taxes and transfers payable (non-exchange)	941 862	-	**941 862**	941 862	**-**	
Consumer deposits	11 201 400	-	**11 201 400**	11 806 385	**604 985**	
Employee benefit obligation	-	-	**-**	50 262 861	**50 262 861**	62.35
Unspent conditional grants and receipts	-	-	**-**	21 664 997	**21 664 997**	62.36
Provisions	14 366 421	-	**14 366 421**	-	**(14 366 421)**	62.37
VAT accrual - output	26 544 800	26 544 800	**53 089 600**	7 638 714	**(45 450 886)**	62.38
	1 379 554 683	**26 544 800**	**1 406 099 483**	**1 951 205 452**	**545 105 969**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	43 119 000	**43 119 000**	62.35
Provisions	324 158 652	-	**324 158 652**	133 818 855	**(190 339 797)**	62.39
	324 158 652	**-**	**324 158 652**	**176 937 855**	**(147 220 797)**	
Total Liabilities	**1 703 713 335**	**26 544 800**	**1 730 258 135**	**2 128 143 307**	**397 885 172**	
Net (Liabilities) / Assets	**1 219 203 982**	**4 896 541**	**1 224 100 523**	**(157 672 995)**	**(1 381 773 518)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net (Liabilities) / Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated (deficit) / surplus	1 219 203 982	4 896 541	**1 224 100 523**	(157 672 995)	**(1 381 773 518)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	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						
Rates and Service charges	572 460 469	44 446 000	**616 906 469**	283 282 308	**(333 624 161)**	62.40
Transfers and subsidies - Operational and Capital	389 776 000	76 228 000	**466 004 000**	376 301 705	**(89 702 295)**	62.41
Interest	48 907 874	2 250 719	**51 158 593**	136 183 826	**85 025 233**	62.42
Other revenue	36 617 862	(8 266 000)	**28 351 862**	(326 147)	**(28 678 009)**	62.43
	1 047 762 205	**114 658 719**	**1 162 420 924**	**795 441 692**	**(366 979 232)**	
Payments						
Suppliers and employees	(927 365 495)	17 024 000	**(910 341 495)**	(621 227 822)	**289 113 673**	62.44
Finance costs	(12 195 367)	(8 000 000)	**(20 195 367)**	(29 192 371)	**(8 997 004)**	62.45
Transfers and subsidies	(2 200 000)	-	**(2 200 000)**	(1 690 817)	**509 183**	62.46
	(941 760 862)	**9 024 000**	**(932 736 862)**	**(652 111 010)**	**280 625 852**	
Net cash flows from operating activities	**106 001 343**	**123 682 719**	**229 684 062**	**143 330 682**	**(86 353 380)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(101 482 800)	(102 893 000)	**(204 375 800)**	(145 469 886)	**58 905 914**	62.47
Cash flows from financing activities						
Finance lease payments	-	-	**-**	(621 154)	**(621 154)**	62.49
Net increase/(decrease) in cash and cash equivalents	4 518 543	20 789 719	**25 308 262**	(2 760 358)	**(28 068 620)**	
Cash and cash equivalents at the beginning of the year	16 807 088	-	**16 807 088**	72 755 914	**55 948 826**	
Cash and cash equivalents at the end of the year	**21 325 631**	**20 789 719**	**42 115 350**	**69 995 556**	**27 880 206**	

Accounting Policies

	Notes	2025	2024

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.

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

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

These accounting policies are consistent with the previous year.

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.

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 and other receivables

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

The impairment for trade receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Employee benefit obligation

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the 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 17.

Effective interest rate

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

Useful lives of Property, plant and equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets are based on management's judgement as to 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.

1.4 Biological assets

A biological asset is a living animal or plant.

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

1.4 Biological assets (continued)

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Biological assets are derecognised when disposed off. The gains or losses are then recognised through the Statement of Financial Performance.

1.5 Investment property

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

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

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

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

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

The cost of self-constructed investment property is the cost at the date of completion.

Cost model

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

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

Item	**Useful life**
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

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

The following criteria have been applied to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations:
- All properties held to earn market-related rentals or for capital appreciation, or for both, are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment property;
- Land held for currently undetermined future use. If the municipality has not determined that it will use the land as owner-occupied property, or for a short-term sale in the ordinary course of business, the land is regarded as being held for capital appreciation;

Accounting Policies

1.5 Investment property (continued)

- A building owned by the municipality (or held by the municipality under finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the housing board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held on to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall into the ambit of investment property, and shall be classified as Property, plant and equipment or Non-current assets held for sale (where appropriate):

- Property held for sale in the ordinary course of operations;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property;
- Property that is being constructed or developed for future use as investment property;
- Property that is being leased out under finance lease;
- Property that is held to provide a social service and which also generates cash flows; and
- Property held for strategic purposes and service delivery.

Property interest held under operating leases are classified and accounted for as investment property, if the property interest that is held by the lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment properties from owner-occupied property held for sale is established by using criteria that it can utilise to exercise judgement consistently in accordance with the definition of investment property and with the related guidance.

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and impairment. No depreciation is recognised where the residual value of the property exceeds the historical cost of the investment property.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

Impairment

Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.
An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset 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 at acquisition date, or in the case of assets acquired by grant or donation, deemed cost being the fair value of the asset on initial recognition.

The cost of an item of 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.

Accounting Policies

1.6 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.

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

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

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

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

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

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

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset or that have different useful lives, are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

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

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

The Economic Useful Life ("EUL") of an asset has been determined with reference to the Local Government Capital Asset Management Guidelines and the Guidelines for Infrastructure Asset Management in Local Government and tailored to the Municipalities specific requirements where applicable.

Impairment

Where the carrying amount of Property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land		Indefinite years
Infrastructure		
• Roads	Straight line	5 - 80 years
• Buildings	Straight line	7 - 100 years
• Electricity	Straight line	15 - 60 years
• Landfill sites	Straight line	15 - 55 years
Other property, plant and equipment		
• Motor vehicles	Straight line	15 years
• Furniture and fittings	Straight line	10 years
• Machinery and equipment	Straight line	10 years
• Computer equipment	Straight line	7 years
Community	Straight line	7 - 100 years

The residual value, the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Incomplete construction work

Incomplete construction work is stated at historical cost, depreciation only commences when the asset is available for use.

Finance leases

Assets capitalised under finance leases are depreciated over the expected useful lives on the same basis as property, plant and equipment controlled by the municipality, or where shorter the term of the relevant lease if there is no reasonable surety terms of the assets management policy.

Infrastructure assets

Infrastructure assets are any assets that are part of a network or similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Infrastructure assets are treated similarly to all assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment assets

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.

1.7 Heritage assets

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

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

Accounting Policies

1.7 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised. The gain or loss is the difference between the proceeds and the carrying amount of the intangible asset.

1.8 Financial instruments

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

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

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

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.

Accounting Policies

1.8 Financial instruments (continued)

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, the municipality 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

A financial asset is past due when a 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 municipality 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.

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer 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 municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

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.

1.8 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.

Reclassification

The municipality 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.

Gains and losses

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

Impairment and uncollectibility of financial assets

The municipality 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.

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.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

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 municipality :
  - derecognises the asset; and
  - recognise separately any rights and obligations created or retained in 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.

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

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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.

1.9 Statutory receivables

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.

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.

1.9 Statutory receivables (continued)

Subsequent measurement

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

Accrued interest

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

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

Impairment losses

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

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

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

Accounting Policies

1.9 Statutory receivables (continued)

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

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

1.10 Leases

The Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies relating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

The Municipality as a lessor

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.11 Inventories (continued)

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

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

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

1.12 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.

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 surveys of work done.

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.

1.13 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:

1.13 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.

Identification of a potential impairment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. 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.

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.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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.

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (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.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

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.

After a reversal of an impairment loss is recognised, 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.

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and

1.13 Impairment of cash-generating assets (continued)

- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification of a potential impairment

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

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

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

1.14 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.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

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.

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

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

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.

1.15 Employee benefits

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

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

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

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

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (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.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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.

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 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.

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of an asset are taken into account in measuring a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed on the commitment note to the financial statements.

Accounting Policies

1.18 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.

Interest

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

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

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

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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

Finance Income

Interest earned on investment is recognised in the statement of financial performance on the time apportionment basis taking into account the effective yield on the investment.

Tariff Charges

Revenue arising from the application of the approved tariffs is recognised when the service is rendered by applying the relevant authorisation tariff. This includes the issue of licenses and permits.

Income from Agency Services

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

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised over the term of the lease agreement, where such terms spans over more than one financial year a straight-line basis is used.

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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.

1.19 Revenue from non-exchange transactions (continued)

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.

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.19 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

Donations are recognised on a cash receipts or where the donation is in the form of; property, plant and equipment, when such items are available for use.

Public contributions
Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment are brought into use.

Where contributions have been received, but the conditions have not been met, a liability is recognised.

Government Grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investment is treated in accordance with the grant conditions. If it is payable to the founder it is recorded as part of the creditor, and if it is the municipality's interest it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that the conditions have been discharged and there has been compliance with any restrictions associated with the grant.

Other grants and donations

The municipality transfers money to individuals or organisations and other sectors of government from time to time, when making these transfers the municipality does not:
- receive goods and services in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; and
- expect a financial return as would be expected from investment.

1.19 Revenue from non-exchange transactions (continued)

These transfers are recognised in the statement of financial performance in the period that the events giving rise to the transfer occurred.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 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.

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.

1.22 Accounting by principals and agents (continued)

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.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the municipality’s approved budget; and
- 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.

Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not certified as irrecoverable by the council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.25 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.

If the expenditure is not subsequently certified as irrecoverable by the council it is treated as an asset until it is recovered or written off as irrecoverable.

1.26 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure.

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

1.26 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery from the responsible councilors or officials is virtually certain. Such revenue is based on legislated procedures.

1.28 Offsetting

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

1.29 Segment information

A segment is an activity of an entity:

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

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

1.29 Segment information (continued)

Measurement

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

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

1.30 Budget information

Municipalities 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on the accrual basis.

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

1.31 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.

Related party transaction is a transfer of resources, services or obligations between the municipality and a related party.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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 considered to be those family members who may be expected to influence, or be influenced by, that management 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.

1.32 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

1.32 Events after reporting date (continued)

- 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.

1.33 Change in accounting policy, estimates and errors

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

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction if errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the note to the financial statements where applicable.

1.34 Value Added Tax (VAT)

Output VAT is levied on taxable supplies in terms of the Value Added Tax Act.

Input VAT is claimed on those supplies allowed in terms of the Value Added Tax Act.

Where input VAT exceeds output VAT the municipality recognises a receivable for VAT. Where output VAT exceeds input VAT the municipality would recognise a payable for VAT.

The municipality accounts for VAT on a payment basis.

	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 107 (as revised) Mergers	No effective date	Unlikely there will be a material impact
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	No effective date	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	No effective date	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	No effective date	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date	Impact is not yet assessed
• GRAP 103 (amended): Heritage Assets	No effective date	Impact is not yet assessed
• 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. Inventories

	2025	2024
Prepaid electricity meters and accessories	1 491 252	3 180 236
Inventories recognised as an expense during the year	-	862 764

Inventory pledged as security

No inventory was pledged as security for any liability.

The municipality made a significant purchase of prepaid electricity meters for the electrification of houses and replacement of faulty meters during the 2024 financial year. A large number of the meters were still on hand at year end.

4. Receivables from exchange transactions

	2025	2024
Trade debtors	1 135 058 656	1 009 755 046
Other debtors	1 275 412	2 902 679
Prepaid electricity debtor	7 943 565	6 718 911
Prepaid expenses	74	46 929
Impairment of debtors	(1 090 573 420)	(944 722 826)
	53 704 287	**74 700 739**

	2025	2024

4. Receivables from exchange transactions (continued)

Aging of receivables from exchange transactions by service type

Ageing of receivables from exchange transactions - 2025	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Deposits	376	-	1 590	795	182 927	185 688
Electricity	22 405 495	10 857 728	8 171 387	6 594 285	154 228 850	202 257 745
Interest	277 889	272 529	267 287	263 308	14 072 921	15 153 934
Refuse	13 119 240	12 219 617	11 964 566	11 670 681	749 859 277	798 833 381
Sundries	960 603	805 945	763 745	727 555	115 370 060	118 627 908
	36 763 603	**24 155 819**	**21 168 575**	**19 256 624**	**1 033 714 035**	**1 135 058 656**

Ageing of receivables from exchange transactions - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Deposits	750	-	-	750	209 289	210 789
Electricity	5 246	18 611 024	8 464 205	6 140 705	112 756 240	145 977 420
Refuse	176 219	7 703 099	7 086 838	6 796 642	474 755 991	496 518 789
Sundries	457	442 033	270 247	243 749	62 797 102	63 753 588
Interest	999	9 910 424	9 817 339	9 658 553	273 907 145	303 294 460
	183 671	**36 666 580**	**25 638 629**	**22 840 399**	**924 425 767**	**1 009 755 046**

Ageing of receivables from exchange transactions by type of debtor

Ageing by type of debtor - 2025	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	120+ days	Total
Agriculture	305 564	227 022	249 252	169 394	8 816 845	9 768 077
Business	16 571 883	5 979 378	3 886 595	3 202 015	77 609 262	107 249 133
Domestic	15 219 109	13 574 392	13 301 296	13 011 174	915 009 379	970 115 350
Government	4 580 887	4 289 272	3 646 008	2 788 454	25 628 377	40 932 998
Other	86 160	85 755	85 424	85 587	6 650 172	6 993 098
	36 763 603	**24 155 819**	**21 168 575**	**19 256 624**	**1 033 714 035**	**1 135 058 656**

Ageing by type of debtor - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Agriculture	17 865	314 665	217 529	211 361	11 754 154	12 515 574
Business	172 224	10 953 801	3 896 997	2 520 171	49 269 165	66 812 358
Domestic	(228 711)	13 104 071	11 661 258	11 604 949	829 968 960	866 110 527
Government	(1 587 469)	4 545 291	3 461 657	3 838 555	49 823 985	60 082 019
Other	-	64 508	62 700	62 700	4 044 660	4 234 568
	(1 626 091)	**28 982 336**	**19 300 141**	**18 237 736**	**944 860 924**	**1 009 755 046**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions have been pledged as security for any liabilities.

Notes to the Annual Financial Statements

	2025	2024

4. Receivables from exchange transactions (continued)

Receivables from exchange past due but not impaired

At 30 June 2025, R 23 962 549 (2024: R 67 865 393) were past due but not impaired.

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

31 - 60 days	5 238 433	3 711
61 - 90 days	2 398 321	6 505 325
91 - 120 days	1 865 067	3 147 842
120+ days	14 460 728	58 208 515
	23 962 549	**67 865 393**

Receivables from exchange transactions impaired

As of 30 June 2025, trade and other receivables of R 1 090 573 420 (2024: R 944 722 826) were impaired and provided for.

0 - 30 days	19 787 545	179 960
31 - 60 days	18 917 386	30 161 255
61 - 90 days	18 770 254	22 491 147
90+ days	17 391 557	20 466 972
120+ days	1 015 706 678	871 423 492
	1 090 573 420	**944 722 826**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(944 722 826)	(775 404 203)
Provision for impairment	(180 457 579)	(186 270 677)
Amounts written off as uncollectible	34 606 984	16 952 054
	(1 090 573 421)	**(944 722 826)**

Debtors are required to settle within 30 days. Interest is charged after this date at prime + 1%. 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.

Debtors are evaluated for impairment on an individual basis using their payment history and taking into consideration the nature of the debtor and the policies of the Municipality.

The fair value of trade and other receivables approximates their carrying value.

The amounts written off as uncollectible consists of the write off of amounts owed by Indigent debtors that was approved by Council.

5. Receivables from non-exchange transactions

Assessment rates	663 613 645	574 242 623
Impairment of debtors	(640 830 888)	(519 026 960)
Traffic fines	5 860 212	5 202 564
	28 642 969	**60 418 227**

	2025	2024

5. Receivables from non-exchange transactions (continued)

Ageing by service type

Ageing of receivables from non-exchange transactions - 2025	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Assessment rates	16 225 406	11 670 345	39 412 130	10 748 830	585 556 934	663 613 645
	16 225 406	**11 670 345**	**39 412 130**	**10 748 830**	**585 556 934**	**663 613 645**

Ageing of receivables from non-exchange transactions - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Assessment rates	1 738	11 889 007	8 012 513	7 503 270	546 836 095	574 242 623
	1 738	**11 889 007**	**8 012 513**	**7 503 270**	**546 836 095**	**574 242 623**

Ageing by debtor type

Ageing of receivables from non-exchange transactions by debtor type - 2025	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Agricultural	346 531	325 580	1 675 519	323 100	31 258 049	33 928 779
Business	2 623 026	1 038 881	1 051 401	649 915	23 776 257	29 139 480
Domestic	12 899 139	10 057 120	34 884 831	9 534 453	505 956 770	573 332 313
Government	356 709	248 763	1 800 378	241 362	24 565 861	27 213 073
	16 225 405	**11 670 344**	**39 412 129**	**10 748 830**	**585 556 937**	**663 613 645**

Ageing of receivables from non-exchange transactions by debtor type - 2024	0 - 30 days	31 - 60 days	61 - 90 days	90+ days	120+ days	Total
Agricultural	1 068 712	136 502	114 105	112 722	16 650 296	18 082 337
Business	1 953 657	1 586 075	578 471	398 304	14 619 621	19 136 128
Domestic	2 967 891	6 066 841	5 355 626	4 919 125	506 316 365	525 625 848
Government	(6 355 004)	68 425	68 132	59 883	17 556 874	11 398 310
	(364 744)	**7 857 843**	**6 116 334**	**5 490 034**	**555 143 156**	**574 242 623**

Statutory receivables included in receivables from non-exchange transactions above are as follows:	2025	2024
Assessment rates	663 613 645	574 242 623
Traffic fines	5 860 212	5 202 564
	669 473 857	**579 445 187**

Statutory receivables general information

Section 229 of the Constitution entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation. Property rates are levied in accordance with the Municipal Property Rates Act (act 6 of 2004) and the municipality's bylaws and rates policy.

Traffic fines are imposed in accordance with the the National Road Traffic Act (act 93 of 1996) and the municipal bylaws.

Notes to the Annual Financial Statements

	2025	2024

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2025, R 16 226 495 (2024: R 23 160 715) were past due but not impaired.

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

31 - 60 days	1 281 846	694 891
61 - 90 days	1 714 000	468 317
91 - 120 days	582 332	138 552
120+ days	12 648 317	21 858 955
	16 226 495	**23 160 715**

Receivables from non-exchange transactions impaired

As of 30 June 2025, other receivables from non-exchange transactions of R 640 830 888 (2024: R 519 026 960) were impaired and provided for.

0 - 30 days	12 289 593	6 393 568
31 - 60 days	10 388 500	7 222 994
61 - 90 days	37 698 130	5 622 185
91 - 120 days	10 165 997	5 046 485
120+ days	570 288 668	494 741 728
	640 830 888	**519 026 960**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(519 026 960)	(434 416 124)
Provision for impairment	(150 931 768)	(101 623 654)
Amounts written off as uncollectible	29 127 840	17 012 818
	(640 830 888)	**(519 026 960)**

6. VAT receivable

VAT	763 823	1 013 935

7. VAT accrual - input

VAT accrual - input	213 222 228	164 127 641

	2025	2024

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	58 114	53 175
Bank balances	8 002 766	6 075 564
Short-term deposits	61 934 676	66 627 175
	69 995 556	**72 755 914**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB BANK - Current Account - 624-38159-809	4 200 854	3 889 098	2 286 520	5 115 552	4 262 934	2 311 552
ABSA BANK - Current Account - 21-6014-3854	2 887 214	1 850 708	1 742 924	2 887 214	1 850 708	1 742 924
FNB BANK - Call Account - 624-59044-162	10 177 515	9 606 117	22 716 599	10 177 515	9 606 117	22 716 599
FNB BANK - Call Account - 624-96427-967	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Call Account - 624-96436-265	21 557 725	1 857 725	1 000	21 557 725	1 857 725	1 000
FNB BANK - Call Account - FMG - 624-96439-607	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Call Account - 625-99305-763	488	1 000	10 943	488	1 000	10 943
FNB BANK - Call Account - 628-97156-529	90 011	1 000	2 003 694	90 011	1 000	2 003 694
FNB BANK - Call Account - 624-96441-842	1 000	1 000	370 096	1 000	1 000	370 096
FNB BANK - Call Account - 628-52253-261	19 418	19 418	7 995 157	19 418	19 418	7 995 157
FNB BANK - Call Account - 628-52254-300	5 487 258	14 950 854	1 115	5 487 258	14 950 854	1 115
FNB BANK - Call Account - 630-58979-411	24 599 229	40 186 905	-	24 599 229	40 187 061	-
FNB BANK - Call Account - 630-58980-822	32	1 000	-	32	1 000	-
Total	**69 022 744**	**72 366 825**	**37 130 048**	**69 937 442**	**72 740 817**	**37 155 080**

9. Biological assets

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Game animals	9 557 731	-	9 557 731	7 120 557	-	7 120 557

Reconciliation of biological assets - 2025

	Opening balance	Fair value adjustment	Total
Game animals	7 120 557	2 437 174	9 557 731

Reconciliation of biological assets - 2024

	Opening balance	Fair value adjustment	Total
Game animals	5 708 067	1 412 490	7 120 557

9. Biological assets (continued)

Non-financial information

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.

No restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the Municipality are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of economic resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

Methods and assumptions used in determining fair value

Game type	2025 Quantity	2025 Fair value	2024 Quantity	2024 Fair value
Rhino	9	3 003 750	8	1 280 000
Giraffe	25	527 325	23	391 000
Eland	66	862 422	62	1 395 000
Kudu	43	388 333	29	199 578
Zebra	56	505 120	64	556 736
Nyala	2	15 914	12	67 596
Lechwe	54	229 500	54	411 751
Blesbok	55	161 755	48	136 752
Impala	143	299 585	141	276 642
Springbok	42	95 130	31	131 750
Fallow Deer	16	104 000	20	180 000
Gemsbok	38	574 940	37	388 500
Black Wildebeest	116	663 404	85	390 150
Red Hartebeest	86	819 322	94	965 662
Ostrich	11	57 530	9	28 440
Mountain Reed Buck	13	73 671	11	66 000
Buffalo	10	1 176 030	10	255 000
	785	**9 557 731**	**738**	**7 120 557**

An active market exists for game therefore the fair value of the game was determined with reference to the price in the relevant market. The municipality used family groupings to value each type of game instead of the gender specific values.

In 2018 the Municipality exchanged three white rhinoceroses for 10 buffalo. The buffalo are being kept on a private game reserve until the Municipal game reserve has been made suitable.

10. Investment property

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	326 352 511	-	326 352 511	326 352 511	-	326 352 511

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	326 352 511	326 352 511

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	326 352 511	326 352 511

Pledged as security

No investment property has been pledged as security for any liability.

Details of investment property

The investment property consists of various land parcels within Komani and the surrounding areas.

Key judgements and assumptions regarding control over land

Property owned by the Municipality that has RDP houses built on it has not been included in Investment Property as the municipality does not control access to the land.

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

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	197 438 917	-	197 438 917	197 438 917	-	197 438 917
Buildings	137 668 001	(102 641 556)	35 026 445	137 621 002	(94 592 114)	43 028 888
Furniture and fixtures	8 452 235	(5 864 906)	2 587 329	8 394 680	(5 392 186)	3 002 494
Motor vehicles	47 114 588	(19 761 952)	27 352 636	43 847 219	(16 458 610)	27 388 609
IT equipment	17 054 382	(8 284 071)	8 770 311	14 569 676	(6 384 825)	8 184 851
Electricity	380 315 368	(203 974 704)	176 340 664	369 986 614	(184 800 949)	185 185 665
Roads and storm water	1 063 129 183	(647 582 661)	415 546 522	1 000 074 642	(557 543 673)	442 530 969
Landfill sites	81 630 495	(37 280 169)	44 350 326	52 451 646	(35 091 817)	17 359 829
Work in progress	180 087 611	(19 150 922)	160 936 689	180 242 626	(68 188 662)	112 053 964
Community assets	448 122 946	(258 673 501)	189 449 445	436 497 106	(206 586 110)	229 910 996
Other equipment	12 122 522	(6 002 451)	6 120 071	11 901 090	(4 972 164)	6 928 926
Total	**2 573 136 248**	**(1 309 216 893)**	**1 263 919 355**	**2 453 025 218**	**(1 180 011 110)**	**1 273 014 108**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Fair value adjustment	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	197 438 917	-	-	-	-	-	-	197 438 917
Buildings	43 028 888	47 000	-	-	-	(3 590 209)	(4 459 234)	35 026 445
Furniture and fixtures	3 002 494	57 555	-	-	-	(496 735)	24 015	2 587 329
Motor vehicles	27 388 609	3 267 369	-	-	-	(2 354 815)	(948 527)	27 352 636
IT equipment	8 184 851	2 484 706	-	-	-	(1 853 082)	(46 164)	8 770 311
Electricity	185 185 665	-	-	-	10 328 755	(11 182 921)	(7 990 835)	176 340 664
Roads and storm water	442 530 969	-	-	(265 048)	63 714 474	(27 751 091)	(62 682 782)	415 546 522
Landfill sites	17 359 829	-	17 782 880	-	11 395 969	(1 778 009)	(410 343)	44 350 326
Work in progress	112 053 964	145 947 763	-	-	(97 065 038)	-	-	160 936 689
Community assets	229 910 996	-	-	-	11 625 840	(11 621 874)	(40 465 517)	189 449 445
Other equipment	6 928 926	221 431	-	-	-	(997 783)	(32 503)	6 120 071
	1 273 014 108	**152 025 824**	**17 782 880**	**(265 048)**	**-**	**(61 626 519)**	**(117 011 890)**	**1 263 919 355**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Fair value adjustment	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	197 438 917	-	-	-	-	-	-	197 438 917
Buildings	51 898 379	74 520	-	(535)	-	(4 333 870)	(4 609 606)	43 028 888
Furniture and fixtures	2 909 307	111 158	-	-	764 840	(758 172)	(24 639)	3 002 494
Motor vehicles	27 393 434	5 105 738	-	-	-	(2 653 270)	(2 457 293)	27 388 609
IT equipment	7 893 430	1 198 398	-	(246 180)	1 403 209	(2 010 271)	(53 735)	8 184 851
Electricity	190 210 099	-	-	-	9 848 210	(10 752 288)	(4 120 356)	185 185 665
Roads and storm water	411 632 469	-	-	(526 102)	65 496 192	(25 079 430)	(8 992 160)	442 530 969
Landfill sites	201 173 863	-	(164 804 774)	-	-	(19 009 260)	-	17 359 829
Work in progress	157 035 069	87 933 220	-	-	(132 914 325)	-	-	112 053 964
Community assets	203 811 462	-	-	-	51 666 245	(11 933 424)	(13 633 287)	229 910 996
Other equipment	4 146 756	918 427	-	-	3 735 629	(1 141 594)	(730 292)	6 928 926
	1 455 543 185	**95 341 461**	**(164 804 774)**	**(772 817)**	**-**	**(77 671 579)**	**(34 621 368)**	**1 273 014 108**

	2025	2024

11. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment has been pledged as security for any liability.

Property, plant and equipment not found during asset verification to be further investigated

	2025	2024
Computer equipment	2 628 730	3 740 767
Furniture and office equipment	195 971	147 090
Machinery and equipment	556 915	261 259
Transport	77 338	592 448
	3 458 954	**4 741 564**

The property, plant and equipment that could not be found during the asset verification will be further investigated and disposed of after all processes have been followed. The cost of the assets amounts to R10 151 590 (2024: R9 925 285).

Property, plant and equipment in the process of being constructed or developed

	2025	2024
Buildings	47 000	-
Electricity	89 079 328	21 833 700
Roads and stormwater	145 182 695	96 401 155
Community assets	295 250	5 058 737
Landfill sites	-	5 023 890
	234 604 273	**128 317 482**

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2025	2024
Roads and stormwater	85 600	1 886 013
Electricity	6 414 106	2 117 324
	6 499 706	**4 003 337**

	2025	2024

11. Property, plant and equipment (continued)

Details of Projects that are taking a significantly longer period of time to complete than expected

	2025	2024
MV/LV Refurbishment of Mlungisi Phase 2 Queenstown The project is almost complete. The municipality is in the process of obtaining a completion certificate.	3 348 961	-
Ebden-N6 66KV Line The project has been halted at the planning stage due to unavailability of funding.	817 946	-
N6 Substation Phase 1 (Ndlovukazi) The project has been halted at the planning stage due to unavailability of funding.	2 247 199	-
11Kv Underground Cable Upgrade Network between Town Hall and Alexander As per the monthly progress report dated 24 March 2017 that could be retrieved, the 11kv Underground Cable Upgrade Network between Town Hall to Sanlam Switchgear project was 99% complete in terms of work performed and the only component left was to terminate the cables onto the switchgear that had to be installed by the other service provider.	-	2 117 324
Mlungisi Rehabilitation and Maintenance of Surfaced Roads Phase 1B The project was delayed by the completion of Phase 1A. The project is now progressing	-	941 755
Mlungisi Rehabilitation and Maintenance of Surfaced Roads Phase 1C The project was delayed by the completion of Phase 1A. The project is now progressing.	-	858 658
Birch Farm Low Level Bridge The work on the bridge is being done internally by the municipality	85 600	85 600
	6 499 706	**4 003 337**

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.

Impairment

An extensive impairment review was conducted in the 2024 and 2025 financial years and any assets with triggers for impairment were identified and impairments were raised for the reporting period.

12. Heritage assets

	2025			2024		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art, antiquities, exhibits and war memorials	2 849 600	(29 000)	2 820 600	2 849 600	(29 000)	2 820 600

Reconciliation of heritage assets 2025

	Opening balance	Total
Art, antiquities, exhibits and war memorials	2 820 600	2 820 600

	2025	2024

12. Heritage assets (continued)

Reconciliation of heritage assets 2024

	Opening balance	Total
Art, antiquities, exhibits and war memorials	2 820 600	2 820 600

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.

Pledged as security

No heritage assets have been pledged as security.

13. Finance lease obligation

	2025	2024
Minimum lease payments due		
- within one year	620 005	744 006
- in second to fifth year inclusive	-	620 005
	620 005	1 364 011
less: future finance charges	(36 047)	(158 899)
Present value of minimum lease payments	**583 958**	**1 205 112**

	2025	2024
Present value of minimum lease payments due		
- within one year	583 958	621 154
- in second to fifth year inclusive	-	583 958
	583 958	**1 205 112**

	2025	2024
Non-current liabilities	-	583 958
Current liabilities	583 958	621 154
	583 958	**1 205 112**

The municipality entered into a finance lease for printing equipment.

The average lease term is 3 years and the average effective borrowing rate is 14%

14. Payables from exchange transactions

	2025	2024
Trade payables	1 740 945 849	1 340 307 908
Payments received in advance	60 248 921	65 076 044
Other payables	14 040 086	27 683 507
Unallocated deposits	24 295 691	24 404 340
Retention fees	18 586 573	11 047 244
Payroll control	189 555	252 369
	1 858 306 675	**1 468 771 412**

The majority of the Trade creditors balance consists of the debt owed to Eskom. The balance at 30 June 2025 is R1 718 201 260 (2024: R1 313 514 575).

15. Payables from non-exchange transactions

	2025	2024
Equitable share excess	941 862	941 862

In 2021 the municipality received more Equitable Share than was allocated in the Division of Revenue Act.

Notes to the Annual Financial Statements

	2025	2024

16. Consumer deposits

Electricity	11 806 385	11 272 521

17. Employee benefit obligations

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

Carrying value		
Non-current portion of Post Retirement Medical Aid	(28 497 000)	(24 681 000)
Non-current portion of Long Service Awards	(14 622 000)	(16 050 000)
Current portion of Post Retirement Medical Aid	(1 741 000)	(1 646 000)
Current portion of Long Service Awards	(3 546 000)	(2 929 000)
Accrual for bonuses	(7 036 790)	(7 547 744)
Provision for leave	(37 939 071)	(39 192 214)
	(93 381 861)	**(92 045 958)**

Non-current liabilities	43 119 000	40 731 000
Current liabilities	50 262 861	51 314 958
	93 381 861	**92 045 958**

Net expense recognised in the statement of financial performance

Current service cost	2 813 000	3 577 000
Interest cost	4 838 000	4 293 000
Actuarial (gains) losses	24 000	(3 296 000)
Benefits paid	(4 575 000)	(3 086 000)
	3 100 000	**1 488 000**

Key assumptions used

Assumptions used at the reporting date:

Medical health gross discount rate	10.60 %	11.56 %
Healthcare cost inflation rate	4.70 %	5.62 %
Medical aid contribution inflation rate	6.50	7.12 %
Medical healthcare net discount rate	3.80 %	4.14 %
Long service award gross discount rate	9.50 %	10.75 %
Long service award CPI rate	3.50 %	4.94 %
Long service award salary inflation rate	4.50 %	5.94 %
Long service award net discount rate	4.50 %	4.54 %

17. Employee benefit obligations (continued)

Other assumptions

• Pre retirement mortality	SA 85-90 light
• Post retirement mortality	PA (90)-1, with 1% p.a. mortality improvement from 2010
• Normal retirement age	62 years
• Spouse age differences (Male older than female)	3 years
• AIDS	No assumptions made
• Proportion with a spouse dependant at retirement	60%
• Continuation of membership at retirement	75%
• Proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at hand and after retirement	15%

The assumed general earnings, healthcare inflation rate and discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general earnings would have the following effects:

	One percentage point increase	**One percentage point decrease**
General earnings		
Effect on the aggregate of the service cost and interest cost	211 000	(193 000)
Effect on defined benefit obligation	897 000	(826 000)
Discount rate		
Effect on the aggregate of the service cost and interest cost	(147 000)	167 000
Effect on defined benefit obligation	(3 474 000)	4 024 000
Medical aid contribution inflation rate		
Effect on the aggregate of the service cost and interest cost	9 000	(11 000)
Effect on defined benefit obligation	47 000	(111 000)

\Amounts for the current and previous four years are as follows:

	2025	2024	2023	2022	2021
Employee benefit obligation	48 406 000	45 306 000	44 904 000	48 857 000	46 967 000

Reconciliation of leave provision	Opening balance	Leave paid out	Decrease in provision	Total
Leave provision	39 192 214	-	(1 253 143)	37 939 071

A provision has been raised for the unused leave days held by employees. The provision is reduced as leave days are used or when the leave is paid out. Leave days are paid out when an employee leaves the employment of the Municipality. It is not possible to predict when the provision amounts will be used or paid out as employees are not restricted in when they are allowed to use the leave and leave days can be carried forward to future leave cycles, subject to limits.

The municipality experienced a fire in January 2022 that affected an area where leave forms and attendance registers were stored consequently there is no information available to support the leave balance at 30 June 2022.

Notes to the Annual Financial Statements

	2025	2024

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme Grant	1 103	-
Municipal Disaster Relief Grant	21 663 894	40 068 185
	21 664 997	**40 068 185**

Movement during the year

Balance at the beginning of the year	40 068 185	10 407 620
Additions during the year	131 182 000	113 397 000
Income recognition during the year	(149 585 188)	(83 736 435)
	21 664 997	**40 068 185**

19. VAT accrual - output

VAT accrual - output	7 638 714	7 714 513

20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Fair value adjustment	Interest	Total
Landfill site	105 117 248	17 782 880	10 918 727	133 818 855

Reconciliation of provisions - 2024

	Opening Balance	Fair value adjustment	Interest	Total
Landfill site	246 955 189	(164 804 774)	22 966 833	105 117 248

Environmental rehabilitation provision

The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The expected future cost to rehabilitate the landfill site is the best estimate of the expenditure required to settle the present obligation. This is determined as the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known

21. Service charges

Sale of electricity	306 573 647	262 469 728
Refuse removal	85 899 876	85 076 452
	392 473 523	**347 546 180**

Notes to the Annual Financial Statements

	2025	2024

22. Rental of facilities and equipment

	2025	2024
Premises		
Rental of municipal properties	3 912 450	3 345 328
Garages and parking		
Rental of carports	11 835	1 966
Facilities and equipment		
Rental of container	20 578	20 578
Rental of street signs	268 848	310 724
	289 426	**331 302**
	4 213 711	**3 678 596**

23. Income from agency services

	2025	2024
Vehicle Registration	4 809 132	4 420 273

The income from 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).

24. Licences and permits

	2025	2024
Drivers licences	3 952 445	4 112 077
Trading, transport and special	1 359 485	581 043
	5 311 930	**4 693 120**

25. Construction contract revenue

	2025	2024
Department of Transport	22 073 897	104 847 005

The municipality received funds from the Department of Transport for projects involving the construction of provincial roads.

Contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

	2025	2024

25. Construction contract revenue (continued)

Aggregate costs and surpluses

	2025	2024
Department of Transport Provincial Roads - costs	451 195 423	428 212 037
Department of Transport Provincial Roads - surplus	-	-
	451 195 423	**428 212 037**

Advances received

	2025	2024
Department of Transport Provincial Roads	29 040 799	97 019 389

The municipality received funding from the Department of Transport of R29 million in the current year in several tranches.

Gross amount due from customers for contract work as an asset

	2025	2024
Department of Transport Provincial Roads	-	-

The income claimed is equal to the costs incurred on the project. The municipality receives an administration fee for it's services.

Gross amount due to customers for contract work as a liability

	2025	2024
Department of Transport Provincial Roads	-	-

The income claimed is equal to the costs incurred on the project. The municipality receives an administration fee for it's services.

26. Other income

	2025	2024
Advert costs	-	130
Building plan fees	1 090 481	576 987
Burial fees	1 635 546	1 727 762
Commission	841 342	3 392 993
Electricity reconnection fees	1 411 240	861 910
Gate Monies	86 006	36 739
Insurance claims	153 923	86 180
Miscellaneous income	610 276	699 167
Pound fees	72 486	145 960
Roadworthy certificates	30 819	19 409
Sale of tender documents	156 507	315 189
	6 088 626	**7 862 426**

27. Investment revenue

Interest revenue

	2025	2024
Bank	456 726	522 314
Investments	8 281 989	6 283 662
	8 738 715	**6 805 976**

Notes to the Annual Financial Statements

	2025	2024

28. Property rates

Rates received

Property rates	170 017 681	145 788 079

Valuations

Agricultural	4 692 890 567	4 694 584 567
Business	2 583 642 102	2 566 420 106
Church	224 271 010	211 475 010
Education	153 806 000	153 806 000
Government	932 336 030	906 810 031
Industrial	166 451 008	166 451 008
Municipal	1 276 771 133	1 323 742 134
Other	18 124 006	45 620 006
Public service infrastructure	563 537 024	553 697 024
Residential	8 925 520 503	8 822 453 593
Vacant land	355 161 928	358 233 931
	19 892 511 311	**19 803 293 410**

The last general valuation came into effect on 1 July 2019. The general valuation roll was compiled by Ndlala Mass Valuation Services.

The below rates are applied to property valuations to determine assessment rates:

Category		
Domestic	0.01101750	0.01039390
Commercial / Industrial	0.01392780	0.01313940
Agriculture	0.00275440	0.00259850
Government	0.01101910	0.01039542
Public service infrastructure	0.00275440	0.00259850
Vacant land	0.05145850	0.04579790

29. Government grants and subsidies

Operating grants		
Equitable share	243 341 000	229 921 000
Expanded Public Works Programme Grant	2 501 897	2 294 000
Finance Management Grant	3 000 000	3 100 000
Library Grant	6 200 000	5 250 000
DEDEAT	-	3 000 000
LGW&RSETA	583 484	581 943
SETA	-	682 500
	255 626 381	**244 829 443**

Notes to the Annual Financial Statements

	2025	2024

29. Government grants and subsidies (continued)

Capital grants		
Integrated National Electrification Programme Grant	24 027 001	-
Municipal Infrastructure Grant	63 424 000	63 163 621
Office of the Premier	1 195 220	31 898 279
Disaster Relief Grant	50 432 291	9 928 815
	139 078 512	**104 990 715**
	394 704 893	**349 820 158**

Equitable Share

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

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	**-**

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2 503 000	2 294 000
Conditions met - transferred to revenue	(2 501 897)	(2 294 000)
	1 103	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	3 091 620
Current-year receipts	63 424 000	60 072 000
Conditions met - transferred to revenue	(63 424 000)	(63 163 620)
	-	**-**

Integrated National Electrification Programme Grant

Current-year receipts	24 027 000	-
Conditions met - transferred to revenue	(24 027 000)	-
	-	**-**

Municipal Disaster Relief Grant

Balance unspent at beginning of year	40 068 185	-
Current-year receipts	32 028 000	40 068 185
Conditions met - transferred to revenue	(50 432 291)	-
	21 663 894	**40 068 185**

	2025	2024

30. Public contributions and donations

Donation of assets in kind	-	90 713

2024

The Department of Sports, Recreation, Arts and Culture donated computers to the value of R90 713 to the Ashley Wyngaard Library.

31. Fines, Penalties and Forfeits

Building Fines	15 312	-
Electricity	3 768 472	2 312 171
Traffic	709 638	808 748
	4 493 422	**3 120 919**

32. Employee related costs

Basic	198 945 083	205 571 611
Bonus	15 731 450	16 191 812
Bargaining council	102 137	101 034
Casual labour	9 637 678	7 039 382
Contract workers	19 504 214	16 715 456
EPWP	2 501 897	2 922 005
Group life insurance	670 813	821 857
Leave pay	1 356 148	-
Housing benefits and allowances	628 805	649 041
Long-service awards	2 241 391	2 464 773
Medical aid - company contributions	20 842 445	20 186 945
Night shift services	1 277 676	1 511 876
Overtime payments	7 519 604	5 460 997
Pension - company contributions	34 960 889	35 921 461
Skills development levy	2 354 505	2 392 857
Transport allowances	9 491 770	9 272 012
UIF	1 465 161	1 517 219
	329 231 666	**328 740 338**

Remuneration of Municipal Manager

Basic salary	1 202 998	1 228 646
Backpay	99 924	-
Bonus	16 618	-
Travel allowance	240 000	189 078
Remote Allowance	70 469	62 475
Other allowances	20 340	-
UIF	2 125	2 125
Bargaining council	143	137
Contributions to pension fund	216 540	150 973
Skills development levy	14 972	13 687
	1 884 129	**1 647 121**

Remuneration of Chief Finance Officer (Acting)

Basic salary	802 278	802 278
Bonus	94 025	68 857
Acting allowance	20 057	11 700
Travel allowance	150 000	150 000

Notes to the Annual Financial Statements

	2025	2024
32. Employee related costs (continued)		
Housing allowance	12 141	12 141
UIF	2 125	2 125
Bargaining council	143	137
Contributions to pension fund	144 410	144 410
Contributions to medical fund	53 190	49 378
Skills development levy	10 367	10 067
Group life insurance	7 120	16 447
	1 295 856	**1 267 540**

Remuneration of the Chief Financial Officer

	2025	2024
Basic salary	1 022 198	952 966
Back pay	81 700	-
Transport allowance	150 000	154 196
Remote allowance	57 607	51 070
Other allowance	20 340	-
UIF	2 125	2 125
Bargaining council	143	137
Contributions to pension fund	183 996	171 534
Skills development levy	12 100	10 424
	1 530 209	**1 342 452**

The CFO was placed on suspension on precautionary suspension on 12 December 2023 and the Expenditure Manager is currently acting in the position.

	2025	2024

32. Employee related costs (continued)

Remuneration of the Director: Technical Services (Acting)

Basic salary	648 081	648 081
Bonus	67 590	54 007
Long service bonus	12 962	-
Acting Allowance	164 991	28 786
Travel allowance	150 000	150 000
Skills development levy	10 173	8 502
UIF	2 125	2 125
Bargaining council	143	137
Contributions to medical aid	59 803	57 550
Contributions to retirement fund	116 655	116 655
	1 232 523	**1 065 843**

Remuneration of the Director: Technical Services

Basic salary	829 229	759 998
Backpay	81 700	-
Travel allowance	181 543	181 543
Housing allowance	136 076	136 076
Remote allowance	57 607	51 070
Other allowance	20 340	-
UIF	2 125	2 125
Bargaining council	143	137
Contributions to pension fund	149 261	136 800
Contribution to medical fund	60 084	60 084
Skills development levy	12 558	10 842
	1 530 666	**1 338 675**

The Director of Technical Services was placed on precautionary suspension on 1 April 2024 and the PMU Manager is currently acting in the position.

Notes to the Annual Financial Statements

	2025	2024

32. Employee related costs (continued)

Remuneration of the Director: Community and Social Services

Basic salary	1 098 398	1 034 720
Backpay	81 700	-
Bonuses	27 169	-
Leave payout	162 798	-
Remote allowance	57 607	51 070
Other allowance	20 340	-
UIF	2 125	2 125
Bargaining council	143	137
Contributions to pension fund	197 712	179 696
Contributions to medical aid	60 084	60 084
Skills development levy	14 094	10 562
	1 722 170	**1 338 394**

Remuneration of the Director: Corporate and Support Services

Basic salary	905 042	842 075
Backpay	81 700	-
Bonus	13 584	-
Transport allowance	240 000	240 000
Remote allowance	57 607	51 070
Other allowance	20 340	-
UIF	2 125	2 125
Bargaining council	143	137
Contributions to pension fund	162 908	148 355
Contributions to medical fund	48 244	44 071
Skills development levy	12 372	10 575
	1 544 065	**1 338 408**

Remuneration of the former Director: Corporate and Support Services (Backpay - prior year)

Remote allowance	-	692
Backpay	-	17 296
Contributions to pension fund	-	18 645
Skills development levy	-	366
	-	**36 999**

	2025	2024

32. Employee related costs (continued)

Remuneration of the Director: Strategic Executive

Basic salary	685 406	946 416
Director backpay	81 700	-
Bonuses	116 667	100 000
Travel allowance	112 000	168 000
Remote allowance	39 494	51 070
Other allowance	20 340	-
Leave payout	60 207	-
UIF	1 417	2 125
Bargaining council	96	137
Contributions to medical fund	40 056	60 084
Skills development levy	11 336	12 921
	1 168 719	**1 340 753**

Remuneration of the Director: Strategic Executive (Acting)

Basic salary	618 066	618 066
Bonus	51 506	51 506
Acting allowance	7 880	5 920
Travel allowance	150 000	163 065
Bargaining council	143	137
Contributions to medical aid	59 803	57 550
Contributions to retirement fund	111 252	111 252
Skills development levy	8 081	8 095
UIF	2 125	2 125
	1 008 856	**1 017 716**

The Risk Manager was acting in the position while the Director was on leave.

Remuneration of the Director: Integrated Planning & Economic Development

Basic salary	838 512	1 214 416
Backpay	81 700	-
Bonus	40 754	-
Remote allowance	57 607	51 070
Travel allowance	325 000	7 086
Other allowance	20 340	-
UIF	2 125	2 125
Bargaining council	143	137
Contributions to medical aid	60 084	60 084
Contributions to retirement fund	132 598	-
Skills development levy	13 087	13 322
	1 571 950	**1 348 240**

33. Remuneration of councillors

Honourable Mayor	1 112 560	989 867
Chief Whip	845 876	772 092
Speaker	900 054	820 964
MPAC	823 555	723 862
Executive Committee Members	6 768 497	6 203 379
Councillors salaries	21 414 147	18 853 594
	31 864 689	**28 363 758**

Notes to the Annual Financial Statements

	2025	2024

34. Depreciation and amortisation

	2025	2024
Property, plant and equipment	61 626 519	77 671 577

35. Finance costs

	2025	2024
Finance leases	122 852	-
Interest on provision for rehabilitation of landfill	10 918 727	22 966 833
Other interest paid	29 069 519	49 839 376
	40 111 098	**72 806 209**

36. Debt impairment

	2025	2024
Contributions to debt impairment provision	262 700 975	241 104 074
Bad debts written off	64 210 849	33 964 873
	326 911 824	**275 068 947**

37. Repairs and maintenance

	2025	2024
Plant and machinery	4 018 945	1 431 037
Buildings and grounds	3 725 625	1 522 383
Roads and stormwater	4 842 882	5 779 577
Electrical infrastructure	44 425 701	15 917 460
ICT and other	427 927	-
	57 441 080	**24 650 457**

38. Bulk purchases

	2025	2024
Electricity - Eskom	463 020 407	377 658 224

Electricity losses

	Number 2025	Number 2024	2025	2024
Units purchased	226 613 138	211 239 909	463 020 407	377 658 224
Units sold	(106 785 153)	(116 497 689)	(289 329 184)	(264 179 185)
Total loss	**119 827 985**	**94 742 220**	**173 691 223**	**113 479 039**
Comprising of:				
Technical losses	-	-	-	-
Non-technical losses	119 827 985	94 742 220	173 691 223	113 479 039
Total	**119 827 985**	**94 742 220**	**173 691 223**	**113 479 039**
Percentage Loss:				
Technical losses	- %	- %	- %	- %
Non-technical losses	53 %	45 %	38 %	30 %
Total	**53 %**	**45 %**	**38 %**	**30 %**

The loss in electricity sales is due to the high instance of illegal connections and meter tampering.

Notes to the Annual Financial Statements

	2025	2024

39. Contracted services

Legal fees	11 622 404	8 045 752
Maintenance	29 959 732	26 439 599
General valuation	143 100	-
Accounting and MSCOA	7 532 170	16 178 144
Fleet management	106 418	2 194 173
	49 363 824	**52 857 668**

40. Transfers and subsidies

SPCA	-	25 000
Free basic services	1 690 817	1 604 816
	1 690 817	**1 629 816**

Transfers and subsidies consist of financial support provided to the SPCA and the cost of free units of electricity provided to indigent consumers who are located in areas serviced directly by Eskom.

41. General expenses

Accommodation	1 083 450	829 314
Audit committee	253 554	296 664
Advertising	980 956	469 099
Alternative energy	295 000	1 733 831
Assets expensed	386 445	191 729
Auditors remuneration	7 889 771	7 113 972
Bank charges	1 343 193	1 758 155
Commission paid	8 639 429	7 747 105
Learnerships and internships	69 573	1 418 653
Consumables	2 090 231	4 431 959
Entertainment	883 784	771 933
Fuel and oil	4 913 635	5 676 934
Insurance	4 197 494	3 985 632
Medical expenses	11 561	438 097
Postage and courier	-	4 023
Printing and stationery	994 752	894 240
Project expenditure	22 140 684	93 238 230
Promotions	446 466	859 912
Protective clothing	2 181 693	1 665 690
Rentals	6 925 184	11 729 897
Subscriptions and membership fees	3 760 346	3 876 793
Telephone and fax	4 605 582	4 445 811
Training	710 236	190 202
Travel - local	12 438	41 736
Other committee fees	529 301	295 084
Utilities	1 500	1 400
Vehicle licenses	678 024	860 281
Ward committees	3 930 000	3 749 000
Workmen's compensation	-	6 865 067
	79 954 282	**165 580 443**

42. Impairment of assets

Impairments		
Property, plant and equipment	117 011 890	34 621 369

Notes to the Annual Financial Statements

	2025	2024

43. Eskom interest waiver

Eskom interest waiver	-	64 692 243

Eskom has forgiven a portion of the interest on the municipality's debt.

44. Auditors' remuneration

Fees	7 889 771	7 113 972

45. Cash generated from operations

Deficit	(416 040 297)	(272 904 306)
Adjustments for:		
Depreciation and amortisation	61 626 519	77 671 577
Fair value adjustment	(2 437 174)	(872 365)
Eskom debt waiver	-	(64 692 243)
Loss on foreign exchange	265 048	-
Fair value adjustments	-	(43 782)
Impairment	117 011 890	34 621 369
Debt impairment	326 911 824	275 068 947
Movements in Employee benefit obligations	1 311 903	(7 509 836)
Public contributions and donations	-	(90 713)
Interest on landfill provision	10 918 727	22 966 833
VAT provision write off	-	1 367 688
Actuarial gains	24 000	(3 296 000)
Changes in working capital:		
Inventories	1 688 984	(3 180 236)
Decrease/(Increase) in Receivables from exchange transactions	(159 461 126)	(129 883 551)
Decrease/(Increase) in Receivables from non-exchange transactions	(119 156 510)	(71 032 829)
Increase/(Decrease) in Payables from exchange transactions	381 995 934	260 462 652
Increase/(Decrease) in VAT	(43 459 716)	(17 132 726)
Increase/(Decrease) in Unspent conditional grants and receipts	(18 403 188)	29 660 565
Increase/(Decrease) in Consumer deposits	533 864	326 028
	143 330 682	**131 507 072**

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	114 096 127	141 981 810

Total capital commitments		
Already contracted for but not provided for	114 096 127	141 981 810

Total commitments

Total commitments		
Authorised capital expenditure	114 096 127	141 981 810

This committed expenditure relates to property, plant and equipment and will be financed by retained surpluses, existing cash resources, and grant funding.

47. Contingencies

Notes to the Annual Financial Statements

	2025	2024

47. Contingencies (continued)
Pending litigations and claims:

	2025	2024
Mat 17611 Qtn Mag Crt - Luyolo Siyongwana v Lukhanji Municipality	-	130 000
Plaintiff sues the municipality for R100 000.00 damages arising from a wrongful arrest. Claim has been dismissed.		
Matter 849/2017 GHT/HC - Phumla Madlavu v Enoch Mgijima Municipality	-	1 800 000
Plaintiff sues the municipality for injuries caused to her child due to an unattended electricity substation wherein her child was electrocuted. Dormant.		
Case No. 2297/2016 - Nosibulelo Dalasile v Enoch Mgijima	-	160 000
Plaintiff sues the municipality for R100 000.00 for injuries caused when she fell onto an open and unattended drain.Reasonable prospects of success.		
Case No. 648/2018 - Axolile Qononda v Enoch Mgijima LM/ Elliot Tromp	-	58 400
Plaintiff sues municipality for R28 400.47 for damages to his car due to negligent driving by the municipal employee. Dormant.		
Case No. ECD 3083/18 - Ikamva Architects and Another vs EMLM	-	1 157 592
Application to compel the municipality to supply electricity on uninterrupted basis, among other relief sought. Finalised.		
Case No. ECQTNRC 87/2018 - Tynetix Trading (Pty) Ltd & Another	361 979	361 979
Claim for services rendered. Reasonable prospects of success.		
Case no. 596/2024 - L Labuschagne vs EMLM	1 398 200	-
Plaintiff was awarded a settlement that was not complied with, hence enforcement. Prospects of success not reasonable.		
Case No. 3010/2021 GHC - Batalala Construction	5 591 613	5 191 613
Contractual dispute based on project costs incurred out of mandate. Claim for services rendered. Reasonable prospects of success.		
Case No. 1774/2020 Vuyani Shumi v EMLM	-	5 100 000
Application for payment of amount allegedly owed by municipality for unlawful occupation of Erf 1977 & 1979 Zone 1, Ezibeleni by another occupier. Dormant		
ECQTNRC 55/21 9Iger Trading (Pty) Ltd	-	406 350
Claim for payment for services rendered and goods delivered. Pending litigation. Claim for services rendered. Dormant.		
Nobuhle Sondlo obo Mpetsheni	-	684 000
Wrongful arrest Trial stage. Finalised.		

Notes to the Annual Financial Statements

	2025	2024
47. Contingencies (continued)		
Case No. 1069/2020 - Lukhozi Consulting Engineers	-	27 151
Claim for payment for services rendered and goods delivered. Dormant.		
Case No. 1068/2020 - Lukhozi Consulting Engineers	-	23 541
Claim for payment for services rendered and goods delivered. Dormant.		
Case No. 1071/2020 - Lukhozi Consulting Engineers	-	41 827
Claim for payment for services rendered and goods delivered. Dormant.		
Case No. 1072/2020 - Lukhozi Consulting Engineers	-	20 203
Claim for payment for services rendered and goods delivered. Dormant.		
Case No. 1839/2021 GTHC - Express Builders CC	-	2 261 288
Claim for payment in respect of loss of profits, security interest, management fees, wrongful and unlawful deductions from appointment for construction contract. Dormant.		
Case No. 794/21 QTN - Witness Ndakuthini Malgas	-	10 732
Claim for pothole related damages. Dormant.		
Case No. 1131/2021 QTN - Thembisile Feni	-	20 000
Claim for payment for arrear stipends arising from employment as Ward Committee member. Dormant.		
Ephraim Fuzani	-	27 407
Dormant. Reasonable prospects of success. Plaintiff sued out the Municipality for damages due to collision with a pot hole in Hospital Rd.		
Amzisile Titus Cetywayo	-	3 000
Plaintiff sued out the defendant for damages due to collision with a pot hole in Queendustria. Dormant.		
Witness Ndakuthini Malgas Plaintinf sued out the defendant for damges due to collision with a pot hole in Queendustria. Dormant. Reasonable prospects of success.	10 322	10 322
Case no. 04-2021 - Sada Retail Centre	-	704 511
Payment of amount owed by EMLM for services rendered and goods delivered. Dormant.		
Let's Talk Komani	-	500 000
Application to dissolve the Enoch Mgijima Local Municipality for failure of Constitutional obligations		
Case no. CC140/2025 - Let's Talk Komani vs EMLM	300 000	-
Applicant applied directly to ConCourt for direct access in terms of Rule 19 for Appeal. Reasonable prospects of success.		

Notes to the Annual Financial Statements

	2025	2024
47. Contingencies (continued)		
EMLM vs Masiza & 15 Others	100 000	-
EMLM approached court for an interdict to restrain Masiza from interfering with Dahlia Project. Reasonable prospects of success.		
Tshiya Infrusture Development	3 717 267	103 618
Plaintiff cuased Summons be issed for damages claim for breach of contract by defendant. Trial stage. Reasonable prospects of success.		
Thalami Civils	673 243	573 247
Plaintiff cuased Summons be issed for damages claim for breach of contract by defendant. Trial stage. Reasonable prospects of success.		
Siphelo Motshoba Plaintinf sued out the Municipality for damges due to collision with a pot hole in Gwadana. Dormant. Reasonable prospect of success.	103 540	43 465
Case no. 09/2023 - Mariska Bezuidenhout v EMLM	84 531	44 531
Pothole damages claim for R34 530.94 at or near Griffiths Road, near McDonalds, Komani, on the 5th of June 2022. Claim for services rendered. Reasonable prospects of success		
Case no. 472/2023 - Zuko Shadrack Dywili	41 309	-
Plaintiff sued municipality for calim as a result of unlawful witholding remuneration. Prospects of success not reasonable.		
Case no. 23-086209 - Fleet Horizon Solution	4 463 041	4 194 671
Plaintiff issued Summons for unpaid invoice claiming damages for breach of contract. Pleading stage. Claim for services rendered. Reasonable prospects of success		
Case no. ECEL4792-21 (CCMA - East London)(2022) - EMLM v IMATU obo Mvana & 21 Others	-	2 909 287
Employees lodged a grievance in terms of Sec73A of BCEA and alleging breach of MWA. Arbitration. Finalised.		
Case no. P90/2022 - EMLM v Xolela Mzini & 11 Others	-	259 154
Employees who are General Workers lodged a claim & wanted to be paid as Fire Fighter. Finalised.		
Case no. ECD042310 - EMLM v L Blignaut	352 740	906 576
Worker lodged a dispute of unfair dismissal which was found in her favour by SALGBC. Reasonable prospects of success		
Case no. PR161/2023 - EMLM v Luzuko Nqotola	238 260	163 197
Worker lodged a dispute of unfair dismissal which was found in his favour by SALGBC. Reasonable prospects of success		

Notes to the Annual Financial Statements

	2025	2024
47. Contingencies (continued)		
Case no. P75/2024 - EMLM v Luzuko Nqotola (2) The Municipality took the matter on Review Application for want of a reasonable award. Reasonable prospects of success	329 000	279 000
Case no. P75/2024 - EMLM v Veronica Qwase The Municipality took the matter on Review Application for want of a reasonable award. Reasonable prospects of success.	374 472	264 000
P75/2024 - EMLM v William Tsoyi The Municipality took the matter on Review Application for want of a reasonable award. Reasonable prospects of success.	102 780	128 000
Case no. ECD 022320 EMLM v IMATU obo ZR Mbona Employee lodged an unfair labour practice arising from his dismissal with SALGBC. Reasonable prospects of success.	304 347	254 347
Case no. PR 237/2023 - EMLM vs SALGBC, IMATU, SAMWU Employer filed exemption application with SALGBC to be exempted on paying salary increases. Reasonable prospects of success.	300 000	300 000
Case no. 2606/2023 - L & D Mbambo Properties (Pty) Ltd Application to obtain interdict against EMLM from threats to demolish. Claim for services rendered. Prospects of success not reasonable.	100 000	200 000
Case no. 1047/2023 - Thembisa Nkanti (Executrix) Application for condonation for late filing of claim for damages. Pleading stage. Claim for services rendered. Prospects of success not reasonable.	30 000	20 000
Case no. 1170/2023 - Thembisa Nkanti Plaintiff sued the municipality for damages as a result of defendant's pole fell on her house. Claim for services rendered. Reasonable prospects of success	70 000	60 000
Case no. PR231/2023 - EMLM vs Adv Fouche No.O. Municipality's attempt to review and set aside the award made by the Commissioner to Adv Fouche. Reasonable prospects of success.	200 000	-
Case no. 869/2024 - EMLM v EMC: COGTA & Others The municipality brought an application to set aside incorrect grade 7 salaries. Reasonable prospects of success	100 000	300 000
Case no. P17/2025 - Nyalela Siyabonga vs EMLM Employee got an arbitration award in his favour, employer took same on review, hence application. Reasonable prospects of success.	100 000	-
Case no. 3616/2023 - Mxolisi Quinton Masayimani Plaintiff sued the municipality for damages after her minor child got electrocuted by izinyoka. . Reasonable prospects of success	5 300 000	5 300 000

Notes to the Annual Financial Statements

	2025	2024

47. Contingencies (continued)

Case no. 3616/2023 - Zine Fanti obo Yomela Fanti	5 300 000	5 300 000
Plaintiff sued the municipality for damages after her minor child got electrocuted by izinyoka. Reasonable prospects of success		
Case no. 125/2023C - Kumyolz Investments (Pty) Ltd	-	311 500
Summons for unpaid invoices claiming damages for breach of contract. Finalised.		
Case no. 100/2024C - Electrostorm Engineering	406 147	366 148
Claim for unpaid invoice for services delivered at the defendant's instance & request. Reasonable prospects of success		
Case no. 350/2024 - Camagu Mathile Trading & Project	25 550	25 550
Claim for damages for breach of contract for services delivered at the defendant's instance and request. Reasonable prospects of success		
Case no. 470/2024 - ABT Telecoms (Pty) Ltd	4 917 600	4 817 600
Claim for damages for breach of contract for services delivered at the defendant's instance and request. Reasonable prospects of success		
Case no. 497/2024 - Isaac Boahene Aboagye	19 834	29 834
Summons for damages to motor vehicle after collision with defendant's vehicle. Reasonable prospects of success		
Case no. 107/2025 - Isaac Boahene Aboagye	19 834	-
Plaintiff issued summons for damages to his motor vehicle after collision with defendant's. Reasonable prospects of success.		
Case no. 147/2025 - Makali Plant Construction vs EMLM	77 816	-
Insurance has issued summons to recover amount it paid out to the vehicle owner. Reasonable prospects of success.		
Case no. 5144/2024 - IX Engineers (Pty) Ltd	832 033	-
Claim for unpaid invoices for services rendered. Reasonable prospects of success.		
Case no. 555/2024 - OpenServe (Pty) Ltd	42 851	-
Technical Services Officials while digging damaged applicant's underground material/fibre.		
Case no. 6000/2024 - Nozethu Zweni vs EMLM	600 000	-
Plaintiff who is an employee is alleging that she has been assaulted by one of the Councillors. Prospects of success are reasonable.		
Case no. PR43/2025 - EMLM vs Nofukuka S	142 885	-
Employee was dismissed after a disciplinary hearing, matter has since been taken on Review. Reasonable prospects of success.		

Notes to the Annual Financial Statements

	2025	2024
47. Contingencies (continued)		
Case no. PR44/2025 - EMLM vs Nyalela Siyabulela	350 000	-
mployee lodged a dispute, got the Award, Employer has since taken matter on Review. Reasonable prospects of success.		
Case no. PR12025-072363 - Lunga Tyokolo vs EMLM	50 000	-
Employee referred a dispute which was dismissed, now he has since referred same for Review. Reasonable prospects of success.		
	37 531 194	**45 853 641**

Contingent assets

Pending litigations and claims:

Case no. B242/2024 - EMLM v Guardrisk Insurance

The municipality issued a summons against the insurance provider for rejecting its Town Hall claim of R25 375 850. Prospects of success are reasonable.

Notes to the Annual Financial Statements

Figures in Rand

48. Related parties

Accounting Officer	A V Ntengenyane
Councillors	Refer to General Information page
Audit Committee	C Sparg I Dlala W S Manthe T Sagela
Members of key management	P Mahlasela - Chief Financial Officer N E Tyali - Acting Chief Financial Officer D A Van Wyk - Strategic Executive Officer T Mnyande - Acting Chief Strategic Executive Officer Z H Nkosinkulu - Director of Technical Services T Malingtshoni - Acting Director of Technical Services A A Mkhangelwa - Director of Community Services N C Mazwayi - Director of Corporate Services K Maceba - Director IPED

48. Related parties (continued)

Related party transactions

Remuneration of management

Councillors and Mayoral committee members

2025

Name	Basic salary	Travel allowance	Telephone and data allowance	Pension, Medical and other contributions	Backpay	Total
M Papiyana (Mayor)	753 989	212 802	46 787	9 710	89 272	1 112 560
T Bunu (IPED Portfolio Head)	510 100	159 601	46 668	62 172	67 338	845 879
N S Ndlebe (Chief Whip)	509 989	159 601	46 787	62 164	67 335	845 876
A N Hendricks (Sec79 MPAC)	548 903	154 919	46 787	7 196	65 749	823 554
O Adonisi (Human Settlement and Land Portfolio Head)	565 518	159 601	46 787	7 400	67 335	846 641
Z N E Ralane (Public Safety PortfolioHead)	509 989	159 601	46 787	62 164	67 335	845 876
N Nqabisa (Speaker)	603 190	170 241	46 787	7 862	71 975	900 055
B C Simina (SPU Portfolio Head)	509 989	159 601	46 787	62 164	67 335	845 876
P Madubedube (Corporate Services Portfolio Head)	526 063	159 601	46 787	46 066	67 335	845 852
M Mangcotywa (Technical Services Portfolio Head)	526 063	159 601	46 787	46 066	67 335	845 852
S S Lali (Community Services Portfolio Head)	509 989	159 601	46 787	62 164	67 335	845 876
U Galada (Budget and Treasury Portfolio Head)	548 238	159 601	46 787	24 680	67 335	846 641
L A Haggard	207 482	67 343	46 787	36 362	30 177	388 151
A Mbete	172 711	-	27 419	1 792	3 187	205 109
L Amos	35 507	-	7 834	433	-	43 774
N C Twalo	201 220	67 344	46 787	40 204	30 177	385 732
Z S Tutwana	205 888	67 344	46 787	35 805	30 177	386 001
M Ngesi	207 480	67 344	46 787	33 926	30 177	385 714
S Mkhunqe	221 963	67 344	46 787	19 707	30 177	385 978
M S Hokolo	238 610	67 344	46 787	3 393	30 177	386 311
A Ngonyama	221 963	67 344	46 787	19 707	30 177	385 978
L C S Tokwe	192 454	67 344	46 787	46 156	33 016	385 757

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48. Related parties (continued)

H A Deysel	221 963	67 344	46 787	19 707	30 177	385 978
B Quqa	221 963	67 344	46 787	19 707	30 177	385 978
A A Ganca	221 963	67 344	46 787	19 707	30 177	385 978
M M Mnyaka	221 963	67 344	46 787	19 707	30 177	385 978
D D MacTaggart	238 610	67 344	46 787	3 393	30 177	386 311
D U Stellenberg	238 610	67 344	46 787	3 393	30 177	386 311
K L Clark	238 610	67 344	46 787	3 393	30 177	386 311
S C Ndarala	221 963	67 344	46 787	19 707	30 177	385 978
M Mxakwe	291 404	-	46 787	3 382	9 859	351 432
A T Cetwayo	238 610	67 344	46 787	3 393	30 177	386 311
N M Solani	238 610	67 344	46 787	3 393	30 177	386 311
S V Mkefa	238 610	67 344	46 787	3 393	30 177	386 311
V S Nqayi	221 963	67 344	46 787	19 707	30 177	385 978
A B Zondi	238 610	67 344	46 787	3 393	30 177	386 311
F N Duda	238 610	67 344	46 787	3 393	30 177	386 311
W Booi	221 963	67 344	46 787	19 707	30 177	385 978
K Nonyongo	238 610	67 344	46 787	3 393	30 177	386 311
N S Kweza	238 610	67 344	46 787	3 393	30 177	386 311
E Mavango	221 329	67 344	46 787	20 673	30 177	386 310
S Neli	238 610	67 344	46 787	3 393	30 177	386 311
Z Baleni	238 443	67 344	46 787	3 391	30 177	386 142
X Williams	284 608	-	46 787	24 446	30 177	386 018
A Sizani	238 610	67 344	46 787	3 393	30 177	386 311
M Ndyalivani	221 963	67 344	46 787	19 707	30 177	385 978
N Nduku	57 848	16 836	11 534	829	14 816	101 863
L L Ndlebe	238 610	67 344	46 787	3 393	30 177	386 311
Z S Manqaphela	238 610	67 344	46 787	3 393	30 177	386 311
T M Panya	238 610	67 344	46 787	3 393	30 177	386 311
T Vali	238 610	67 344	46 787	3 393	30 177	386 311
N X Tom	221 963	67 344	46 787	19 707	30 177	385 978
S Dukwe	221 963	67 344	46 787	19 707	30 177	385 978
L Komeni	221 963	67 344	46 787	19 707	30 177	385 978
M Matsolo	221 963	67 344	46 787	19 707	30 177	385 978
S Plaatjie	221 963	67 344	46 787	19 707	30 177	385 978
N Makasi	238 610	67 344	46 787	3 393	30 177	386 311
A Keva	221 963	67 344	46 787	19 707	30 177	385 978

48. Related parties (continued)

N Yaliwe	207 480	67 344	46 787	33 926	30 177	385 714
S A Qwalela	238 610	67 344	46 787	3 393	30 177	386 311
L Pukwana	238 610	67 344	46 787	3 393	30 177	386 311
V V Bomela	221 963	67 344	46 787	19 707	30 177	385 978
B Fingwana Geld	162 100	50 508	35 036	25 179	30 177	303 000
E N Marawu	266 042	-	46 787	42 674	30 177	385 680
G Titus	221 963	67 344	46 787	19 707	30 177	385 978
C O Everitt	305 954	-	46 787	3 527	30 177	386 445
A A Ngoma	266 038	-	46 787	42 677	30 177	385 679
M M Jacobs	305 954	-	46 787	3 527	26 890	383 158
F C Malatoe	220 615	67 344	46 787	21 056	11 421	367 223
A A Njikela	291 404	-	46 787	3 382	9 859	351 432
	19 731 503	**5 206 874**	**3 169 646**	**1 308 575**	**2 448 091**	**31 864 689**

48. Related parties (continued)

2024

Name	Basic salary	Travel allowance	Telephone and Data Allowances	Pension, Medical and other contributions	Backpay	Total
M Papiyana (Mayor)	696 863	212 802	44 400	9 115	26 688	989 868
T Bunu (IPED Portfolio Head)	470 281	159 601	44 400	58 795	45 937	779 014
N S Ndlebe (Chief Whip)	470 280	159 601	44 400	58 796	39 015	772 092
A N Hendricks (Sec79 MPAC)	507 319	154 919	44 400	6 757	10 467	723 862
O Adonisi (Human Settlement and Land Portfolio Head)	522 832	180 688	44 400	7 071	38 711	793 702
Z N E Ralane (Public Safety PortfolioHead)	470 280	159 601	44 400	58 796	39 015	772 092
N Nqabisa (Speaker)	557 493	170 241	44 400	7 381	41 450	820 965
B C Simina (SPU Porfolio Head)	470 280	159 601	44 400	58 795	38 711	771 787
P Madubedube (Corporate Services Portfolio Head)	486 355	159 601	44 400	42 697	38 711	771 764
M Mangcotywa (Technical Services Portfolio Head)	486 355	159 601	44 400	42 697	38 712	771 765
S S Lali (Community Services Porfolio Head)	470 280	159 601	44 400	58 796	37 842	770 919
U Galada (Budget and Treasury Portfolio Head)	505 552	159 601	44 400	24 229	38 554	772 336
L A Haggard	191 764	67 343	44 400	33 844	16 547	353 898
P P Z Mandile	168 797	56 120	37 000	17 051	16 547	295 515
N C Twalo	176 732	67 344	44 400	46 481	16 547	351 504
Z S Tutwana	230 836	22 448	44 400	37 524	16 547	351 755
M Ngesi	191 761	67 344	44 400	31 409	16 547	351 461
S Mkhunqe	203 807	67 344	44 400	19 608	16 547	351 706
M S Hokolo	220 533	67 344	44 400	3 188	16 547	352 012
A Ngonyama	205 147	67 344	44 400	18 266	16 547	351 704
L C S Tokwe	176 733	67 344	44 400	46 480	16 547	351 504
H A Deysel	205 146	67 344	44 400	18 267	16 547	351 704
B Quqa	205 146	67 344	44 400	18 267	16 547	351 704
A A Ganca	205 146	67 344	44 400	18 267	16 547	351 704
M M Mnyaka	197 102	67 344	44 400	26 322	16 391	351 559
D D MacTaggart	220 532	67 344	44 400	3 188	16 391	351 855
D U Stellenberg	220 532	67 344	44 400	3 188	16 391	351 855
K L Clark	220 532	67 344	44 400	3 188	16 391	351 855

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48. Related parties (continued)

S C Ndarala	205 147	67 344	44 400	18 265	16 391	351 547
A T Cetywayo	220 532	67 344	44 400	3 188	16 391	351 855
N M Solani	220 532	67 344	44 400	3 188	16 391	351 855
S V Mkefa	220 532	67 344	44 400	3 188	16 391	351 855
V S Nqayi	205 147	67 344	44 400	18 266	16 391	351 548
A B Zondi	220 532	67 344	44 400	3 188	16 391	351 855
F N Duda	220 532	67 344	44 400	3 188	16 391	351 855
W Booi	207 654	67 344	44 400	15 809	16 391	351 598
K Nonyongo	220 532	67 344	44 400	3 188	16 391	351 855
N S Kweza	220 532	67 344	44 400	3 188	16 391	351 855
E Mavango	203 404	67 344	44 400	20 316	16 391	351 855
S Neli	220 532	67 344	44 400	3 188	16 391	351 855
Z Baleni	220 532	67 344	44 400	3 188	16 391	351 855
X Williams	262 571	5 612	44 400	22 611	16 391	351 585
A Sizani	220 532	67 344	44 400	3 188	16 391	351 855
M Ndyalivani	205 147	67 344	44 400	18 266	16 391	351 548
M Nduku	220 532	67 344	44 400	3 188	16 391	351 855
L L Ndlebe	220 532	67 344	44 400	3 188	16 391	351 855
Z S Manqaphela	220 532	68 668	44 400	3 201	16 391	353 192
T M Panya	220 532	67 344	44 400	3 188	16 391	351 855
T Vali	220 532	67 344	44 400	3 188	16 391	351 855
N X Tom	205 147	67 344	44 400	18 265	16 391	351 547
S Dukwe	205 147	67 344	44 400	18 265	16 391	351 547
L Komeni	205 147	67 344	44 400	18 265	16 391	351 547
M Matsolo	205 147	67 344	44 400	18 265	16 391	351 547
N F Papiyana	-	-	-	-	27 613	27 613
S Plaatjie	205 147	67 344	44 400	18 265	16 391	351 547
N Makasi	220 532	67 344	44 400	3 188	16 391	351 855
A Keva	205 147	67 344	44 400	18 265	16 391	351 547
N Yaliwe	191 761	67 344	44 400	31 410	16 391	351 306
S A Qwalela	220 532	67 344	44 400	3 188	16 391	351 855
L Pukwana	220 532	67 344	44 400	3 188	16 391	351 855
V V Bomela	205 146	67 344	44 400	18 266	16 391	351 547
B Fingwana Geld	194 099	67 344	44 400	29 115	16 391	351 349
E N Marawu	250 321	-	44 400	40 159	7 938	342 818
G Titus	231 757	56 120	44 400	3 210	7 301	342 788

48. Related parties (continued)

C O Everitt	287 877	-	44 400	3 323	4 936	340 536
A A Ngoma	287 877	-	44 400	3 322	3 907	339 506
M M Jacobs	240 709	-	37 000	2 777	2 087	282 573
F C Malatoe	9 490	5 612	3 700	177	-	18 979
	17 742 981	**5 240 517**	**2 919 300**	**1 190 742**	**1 292 626**	**28 386 166**

Executive management

*Refer to note 32 "Employee related costs" for further information.

Audit Committee Fees

2025

Member	Fees	Travel	Other	Total
C Sparg	20 025	-	12 525	32 550
I Dlala	78 783	-	30 285	109 068
W S Manthe	45 578	-	23 293	68 871
T Sagela	28 035	-	15 030	43 065
	172 421	**-**	**81 133**	**253 554**

2024

Member	Fees	Travel	Other	Total
M K Mafani	3 888	2 947	-	6 835
C Sparg	15 903	2 578	9 945	28 426
I Dlala	60 812	39 708	20 673	121 193
W S Manthe	21 016	-	11 814	32 830
T Sagela	19 791	-	12 375	32 166
W Mushowe	19 791	-	12 375	32 166
	141 201	**45 233**	**67 182**	**253 616**

Notes to the Annual Financial Statements

	2025	2024

49. Prior period errors

The correction of the errors results in adjustments as follows:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Receivables from Exchange Transactions	82 226 932	(7 526 193)	74 700 739	1
Receivables from Non-exchange Transactions	110 825 765	(50 407 538)	60 418 227	2
VAT Receivable	1 015 564	(1 629)	1 013 935	3
VAT accrual - input	163 904 501	223 140	164 127 641	4
Property, plant and Equipment	1 277 672 549	(4 658 441)	1 273 014 108	5
Heritage assets	2 510 920	309 680	2 820 600	6
Payables from exchange transactions	(1 468 613 980)	(157 432)	(1 468 771 412)	7
Finance lease obligation - current	-	(621 154)	(621 154)	8
Employee benefit obligation - current	(43 448 688)	(7 866 270)	(51 314 958)	9
VAT accrual - output	(87 112 187)	79 397 674	(7 714 513)	10
Finance lease obligation - non-current	(1 205 112)	621 154	(583 958)	11
Accumulated surplus	(249 054 666)	(9 312 991)	(258 367 657)	12
	(211 278 402)	**-**	**(211 278 402)**	

1 - Receivables from exchange transactions - Statement of Financial Position

Previously reported balance	82 226 932
Billing corrections and adjustments to write-offs and subsidies	(7 526 193)
Restated 2024 closing balance	**74 700 739**

2 - Receivables from non-exchange transactions - Statement of Financial Position

Previously reported balance	110 825 765
Correcting prior year reversal of rates and service charges on departmental accounts, corrections on prior year billing	(50 407 538)
Restated 2024 closing balance	**60 418 227**

3 - VAT receivable - Statement of Financial Position

Previously reported 2024 balance	1 015 564
VAT on additional accruals raised and corrections	(1 629)
Restated 2024 closing balance	**1 013 935**

4 - VAT accrual - input

Previously reported 2024 balance	163 904 501
Adjustments to prior year accruals	223 140
Restated 2024 closing balance	**164 127 641**

5 - Property, plant and Equipment - Statement of Financial Position

Previously reported 2024 balance	1 277 672 549
Adjustments to prior year additions and depreciation	(4 658 441)
Restated 2024 closing balance	**1 273 014 108**

6 - Heritage assets - Statement of Financial Position

Previously reported balance	2 510 920
Review and valuation adjustment	309 680
Restated 2024 closing balance	**2 820 600**

Notes to the Annual Financial Statements

	2025	2024

49. Prior period errors (continued)

7 - Payables from exchange transactions - Statement of Financial Position

Previously reported balance	(1 468 613 980)
Adjustments to accruals	(157 434)
Restated 2024 closing balance	**(1 468 771 414)**

8 - Finance lease (current) - Statement of Financial Position

Reclassification of current portion of finance lease	(621 154)
Restated 2024 closing balance	**(621 154)**

9 - Employee benefit obligation (current) - Statement of Financial Position

Previously reported balance	(43 448 688)
Recalculation of leave accrual	(7 866 270)
Restated 2024 closing balance	**(51 314 958)**

10 - VAT - output accrual

Previously reported 2024 balance	(87 112 187)
Recording vat on prior year debt impairment and billing corrections	79 397 674
Restated 2024 closing balance	**(7 714 513)**

11 - Finance lease obligation (non-current) - Statement of Financial Position

Previously reported balance	(1 205 112)
Reclassification of current portion of finance lease obligation	621 154
Restated 2024 closing balance	**(583 958)**

12 - Accumulated Surplus - Statement of Financial Position

Previously reported Opening balance	(540 187 397)
Effect of opening balance corrections relating to -	8 915 434
Prior year billing corrections - service charges	3 901 958
Prior year billing corrections - property rates	50 458 507
Vat on adjustments to accruals	(962 154)
Adjustments to prior year additions and depreciation	2 923 697
Additional prior year accruals	2 329 654
Recalculation of leave accrual	12 179 909
Valuation of Heritage assets	(309 680)
Output VAT on debt impairment	(61 606 457)
	(531 271 963)

	2025	2024

49. Prior period errors (continued)

RESTATED (Surplus)/Deficit		272 904 306
Reported (Surplus)/Deficit		291 132 736
Net changes to Statement of Financial performance		(18 228 430)
RESTATED 2023/24 CLOSING BALANCE		**(258 367 657)**

2024 Comparative restatements

Statement of Financial Performance	Previously reported	Adjustment	As restated	Reference
REVENUE				
Service charges	347 810 732	(264 552)	347 546 180	i
Rental of facilities and equipment	3 674 265	4 331	3 678 596	ii
Movement in leave provision	-	7 931 547	7 931 547	iii
Other Income	7 824 445	37 981	7 862 426	iv
Interest earned on debtors	113 663 885	(8 533)	113 655 352	v
Property rates	146 525 792	(737 713)	145 788 079	vi
Fines	3 110 919	10 000	3 120 919	vii
EXPENDITURE				
Employee related costs	(321 903 530)	(6 836 808)	(328 740 338)	viii
Depreciation and amortisation	(76 721 053)	(950 524)	(77 671 577)	ix
Finance costs	(72 799 224)	(6 985)	(72 806 209)	x
Debt impairment	(295 598 478)	20 529 531	(275 068 947)	xi
Repairs and maintenance	(24 356 090)	(1 346 913)	(25 703 003)	xii
Contracted services	(52 395 465)	(462 203)	(52 857 668)	xiii
General expenses	(165 906 252)	325 809	(165 580 443)	xiv
Impairment loss	(34 627 269)	5 900	(34 621 369)	xv
Loss on disposal of assets	(537 687)	(2 438)	(540 125)	xvi
	(422 235 010)	**18 228 430**	**(404 006 580)**	

	2025	2024

49. Prior period errors (continued)

i) Service charges - Statement of Financial Performance

As previously reported		347 810 732
Billing corrections		(264 552)
		347 546 180

ii) Rental of facilities and equipment - Statement of Financial Performance

As previously reported		3 674 265
Allocation of unallocated deposits		4 331
		3 678 596

iii) Movement in leave provision - Statement of Financial Performance

As previously reported		-
Reclassification from Employee related costs		7 931 547
		7 931 547

iv) Other income - Statement of Financial Performance

As previously reported		7 824 445
Allocation of unallocated deposits and corrections on prior year billing		37 981
		7 862 426

v) Interest earned on debtors - Statement of Financial Performance

As previously reported		113 663 885
Billing corrections		(8 533)
		113 655 352

vi) Property Rates - Statement of Financial Performance

As previously reported		146 525 792
Billing corrections		(737 713)
		145 788 079

vii) Fines - Statement of Financial Performance

As previously reported		3 110 919
Allocation of unallocated deposits		10 000
		3 120 919

viii) Employee Costs - Statement of Financial Performance

As previously reported		(321 903 530)
Recalculation of leave accrual		4 313 639
Reclassification of movement in leave provision		(7 931 547)
Additional accruals identified		(3 218 900)
		(328 740 338)

ix) Depreciation and amortisation - Statement of Financial Performance

As previously reported		(76 721 053)
Recomponentisation of projects, additional project capitalised, derecognition of lost and damaged assets		(950 524)
		(77 671 577)

	2025	2024

49. Prior period errors (continued)

x) Finance costs - Statement of Financial Performance

As previously reported	(72 799 224)
Interest on additional accruals raised	(6 985)
	(72 806 209)

xi) Debt impairment - Statement of Financial Performance

As previously reported	(295 598 478)
Recalculation and adjustment of provision for debt impairment	20 529 531
	(275 068 947)

xii) Repairs and maintenance - Statement of Financial Performance

As previously reported	(24 356 090)
Reallocation of repairs and maintenance from property, plant and equipment	(1 346 913)
	(25 703 003)

xiii) Contracted services - Statement of Financial Performance

As previously reported	(52 395 465)
Additional accruals raised	(274 323)
	(52 669 788)

xiv) General expenses - Statement of Financial Performance

As previously reported	(165 906 252)
Additional accruals raised	(2 893 091)
	(168 799 343)

xv) Impairment loss

As previously reported	(34 627 269)
Reversal of impairment	5 900
	(34 621 369)

xvi) Loss on disposal of assets

As previously reported	(537 687)
Derecognition of damaged asset	(2 438)
	(540 125)

The following disclosures have been restated:	**Previously reported**	**Adjustment**	**Restated**
Note 32 - Employee related costs			
Remuneration of the Director: Corporate and Support Services	-	1 338 408	1 338 408

Note 50 - Risk management

	2025	2024

49. Prior period errors (continued)

Previous disclosure

Payables from exchange transactions	1 468 613 980
Finance lease obligation	1 205 112
Receivables from exchange transactions	82 226 932
Receivables from non-exchange transactions	110 825 765
Cash and cash equivalents Bank balances	72 755 914
	1 735 627 703

Adjustments	**Column heading**
Payables from exchange transactions	(58 620)
Finance lease obligation	997 594
Receivables from exchange transactions	(8 121 601)
Receivables from non-exchange transactions	(51 406 615)
Cash and cash equivalents Bank balances	(66 680 350)
	(125 269 592)

New disclosure

Payables from exchange transactions	1 468 555 360
Finance lease obligation	2 202 706
Receivables from exchange transactions	74 105 331
Receivables from non-exchange transactions	59 419 150
Cash and cash equivalents Bank balances	6 075 564
	1 610 358 111

The Department of Transport Grant was reclassified from Operating grants to Capital grants.

Note 56 - Additional disclosure in terms of the Municipal Finance Management Act

Contributions to organised local government

Previous disclosure

Opening balance	3 534 358
Current year subscription / fee	4 137 795
Amount paid - current year	(3 534 358)
	4 137 795

Adjustments

Current year subscription / fee	8 250
Amount paid - current year	5 000
	13 250

New disclosure

Opening balance	3 542 608
Current year subscription / fee	4 142 795
Amount paid - current year	(3 534 358)

49. Prior period errors (continued)

		4 151 045

The SALGA contributions outstanding for 2022/23 and 2023/24 were corrected to agree to the 30 June 2024 statement.

Note 57 - Segment information

	Previously reported	Adjustment	As restated
Revenue			
Revenue from non-exchange transactions	141 484 877	357 334 992	498 819 869
Revenue from exchange transactions	412 132 789	178 081 437	590 214 226
Income from agency services	4 821 621	(401 348)	4 420 273
Government grants and subsidies	458 591 086	(458 591 086)	-
Actuarial gain	-	3 296 000	3 296 000
Gain on foreign exchange	-	43 782	43 782
Fair value on biological assets	-	1 412 490	1 412 490
Other unallocated revenue	123 521 018	(123 521 018)	-
Total revenue reconciling items	593 739 701	(577 761 180)	15 978 521
Expenditure			
Employee related costs	(149 962 010)	(178 778 328)	(328 740 338)
General expenses	(53 040 204)	(112 540 239)	(165 580 443)
Bulk purchases	(378 966 213)	1 307 989	(377 658 224)
Repairs and maintenance	(21 507 250)	(4 195 753)	(25 703 003)
Finance costs	(22 966 833)	(49 839 376)	(72 806 209)
Debt impairment	(107 175 115)	(188 423 363)	(295 598 478)
Transfers and subsidies	1 629 816	(3 259 632)	(1 629 816)
Contracted services	-	(52 669 788)	(52 669 788)
Employee related costs	(264 190 038)	264 190 038	-
Remuneration of councillors	(28 363 758)	-	(28 363 758)
Depreciation and amortisation	(65 925 089)	(11 746 488)	(77 671 577)
Finance costs	(72 571 292)	(234 917)	(72 806 209)
Debt impairment	39 468 876	(314 537 823)	(275 068 947)
Impairment loss	-	(34 621 369)	(34 621 369)
Other unallocated expenses	(343 699 066)	343 699 066	-
Total revenue reconciling items	593 739 701	(577 761 180)	15 978 521
	860 762 617	**(1 539 517 094)**	**(678 754 477)**

Assets	Previously reported	Adjustment	As restated
Segment assets	632 571 833	1 342 955 278	1 975 527 111
Segment assets - additions	65 496 192	(55 248 835)	10 247 357
Unallocated assets	1 349 497 424	(1 349 497 424)	-
Liabilities			
Segment liabilities	(963 059 921)	(764 076 890)	(1 727 136 811)
Unallocated liabilities	(835 350 862)	835 350 862	-
	249 154 666	**9 482 991**	**258 637 657**

Cash flow statement

	2025	2024

49. Prior period errors (continued)

Cash flow from operating activities			
Receipts			
Rates and Services	334 339 428	(58 680 991)	275 658 437
Government grants and subsidies	392 462 117	-	392 462 117
Interest income	120 469 861	(8 533)	120 461 328
Other receipts	142 335 136	(3 959 057)	138 376 079
Payments			
Employee costs	(357 052 597)	251 388	(356 801 209)
Suppliers	(450 487 858)	63 307 370	(387 180 488)
Finance costs	(49 832 391)	(6 985)	(49 839 376)
	132 233 696	**903 192**	**133 136 888**
Cash flow from investing activities			
Purchase of property, plant and equipment	(95 677 708)	493 932	(95 183 776)
Proceeds on sale of biological assets	-	232 692	232 692
Cash flow from financing activities			
Movement in finance leases	-	-	-
	-	**-**	**-**
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	35 558 393	-	35 558 393

The cash flow restatement above details the movements between the previously reported Cash Flow Statement and the restated 2023/24 comparative figures. The reason for the adjustments are due to the individual errors as detailed in note 49 .

Note 58 - Accounting by principals and agents	**Previously reported**	**Adjustment**	**As restated**
Fee paid	-	7 747 105	7 747 105
At year end Municipality was owed	-	6 718 911	6 718 911
	-	**14 466 016**	**14 466 016**

Note 59 - Financial instruments	**Previously reported**	**Adjustment**	**As restated**
Financial assets			
Receivables from exchange transactions	82 226 932	(8 121 601)	74 105 331
Financial liabilities			
Payables from exchange transactions	1 468 613 980	(58 620)	1 468 555 360
Finance lease obligation	1 205 112	(621 154)	583 958
	1 552 046 024	**(8 801 375)**	**1 543 244 649**

	2025	2024

50. Risk management

Financial risk management

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

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

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

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements.

Liquidity risk

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

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

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 858 306 675	-	-	-
Consumer deposits	11 806 385	-	-	-
Finance lease obligation	583 958	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 468 771 412	-	-	-
Consumer deposits	11 272 521	-	-	-
Finance lease obligation	621 154	583 958	-	-

Credit risk

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

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

50. Risk management (continued)

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank.

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial assets in Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The maximum credit risk exposure in respect of the relevant financial instruments at year end were as follows:

Financial instrument	2025	2024
Receivables from exchange transactions	53 704 287	74 700 739
Receivables from non-exchange transactions	28 642 969	60 418 227
Cash and cash equivalents - Bank balances	8 002 766	6 075 564
Cash and cash equivalents - Short-term deposits	61 934 676	66 627 175

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 charges. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas.Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handing over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

51. Going concern

The Enoch Mgijima Local Municipality’s Annual Financial Statements are prepared on a going concern basis despite the presence of some material uncertainties in the short term. Management’s assumption is that the municipality will continue to exist as a going concern and to exist in the foreseeable future unless de – established or merged into a new entity by the Municipal Demarcation Board.

The municipality is aware of the following financial challenges which threaten its financial viability and as a going concern:

	2025	2024

51. Going concern (continued)

- Operating at a deficit as reported in the Financial Performance at year end

- The municipality's inability to pay its major creditors over the past 12 months

- Longer debtors payment period

- Increase in Eskom debt, and

- The growing debtors figures and increase in debt impairment that has to be written off at year end

The municipality has intervention plans in place to remedy the declining financial position of the municipality:

1. Installation of smart electricity meters to curb electricity theft
2. Disconnection of customers that owe the municipality
3. Implementation of credit control by - laws
4. Implementation of Financial Recovery Plan
5. Implementation of circular 124 on debt relief programme

The municipality envisages returning to full financial viability in 2024/25, as detailed in the financial plan presented to council and submitted to National Treasury.

The municipality has been placed under Section 139(7) National Treasury intervention. This will not impact the municipality's continued operation.

52. Events after the reporting date

No significant events have occurred subsequently that require disclosure in the financial statements.

53. Unauthorised expenditure

	2025	2024
Unauthorised expenditure	381 588 328	914 952 331
Add: Unauthorised expenditure - current year	485 789 420	381 588 328
Less: Amounts written off by Council - 2023/2024	(381 588 328)	-
Add: Adjustment for amounts already written off by Council approved for write-off again - 2020/2021	-	168 819 705
Less: Amounts written off by Council - 2020/2021	-	(189 203 120)
Less: Amounts written off by Council - 2021/2022	-	(406 638 307)
Less: Amounts written off by Council - 2022/23	-	(487 930 609)
	485 789 420	**381 588 328**

The unauthorised expenditure for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 were investigated and written off by Council. The unauthorised expenditure for the year ended 30 June 2025 is still under investigation.

Notes to the Annual Financial Statements

	2025	2024

54. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	131 749 870	221 775 353
Add: Fruitless and wasteful expenditure - current year	29 934 067	49 627 642
Less: Amount written off by Council - 2020/21	(8 499 199)	-
Less: Amount written off by Council - 2021/22 Adjustments	-	(105 300)
Less: Amount written off by Council - 2022/23	(23 213 485)	(89 943 779)
Add: Adjustment for amounts already written off by Council	-	3 320 712
Less: Amount written off by Council - current year	(23 530 313)	(52 924 758)
Less: Amount recovered - 2021/22	(3 247)	-
Less: Amounts removed from register as not fruitless and wasteful after investigation - 2020/21	(1 028 297)	-
Less: Amounts removed from register as not fruitless and wasteful after investigation - 2022/23	(16 608 087)	-
	88 801 309	**131 749 870**

The Fruitless and wasteful expenditure for the years ended 30 June 202, 30 June 2023 and 30 June 2024 was investigated and written off in 2023/2024. The Fruitless and wasteful expenditure incurred in the year ended 30 June 2025 in the first, second and third quarters was investigated and written off by Council in 2024/25. The remaining fruitless and wasteful expenditure relating to the years ended 30 June 2022, 30 June 2023 and 30 June 2025 and prior years is still under investigation.

55. Irregular expenditure

Opening balance	217 265 031	521 409 573
Add: Irregular Expenditure - current year	128 553 287	208 889 341
Add: Additional amounts identified - 2023/24	7 389 072	-
Less: Amounts written off by Council - 2018/19	(2 920 851)	-
Less: Amounts written off by Council - 2022/23	-	(390 733 324)
Less: Amounts written off by Council - 2023/24	(35 800 856)	(122 300 559)
Less: Amounts written off by Council - 2024/25	(117 125 766)	-
	197 359 917	**217 265 031**

The irregular expenditure for the 2023/2024 and 2024/25 financial year and prior year were investigated and approved for write off by council. The remaining balance was referred by MPAC for further action and implementation of consequence management and institution of disciplinary action where deemed appropriate.

Details of irregular expenditure – current year

-

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	4 151 045	3 534 358
Current year subscription / fee	3 753 098	4 146 045
Amount paid - current year	(4 137 795)	(3 529 358)
	3 766 348	**4 151 045**

Audit fees

Opening balance	113 130	259 583
Current year subscription / fee	7 796 807	7 088 547
Amount paid - current year	(7 428 332)	(7 235 000)
	481 605	**113 130**

Notes to the Annual Financial Statements

	2025	2024

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

PAYE

	2025	2024
Opening balance	3 583 950	3 714 840
Current year subscription / fee	42 932 044	42 273 971
Amount paid - current year	(42 774 148)	(42 404 861)
	3 741 846	**3 583 950**

UIF

	2025	2024
Opening balance	295 979	303 218
Current year subscription / fee	3 526 358	3 537 557
Amount paid - current year	(3 531 297)	(3 544 796)
	291 040	**295 979**

SDL

	2025	2024
Opening balance	253 484	260 041
Current year subscription / fee	2 928 875	2 897 811
Amount paid - current year	(2 964 913)	(2 904 368)
	217 446	**253 484**

Pension fund contributions

	2025	2024
Opening balance	4 428 660	4 601 524
Current year subscription / fee	53 282 043	54 370 881
Amount paid - current year	(53 351 229)	(54 543 745)
	4 359 474	**4 428 660**

Medical aid contributions

	2025	2024
Opening balance	2 695 028	-
Current year subscription / fee	33 288 702	31 999 988
Amount paid - current year	(35 983 730)	(29 304 960)
	-	**2 695 028**

VAT

Councillors' arrear consumer accounts

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

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr A. Keva	3 108	81 348	84 456
Cllr S. Mkhunqe	1 861	51 221	53 082
Cllr M. Ngesi	636	-	636
Cllr W. Booi	750	16 013	16 763
Cllr Z. N. E. Ralane	305	-	305
Cllr B. C. Simina	115	-	115
Cllr A. T. Cetywayo	3 845	13 278	17 123
Cllr S. N. Neli	50	3 551	3 601
Cllr E. Mavango	1 138	24 993	26 131
Cllr A. Njikela	1 962	789	2 751
Cllr S. A. Qwalela	769	-	769
Cllr M. Matsolo	2 396	68 621	71 017
Cllr S. C. Ndarala	1 644	2 375	4 019
Cllr M. Hokolo	1 748	49 189	50 937
Cllr P. Madubedube	1 383	48 163	49 546
Cllr Z. P. Mandile	1 303	23 898	25 201
Cllr M. Mxakwe	2 092	35 273	37 365
Cllr X. Williams	1 215	-	1 215
Cllr O. Adonis	1 823	10 467	12 290
Cllr L. C. S. Tokwe	1 167	3 400	4 567
Cllr M. Lali	724	-	724
Cllr T. Vali	973	9 888	10 861
	31 007	**442 467**	**473 474**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr A. Keva	2 113	70 026	72 139
Cllr S. Mkhunqe	1 227	44 480	45 707
Cllr M. Ngesi	584	-	584
Cllr Z. N. E. Ralane	641	178	819
Cllr A. T. Cetywayo	2 964	2 227	5 191
Cllr S. N. Neli	35	3 349	3 384
Cllr E. Mavango	707	20 933	21 640
Cllr A. Njikela	1 874	41 768	43 642
Cllr S. A. Qwalela	273	-	273
Cllr M. Matsolo	1 607	59 902	61 509
Cllr D U Stellenberg	3 061	12 514	15 575
Cllr S. C. Ndarala	1 591	21 134	22 725
Cllr M. Hokolo	1 147	42 862	44 009
Cllr P. Madubedube	881	43 158	44 039
Cllr M. Mxakwe	1 392	27 748	29 140
Cllr X. Williams	746	-	746
Cllr O Adonisi	1 257	6 862	8 119
Cllr L. C. S. Tokwe	2 263	78 004	80 267
Cllr M. Lali	2 257	28 356	30 613
Cllr N Nqabisa	576	9 483	10 059
Cllr T. Vali	149	7 298	7 447
Cllr B. C. Simina	292	-	292
	27 637	**520 282**	**547 919**

57. Segment information

General information

Identification of segments

The municipality has two activities that generate economic benefits: electricity distribution and sale and refuse collection and disposal services.

The municipality regularly reports its actual spending against the original and adjusted budgets using the municipal votes and sub votes, including sub votes relating to electricity distribution and sale and refuse collection and disposal services.

Aggregated segments

The Electricity distribution (3006) and Electricity Infrastructure Development Unit (3010) sub votes were combined for reporting on Electricity distribution and sale.

The Cleansing: Refuse Disposal (2510) and Cleansing: Refuse Removals (2512) sub votes were combined for the reporting on Refuse collection and disposal.

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	Electricity distribution and sale
Segment 2	Refuse collection and disposal

Segment surplus or deficit, assets and liabilities

2025

	Electricity	Refuse	Unallocated	Total
Revenue				
Revenue from non-exchange transactions	24 548 472	10 216 708	534 450 816	569 215 996
Revenue from exchange transactions	328 877 870	140 625 950	87 600 180	557 104 000
Total segment revenue	**353 426 342**	**150 842 658**	**622 050 996**	**1 126 319 996**
Interest received on investments				8 738 715
Income from agency services				5 311 930
Government grants and subsidies				2 437 174
Total revenue reconciling items				**16 487 819**
Entity's revenue				**1 142 807 815**
Expenditure				
Employee related costs	(26 041 009)	(28 812 046)	(274 378 611)	(329 231 666)
Depreciation and amortisation	(12 180 704)	(1 778 009)	(47 667 806)	(61 626 519)
Debt impairment	(87 378 403)	(94 699 357)	(144 834 064)	(326 911 824)
General expenses	(1 732 696)	(7 104 400)	(71 117 186)	(79 954 282)
Bulk purchases	(463 020 407)	-	-	(463 020 407)
Repairs and maintenance	(44 959 790)	(970 791)	(11 841 467)	(57 772 048)
Finance costs	-	(10 918 727)	(29 192 371)	(40 111 098)
Impairment loss	(7 990 835)	(410 343)	(108 610 712)	(117 011 890)
Total segment expenditure	**(643 303 844)**	**(144 693 673)**	**(687 642 217)**	**(1 475 639 734)**
Total segmental surplus/(deficit)				**(349 319 738)**

Notes to the Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Remuneration of councillors				(31 864 689)
Contracted services				(49 363 824)
Transfers and subsidies				(1 690 817)
Loss on disposal of assets and liabilities				(265 048)
Actuarial loss				(24 000)
Total revenue reconciling items				16 487 819
Entity's surplus (deficit) for the period				**(416 040 297)**
Assets				
Segment assets	164 156 941	2 676 310	1 775 417 731	1 942 250 982
Segment assets - additions	39 230 211	(11 010 881)	-	28 219 330
Total segment assets	**203 387 152**	**(8 334 571)**	**1 775 417 731**	**1 970 470 312**
Total assets as per Statement of financial Position				**1 970 470 312**
Liabilities				
Segment liabilities	(1 369 379 980)	-	(758 763 327)	(2 128 143 307)
Total liabilities as per Statement of financial Position				**(2 128 143 307)**

The municipality operates throughout the Enoch Mgijima Municipality in 5 towns in the Eastern Cape,i.e., Komani, Tarkastad, Whittlesea, Molteno and Hofmeyr. Segments were not organised on the basis of differences in geographical areas of operation and the cost to develop such information would be excessive.

2024

	Electricity	Refuse	Unallocated	Total
Revenue				
Revenue from non-exchange transactions	23 091 171	10 216 708	465 511 990	498 819 869
Revenue from exchange transactions	275 605 178	134 307 573	180 301 475	590 214 226
Eskom interest waiver	64 692 243	-	-	64 692 243
Total segment revenue	**363 388 592**	**144 524 281**	**645 813 465**	**1 153 726 338**
Interest received on investments				6 805 976
Income from agency services				4 420 273
Actuarial gain				3 296 000
Gain on foreign exchange				43 782
Fair value on biological assets				1 412 490
Total revenue reconciling items				**15 978 521**
Entity's revenue				**1 169 704 859**
Expenditure				
Employee related costs	(24 705 366)	(22 297 367)	(281 737 605)	(328 740 338)
Depreciation and amortisation	(10 752 288)	(19 009 260)	(47 910 029)	(77 671 577)
General expenses	(2 792 752)	(5 724 398)	(157 063 293)	(165 580 443)
Bulk purchases	(377 658 224)	-	-	(377 658 224)
Repairs and maintenance	(17 179 688)	(806 389)	(7 716 926)	(25 703 003)
Finance costs	-	(22 966 833)	(49 839 376)	(72 806 209)
Debt impairment	-	(89 563 890)	(185 505 057)	(275 068 947)
Transfers and subsidies	-	-	(1 629 816)	(1 629 816)
Impairment loss	(4 120 356)	-	(30 501 013)	(34 621 369)
Total segment expenditure	**(437 208 674)**	**(160 368 137)**	**(761 903 115)**	**(1 359 479 926)**
Total segmental deficit				**183 365 470**

57. Segment information (continued)

Total revenue reconciling items				15 978 521
Remuneration of councillors				(28 363 758)
Contracted services				(52 857 668)
Loss on disposal of assets and liabilities				(540 125)
VAT provision write-off				(1 367 688)
Entity's deficit for the period				**(272 904 306)**
Assets				
Segment assets	175 337 454	2 521 522	1 797 398 135	1 975 257 111
Segment assets - additions	9 682 226	565 131	-	10 247 357
Total segment assets	**185 019 680**	**3 086 653**	**1 797 398 135**	**1 985 504 468**
Total assets as per Statement of financial Position				**1 985 504 468**
Liabilities				
Segment liabilities	(963 059 921)	-	(764 076 890)	(1 727 136 811)
Total liabilities as per Statement of financial Position				**(1 727 136 811)**

Measurement of segment surplus or deficit, assets and liabilities

The nature and effect of any asymmetrical allocations to reportable segments

The municipality allocated bulk purchases and payables from exchange transactions to the electricity segment without allocating the related finance costs to that segment.

Notes to the Annual Financial Statements

	2025	2024

58. Accounting by principals and agents

The municipality is party to several principal-agent arrangements.

The municipality (agent) collects vehicle licencing fees on behalf of the Department of Transport (principal) in exchange for the service the municipality receives commission of 19% on all fees collected.

Utilities World, MussiConlog and Ontec sell prepaid electricity to customers of the municipality in exchange for commission of 4.8%, 9% and 1.7% (1.955% incl. VAT) on total sales, respectively. Utilities World also earned additional commission of 50% on outstanding debt recovered from large power users.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R4 809 132 (2024: R4 420 273).

Liabilities and corresponding rights of reimbursement recognised as assets

At year end the Municipality had collected R1 283 711 (2024: R1 833 998) in funds that were owed to the Department of Transport. An amount of R399 900 relating to the prior year was still outstanding at 30 June 2025.

Entity as principal

Fee paid

Fee paid as compensation to prepaid electricity vendors	8 639 429	7 747 105

At year end the Municipality was owed R7 943 565 (2024: R6 718 911) in funds from prepaid electricity sales collected by the third party prepaid electricity vendors.

59. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	53 704 287	53 704 287
Cash and cash equivalents	69 995 556	69 995 556
	123 699 843	**123 699 843**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 858 306 675	1 858 306 675
Consumer deposits	11 806 385	11 806 385
Finance lease obligation	583 958	583 958
	1 870 697 018	**1 870 697 018**

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	74 700 739	74 700 739
Cash and cash equivalents	72 755 914	72 755 914
	147 456 653	**147 456 653**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 468 771 412	1 468 771 412
Consumer deposits	11 272 521	11 272 521
Finance lease obligation	621 154	621 154
	1 480 665 087	**1 480 665 087**

60. Deviation from supply chain management regulations

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer. The reasons for the deviations were as follows:

Reason for deviation	
Emergency	5 383 807
Impractical / impossible to obtain three quotes	197 873
	5 581 680

Awards to persons in service of state

Name of person	State institution	Position	Supplier	Value of award
LL Lwazi Goqwana	Transnet Limited	General Manager	ROCLA	1 779 486

61. Change in estimate

Property, plant and equipment

Landfill site

In the current financial year there was a change in estimate on the calculation of the provision for rehabilitation of landfill sites which resulted in an increase in the value of the asset and the depreciation thereon. The change was caused by a change in the CPI rate, discount rate and unit costs. The effect of this revision has increased the depreciation charges for the current and future periods:

	2025
Change in estimate	17 782 880
Depreciation	592 763
	18 375 643

	2025	2026	2027	2028	2029
Property, plant and equipment	17 190 117	16 597 354	16 004 591	15 411 828	14 819 065
Depreciation	592 763	592 763	592 763	592 763	592 763
	17 782 880	**17 190 117**	**16 597 354**	**16 004 591**	**15 411 828**

Notes to the Annual Financial Statements

61. Change in estimate (continued)

Property, plant and equipment - other

The annual review of the useful lives and residual values of assets resulted in an increase in the depreciation and amortisation charge to the statement of financial performance.

The effect of this revision on depreciation and the carrying amount of assets in the current and future years is as follows:

	2025	2026	2027	2028	2029
Property, plant and equipment	(1 085 106)	(2 018 717)	(3 828 952)	(5 784 021)	(7 446 620)
Depreciation	1 085 106	933 611	1 810 235	1 955 069	1 662 599
	-	**(1 085 106)**	**(2 018 717)**	**(3 828 952)**	**(5 784 021)**

62. Budget differences

Material differences between budget and actual amounts

The actual expenditure for the following expenses varied from the final budget by 10% or more:

62.1 Service charges

The negative variance in the service charges is due to the under collection with the electricity service charges. The illegal connections and the tampering of meters have resulted in the under collection of electricity service charges.

62.2 Rental of facilities and equipment

The negative variance in the rental of facilities was due to tenants not paying their rental amounts monthly.

62.3 Income from Agency Fees and Licences and permits

The negative variance in the Licence and Permit collection and the commission on licencing and vehicle registration fees was due to some drivers and vehicle owners renewing their permits and vehicle registrations at the Provincial Traffic and on line.

62.4 Other revenue

The positive variance was due to the DOT revenue recognised from the grant expenditure.

62.5 Other income

The positive variance was due to the increase in revenue collection from revenue sources such as grave digging and plot fees.

62.6 Interest received on investments

The positive variance was due to the more than expected disaster grant that was put in the call account to earn interest.

62.7 Transfer revenue - Operating

The negative variance was due to the EPWP - Labour intensive grant that was allocated but was not received by the municipality.

62. Budget differences (continued)
62.8 Remuneration of councillors

The negative variance was due to the two upper limits that were paid to councils that were not adequately covered in the adjustment budget.

62.9 Depreciation

The negative variance was due to some assets being removed from the assets register and put on the disposal list.

62.10 Impairment loss

The impairment is not budgeted as per the Budget circulars and the MBRR.

62.11 Finance costs

The negative variance was due the interest raised on the future value of the Landfil site that is not budgeted and also there was unexpected increase in the interest charged on Eskom arrear debt.

62.12 Debt impairment

The negative variance was due to the actual debt impairment at the year end of the year more than anticipated when the budget was prepared. This was due to the low revenue collection rate at year end.

62.13 Repairs and maintenance

The negative variance was due to the electrical materials that were procured as a result of the power outages at Top Town. These were procured to address the emergency and were not budgeted.

62.14 Bulk purchases

The negative variance on the Bulk Purchases were due to the illegal connections in the townships. The municipality could not budget adequately for the electricity that was used illegally.

62.15 Contracted services

The positive variaince was due to the re - classification of contracted services to other expenditure and repair and maintenance due to the nature of the transaction

62.16 Transfers and subsidies

The positive variance was due the SPCA operations that has been discontinued.

62.17 General expenses

The negative variance was due to the the inclusion of the Department of Transport project expenditure in the general expenses.

62.18 Loss on disposal of assets

The 100% negative variance was due to the fact that this line item is not budgeted.

62.19 Actuarial gains / losses

The 100% negative variance was due to the fact that this line item is not budgeted.

	2025	2024

62. Budget differences (continued)

62.20 Fair value adjustment on biological assets

The 100% negative variance was due to the fact that this line item is not budgeted.

62.21 Eskom interest adjustment

The 100% negative variance was due to the fact that this line item is not budgeted.

62.22 Transfers recognised - Capital

The variance is due to less grants received from Department of Transport and the Office of the Premier than earlier indicated and budgeted.

62.23 Inventories

The variance was due to the less usage of the electricity kaept in the store as a result of the new smart meters tha now been installed

62.24 Receivables from exchange transactions

The negative variance was due to the low debt collection rate of the municipality which has resulted in more debt to be impaired.

62.25 Receivables from non-exchange transactions

The negative variance was due to the low debt collection rate of the municipality which has resulted in more debt to be impaired.

62.26 VAT receivable

The actual amount is the vat accrual in the control account while the budget is the additions to receivables.

62.27 VAT accrual - input

There was no budget for the VAT accrual - input.

62.28 Cash and cash equivalents

The positive variance is due to the call accounts in respect of the unspent grant and the positive cash held at end of the year.

62.29 Biological assets

The positive variance was due to the increase in the number births than deaths in the game reserve and also increase in the values of these animals.

62.30 Property, plant and equipment

The negative variance was due to the significant impairment recorded on the PPE in 2024/25.

62.31 Intangible assets

The variance is due to no intangible assets recorded in 2024/25.

62.32 Heritage assets

The positive variance was due to the valuations that were done in the year to reflect the current values of these assets.

	2025	2024

62. Budget differences (continued)

62.33 Finance lease obligation

The variance was due to no budget for this line item.

62.34 Payables from exchange transactions

The increase was due to the Eskom accounts that has increased during the year. The municipality was not paying the current Eskom accounts monthly.

62.35 Employee benefit obligation

This line item was not budgeted.

62.36 Unspent conditional grants and receipts

This line item was not budgeted as the municipality did not forsee unspent grant year end.

62.37 Provisions (current)

No current provion recorded.

62.38 VAT accrual - output

The variance was due to more than expected output VAT recorded at year end.

62.39 Provisions (non-current)

Variance due to the reduction of the provisions at year end.

62.40 Rates and service charges

The negative variance was due to the under collection in the electricity revenue which was due to illegal.

62.41 Transfers and subsidies - Operational and capital

The negative variance was due to not receiving an allocation for EPWP labour intensive grant in 2025.

62.42 Interest

The positive variance is due to the high interest raised on the high debtors book.

60.43 Other revenue

The negative variance is due to the cash outflow from the decrease in the VAT receivable.

60.44 Suppliers and employees

The positive variance is because the budgeted increment on employee's salaries was not paid.

60.45 Finance costs

The variance is due to the high interest charged by Eskom on the Eskom Arrears and the interest on the landfil site.

60.46 Transfers and subsidies

The municipality did not pay the SPCA component of the grant and subsidy as there is no more SPCA agreement with the municipality.

62. Budget differences (continued)

60.47 Purchase of property, plant and equipment

The variance is due to the unspent portion of the disaster grant and Department of Transport.

60.48 Proceeds from disposal of property, plant and equipment

The item was not budgeted for.

60.49 Movement in finance leases

The item was not budgeted for as per the MBRR.