KUMKANI MHLONTLO
LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996).
Nature of business and principal activities	Provision of services to the community as prescribed by the Local Government: Municipal Structures Act (Act No. 117 of 1998) and the Constitution of the Republic of South Africa (Act No. 108 of 1996) as amended.
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007)
Mayor	Cllr M.G. Jara
Speaker	Cllr E. Pula
Whip of Council	Cllr N. Gcaba
Executive Committee	Cllr N.M. Mvanyashe
	Cllr. L. Dlova (Ward 11)
	Cllr S. Voko
	Cllr N. Sayiti
	Cllr S. Kahla (Ward 5)
	Cllr M. Funo
	Cllr N. Zikolo
	Cllr U. Socikwa
	Cllr M.N. Mpheleli
PR Councillors	Cllr M.R. Giyose
	Cllr V.G. Mazitshana
	Cllr Z. Makinana
	Cllr N. Mbujana
	Cllr B. Rasimeni
	Cllr B. Madikida
	Cllr N. Walaza
	Cllr Z. Nondaka
	Cllr M. Libazi
	Cllr K. Mpula
	Cllr L. Boyana
	Cllr S. Bontsa
	Cllr P. Tiwani
	Cllr S. Makhu

General Information

Councillors	Cllr S. Mngcotana (Ward 1) Cllr N. Ranga (Ward 2) Cllr S. Mbola (Ward 3) Cllr S. Sophangisa (Ward 4) Cllr M. Vunguvungu (Ward 6) Cllr T.S. Guga (Ward 7) Cllr V. Nododana (Ward 8) Cllr A. Nombewu (Ward 9) Cllr S. Mtwazi (Ward 10) Cllr S. Ntukuntezi (Ward 12) (MPAC Chairspeson) Cllr T. Tishana (Ward 13) Cllr B. Gigi (Ward 14) Cllr Z. Renene (Ward 15) Cllr B. Mthitshana (Ward 16) Cllr. M.P. Bontsa (Ward 17) Cllr T. Magugu (Ward 18) Cllr M. Jikijela (Ward 19) Cllr A.M. Thembela (Ward 20) Cllr N. Khemtshe (Ward 21) Cllr S.M. Hlanti (Ward 22) Cllr S. Hlekwa (Ward 23) Cllr B. Ntamo (Ward 24) Cllr N.V. Ncaphayi (Ward 25) Cllr C. Maqebula (Ward 26)
Traditional Leaders	Nkosi S. Mcelu Nkosi S.P. Bikwe
Grading of local authority	3
Audit Committee	Mr S. Nombembe - Chairperson Mr R. Vuzane - Risk Committee Chairperson Mr B. Khohliso Ms A. Ntanda Mr M. Litile - ICT Committee Chairperson
Acting Chief Finance Officer (CFO)	N.K Sibobi (Dismissed - 30 June 2025) M. Langa (Appointed 1st April 2025)
Accounting Officer	L. Ndabeni
Registered office	96 LG Mabindla Avenue Qumbu 5180
Business address	96 LG Mabindla Avenue Qumbu 5180
Postal address	5180 Qumbu 5180
Bankers	First National Bank - QUMBU
Auditors	Auditor General South Africa
Contact details	(043) 553 7000

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

COID	**Compensation for Occupational Injuries and Diseases**
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and I am responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility as 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 (GRAP) and the MFMA including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

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

Although the management is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements set out on pages 6 to 79 which have been prepared on the going concern basis, were approved and signed by the Accounting Officer on 21 November 2025.

X. Jikela
Acting Municipal Manager

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Statement of Financial Position as at 30 June 2025

Restated	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	6 763 412	230 919
Receivables from non-exchange transactions	4	5 371 568	2 872 016
VAT receivable	5	5 629 984	1 330 249
VAT Input accrual	6	4 817 790	1 570 917
Cash and cash equivalents	7	73 788 485	113 552 380
		96 371 239	**119 556 481**
Non-Current Assets			
Investment property	8	14 250 621	14 250 621
Property, plant and equipment	9	570 363 284	513 083 405
Intangible assets	10	24 183	42 137
		584 638 088	**527 376 163**
Total Assets		**681 009 327**	**646 932 644**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	33 982 899	22 437 868
VAT Payable (SARS accrual)	12	6 971 740	68 884
Employee benefit obligation	13	18 529 592	17 580 531
Unspent conditional grants and receipts	14	7 629 911	28 524 062
		67 114 142	**68 611 345**
Non-Current Liabilities			
Employee benefit obligation	13	8 791 975	6 938 762
Provisions	15	7 854 582	6 343 161
		16 646 557	**13 281 923**
Total Liabilities		**83 760 699**	**81 893 268**
Net Assets		**597 248 628**	**565 039 376**
Accumulated surplus		597 248 628	565 039 376

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* See Note 46

Statement of Financial Performance

Restated	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	4 086 431	2 491 302
Construction contracts	17	21 015 022	12 203 262
Rental of facilities and equipment	18	45 328	49 626
Agency services	19	1 129 610	1 242 354
Licences and permits	20	1 281 114	1 294 173
Gain on insurance recovery	27	3 664 734	-
Other income	21	272 726	155 310
Interest earned - Investments	22	8 961 014	11 063 763
Interest earned - Receivables	23	613 229	-
Gain on disposal of assets and liabilities	6	117 713	-
Fair value adjustments		-	8 327 000
Actuarial gains		-	1 064 974
Total revenue from exchange transactions		**41 186 921**	**37 891 764**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	44 940 212	33 460 823
Interest earned - Outstanding debtors	23	3 545 088	-
Transfer revenue			
Government grants & subsidies	25	346 831 486	297 392 605
Recoveries		19 866	451 015
Fines	26	461 449	688 993
Commision received		305 396	374 167
Public contributions and donations		125 721	-
Total revenue from non-exchange transactions		**396 229 218**	**332 367 603**
Total revenue	27	**437 416 139**	**370 259 367**
Expenditure			
Employee related costs	28	(108 593 249)	(104 609 006)
Remuneration of councillors	29	(23 263 328)	(21 858 437)
Depreciation and amortisation	30	(36 070 870)	(32 482 798)
Impairments loss	31	(2 633 448)	(2 542 483)
Construction contract expenditure	32	(21 015 022)	(11 618 261)
Finance costs	33	(772 805)	(740 583)
Lease rentals on operating lease	34	(3 260 292)	(1 085 866)
Debt Impairment	35	(32 120 978)	(17 558 334)
Bad debts written off		(225 337)	(711 333)
Contracted services	36	(31 793 048)	(21 683 596)
Transfers and subsidies	37	(10 305 174)	(9 120 179)
Loss on disposal of assets	38	-	(3 685 595)
Actuarial losses		(315 641)	-
Movement in (interest)/change in estimate on Landfill Site	15	(680 621)	(488 508)
General expenses	39	(135 306 761)	(157 755 989)
Total expenditure		**(406 356 574)**	**(385 940 968)**
Surplus (deficit) for the year		**28 804 133**	**(15 681 601)**

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* See Note 46

Statement of Changes in Net Assets

Restated	Accumulated surplus	Total net assets
Restated balance at 01 July 2023	**580 720 977**	**580 720 977**
Changes in net assets		
Deficit for the year	(15 681 601)	(15 681 601)
Total changes	(15 681 601)	(15 681 601)
Restated* Balance at 01 July 2024	**565 039 376**	**565 039 376**
Changes in net assets		
Surplus for the year	31 059 565	31 059 565
Total changes	31 059 565	31 059 565
Balance at 30 June 2025	**596 098 941**	**596 098 941**

Note(s)

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* See Note 46

Cash Flow Statement

Restated	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates taxes		14 281 197	18 585 375
Grants		342 340 253	321 381 172
Interest income		8 961 014	11 063 763
Other receipts		25 319 106	16 455 864
		390 901 570	367 486 174
Payments			
Employee costs		(128 878 165)	(125 135 772)
Suppliers		(207 405 423)	(195 968 514)
		(336 283 588)	(321 104 286)
Net cash flows from operating activities	41	**54 617 982**	**46 381 888**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(94 626 609)	(62 825 484)
Proceeds from sale of property, plant and equipment	9	244 732	2 614 715
Net cash flows from /(used in) investing activities		**(94 381 877)**	**(60 210 769)**
Net increase/(decrease) in cash and cash equivalents		**(39 763 895)**	**(13 828 881)**
Cash and cash equivalents at the beginning of the year		113 552 380	127 381 261
Cash and cash equivalents at the end of the year	7	**73 788 485**	**113 552 380**

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* See Note 46

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	1 807 000	1 427 000	**3 234 000**	4 086 431	**852 431**	N1
Construction contracts	-	-	-	21 015 022	**21 015 022**	N2
Rental of facilities and equipment	51 000	2 000	**53 000**	45 328	**(7 672)**	
Interest earned - Receivables	812 000	(1 000)	**811 000**	613 229	**(197 771)**	
Agency services	1 576 000	206 000	**1 782 000**	1 129 610	**(652 390)**	
Licences and permits	1 561 000	204 000	**1 765 000**	1 281 114	**(483 886)**	
Gain on insurance recovery	-	-	-	3 664 734	**3 664 734**	
Other income	126 269	16 000	**142 269**	272 726	**130 457**	N4
Interest received - investment	12 777 000	-	**12 777 000**	8 961 014	**(3 815 986)**	N6
Total revenue from exchange transactions	**18 710 269**	**1 854 000**	**20 564 269**	**41 069 208**	**20 504 939**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	37 887 000	(390 000)	**37 497 000**	44 940 212	**7 443 212**	N7
Interest earned - Property rates	4 434 000	-	**4 434 000**	3 545 088	**(888 912)**	
Transfer revenue						
Government grants & subsidies	342 174 000	2 075 000	**344 249 000**	346 831 486	**2 582 486**	N8
Public contributions and donations	-	-	-	125 721	**125 721**	N9
Fines, Penalties and Forfeits	1 759 000	215 000	**1 974 000**	461 449	**(1 512 551)**	N10
Commission received	-	-	-	305 396	**305 396**	N11
Recoveries	-	-	-	19 866	**19 866**	
Total revenue from non-exchange transactions	**386 254 000**	**1 900 000**	**388 154 000**	**396 229 218**	**8 075 218**	
Total revenue	**404 964 269**	**3 754 000**	**408 718 269**	**437 298 426**	**28 580 157**	
Expenditure						
Personnel	(121 854 000)	(853 000)	**(122 707 000)**	(108 593 249)	**14 113 751**	N12
Remuneration of councillors	(22 935 000)	-	**(22 935 000)**	(23 263 328)	**(328 328)**	N13
Depreciation and amortisation	(49 435 000)	(1 395 000)	**(50 830 000)**	(36 070 870)	**14 759 130**	N14
Impairment loss/ Reversal of impairments	-	-	-	(2 633 448)	**(2 633 448)**	N15
Construction contracts expenditure	-	-	-	(21 015 022)	**(21 015 022)**	N16
Finance costs	-	-	-	(772 805)	**(772 805)**	N16
Lease rentals on operating lease	-	-	-	(3 260 292)	**(3 260 292)**	N17
Debt Impairment	(15 553 000)	(760 000)	**(16 313 000)**	(32 120 978)	**(15 807 978)**	N18
Bad debts written off	-	-	-	(225 337)	**(225 337)**	
Contracted Services	(41 971 000)	(18 296 000)	**(60 267 000)**	(31 793 048)	**28 473 952**	N19
Transfers and Subsidies	(2 500 000)	-	**(2 500 000)**	(10 305 174)	**(7 805 174)**	
General Expenses	(94 155 000)	(34 475 000)	**(128 630 000)**	(135 306 761)	**(6 676 761)**	N20
Total expenditure	**(348 403 000)**	**(55 779 000)**	**(404 182 000)**	**(405 360 312)**	**(1 178 312)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Restated	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating surplus	**56 561 269**	**(52 025 000)**	**4 536 269**	**31 938 114**	**27 401 845**	
Loss on disposal of assets	-	-	-	117 713	**117 713**	N21
Actuarial gains/losses	-	-	-	(315 641)	**(315 641)**	
Movement in (interest)/change in estimate on Landfill Site	-	-	-	(680 621)	**(680 621)**	49.23
	-	**-**	**-**	**(878 549)**	**(878 549)**	
Surplus (Deficit) for the year	**56 561 269**	**(52 025 000)**	**4 536 269**	**31 059 565**	**26 523 296**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Restated	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	4 116 000	-	**4 116 000**	6 763 412	**2 647 412**	N25
Receivables from non-exchange transactions	(1 254 000)	4 434 000	**3 180 000**	5 371 568	**2 191 568**	N26
VAT receivable	(9 453 000)	(6 951 000)	**(16 404 000)**	5 629 984	**22 033 984**	N27
Other current assets	26 381 000	6 951 000	**33 332 000**	-	**(33 332 000)**	
VAT Input accrual	-	-	-	4 817 790	**4 817 790**	N27
Cash and cash equivalents	121 016 000	(63 207 000)	**57 809 000**	73 788 485	**15 979 485**	N28
	140 806 000	**(58 773 000)**	**82 033 000**	**96 371 239**	**14 338 239**	
Non-Current Assets						
Investment property	5 983 000	-	**5 983 000**	14 250 621	**8 267 621**	N29
Property, plant and equipment	567 550 000	7 797 000	**575 347 000**	570 363 284	**(4 983 716)**	N30
Intangible assets	2 016 000	-	**2 016 000**	24 183	**(1 991 817)**	N31
	575 549 000	**7 797 000**	**583 346 000**	**584 638 088**	**1 292 088**	
Total Assets	**716 355 000**	**(50 976 000)**	**665 379 000**	**681 009 327**	**15 630 327**	
Liabilities						
Current Liabilities						
VAT Payable (SARS accrual)	1 702 000	-	**1 702 000**	6 971 740	**5 269 740**	
Payables from exchange transactions	18 057 000	804 000	**18 861 000**	33 982 899	**15 121 899**	N33
Employee benefit obligation	3 713 000	-	**3 713 000**	27 321 567	**23 608 567**	N34
Unspent conditional grants and receipts	5 120 000	-	**5 120 000**	7 629 911	**2 509 911**	N35
Provisions	27 385 000	-	**27 385 000**	7 854 582	**(19 530 418)**	41.36
	55 977 000	**804 000**	**56 781 000**	**83 760 699**	**26 979 699**	
Total Liabilities	**55 977 000**	**804 000**	**56 781 000**	**83 760 699**	**26 979 699**	
Net Assets	**660 378 000**	**(51 780 000)**	**608 598 000**	**597 248 628**	**(11 349 372)**	
Net Assets						
Accumulated surplus	660 378 000	(51 780 000)	**608 598 000**	597 248 628	**(11 349 372)**	All above

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Restated	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates taxes	23 039 000	(593 000)	**22 446 000**	10 257 622	**(12 188 378)**	N40
Service charges	1 102 000	1 001 000	**2 103 000**	-	**(2 103 000)**	N41
Grants - Capital and Operating	342 174 000	2 075 000	**344 249 000**	334 487 971	**(9 761 029)**	N42
Interest income	12 777 000	-	**12 777 000**	8 957 117	**(3 819 883)**	49.43
Other receipts	5 812 000	983 000	**6 795 000**	14 891 761	**8 096 761**	N45
	384 904 000	**3 466 000**	**388 370 000**	**368 594 471**	**(19 775 529)**	
Payments						
Employee costs and suppliers	(246 871 000)	(70 240 000)	**(317 111 000)**	(309 856 893)	**7 254 107**	N46
Net cash flows from operating activities	**138 033 000**	**(66 774 000)**	**71 259 000**	**58 737 578**	**(12 521 422)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(111 549 000)	(17 789 000)	**(129 338 000)**	-	**129 338 000**	49.50
Net increase/(decrease) in cash and cash equivalents	26 483 000	(84 562 000)	**(58 079 000)**	(39 767 792)	**116 816 578**	All above
Cash and cash equivalents at the beginning of the year	124 982 000	-	**124 982 000**	113 552 380	**(11 429 620)**	49.52
Cash and cash equivalents at the end of the year	**151 465 000**	**(84 562 000)**	**66 903 000**	**73 784 588**	**105 386 958**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Restated						

Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and have been explained below.

STATEMENT OF FINANCIAL PERFORMANCE

N1 Variance is due to underbudgeting in service charges.I

N2 Variance is trivial and immaterial.

N3 Variance is due to under collection in agency services as a result of loadshedding in the first half of the financial year.

N4 Variance is due to under collection in agency services as a result of loadshedding in the first half of the financial year.
N5 Variance is trivial and immaterial.

N6 Interest received on investments increased due to the increased cash investments by the municipality.

N7 Variance is as a result of revenue forgone which was not budgted for correctly.

N8 Variance is trivial and immaterial.

N10 Fines, penalties and forfeits were underbudgeted.

N12 Underspending on employee costs.

N13 Variance is due to salary increment for councillor not been corrected adjusted for in the budget.

N14 Budget was compiled using the fixed asset register before considering the change in estimates and othe depreciation factors.

N15 Budget was compiled using the fixed asset register before considering impairments.

N16 Finance costs not budgeted for.

N17 Leases are budgted for under general expenditure.

N18 Debt impairment is as a result of an increase in debtors in the current year and less collection in revenue.

N19 Overbudgeting on contracted services. Some of the items budgeted for under contracted services were general expenditure items.

N20 The variance is caused by repairs and maintenance on rural that were budgted for under General expnediture, however, a portion of that amount was capitalised at year-end..

N21 The municipality budgted for a Gain on disposal of assets instead it made a loss hence the variance.

N22 Actuatial gain or losses not budgeted for.

N23 Movement in (interest)/change in estimate on Landfill Site not budgeted for.

STATEMENT OF FINANCIAL POSITION

N25 The variance is due receivables from exchange transactions and receivables from non-exchange transactions being budgeted together as consumer debtors on the budget document.
N26 The variance is due to less collection of revenue in the current year which resulted in a huge increase in debt impairment provision and less net receivables.

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

N27 Variance is Trivial and Immaterial.
N28 Cash and cash equivalents variance is due to the municipality having spent more that was initial thought.

N29 Variance is Trivial and immaterial.

N30 Variance is Trivial and immateria.

N31 Intangible assets cost was not budgeted for.

N33 The variance is due to an increase in Retentions and accruals at year end.

N34 The variance is due to provisions and Employee benefit obligation being budgted for under one line-item in the budget and disclosed separately in the AFS.

N35 The variance is due to Disaster Relief Grant which was received on 29 February 2024, thus resulting in Unspent conditional grant and subsidies.

N38 The variance is due to provisions and Employee benefit obligation being budgted for under one line-item in the budget and disclosed separately in the AFS.

N39 The variance is due to provisions and Employee benefit obligation being budgted for under one line-item in the budget and disclosed separately in the AFS.

CASH FLOW STATEMENT

N40 The variance is due to additional schools that were valued and billed.

N41 Low collection on refuse removal due to rural nature of the municipality.

N42 Variance is due to overbudgeting.

N43 Interest received on investment increased to the saving on equitable share that was generating increase.

N44 Variance is trivial and immaterial.

N46 Employee costs and payments of suppliers are budgeted in one place on the budget and the actuals in the financial statements were splitted for GRAP Financial compliance.

N50 Purchase of Property, Plant and Equipment was overbudgeted.

N52 Variance is due to the saving on equitable share expenditure and additional MIG funding that was received by the municipality.

s 15 to 30 and the notes on pages 31 to 79 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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 period, except for the changes set out in note 33 Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern.

1.3 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 receivables is calculated on a individual basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

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 15 - Provisions.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

The impairment of consumer debtors and other trade receivables exists predominantly due to the posibility that these debts will not be recovered. Receivables were assessed individually where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.
In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The impairment is calculated by calculating historic payments ratios for the individual assets and by assuming that the future payment ratios would be similar to the historic payment ratios.
In determining the recoverability of receivables from non-exchange and receivables from exchange transactions the municipality considers any change in the credit quality of the debtor from the date that credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of debtors impairment.

1.4 Investment property

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.

Fair value

Subsequent to initial measurement, investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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1.5 Property, plant and equipment

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.

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.

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

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

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

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

Item	Depreciation method	Average useful life
Infrastructure:		
Roads, paving, kerbs, slabs, gabions, signs, guard rails	Straight line	10-50 years
Stormwater, culverts, grid inlets	Straight line	10-50 years
Electrical, LV Networks, High Mast Lights, Street Lights	Straight line	30-40 years
Bridges	Straight line	50-80 years
Community:		
Recreational facilities etc	Straight line	10-50 years
Cemeteries, perimeter protection, security	Straight line	20-25 years
Halls, steel cover, protections	Straight line	10-50 years
Libraries, footpaths, diesel tanks etc	Straight line	10-50 years
Centres, slabs, containers, plastics	Straight line	15-50 years
Other property, plant and equipment:		
Vehicles, trucks, buses, tractors, trailers	Straight line	4-15 years
Machinery and equipment	Straight line	5-7 years
Furniture and office equipment	Straight line	[illegible]
Computer equipment, printers, machines	Straight line	4-8 years
Landfill sites	Straight line	10-50 years

1.5 Property, plant and equipment (continued)

Land	Not depreciated	Not depreciated
Buildings:		
Municipal offices, training centres, motor gates	Straight line	10-50 years

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

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

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

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

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

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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1.6 Intangible assets (continued)

Item	Amortisation method	Average useful life
Computer software	Straight line	3-6 years

1.7 Financial instruments

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
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial assets measured at fair value

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

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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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.

1.8 Statutory receivables

Identification

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1.8 Statutory receivables (continued)

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

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Subsequent measurement

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

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

Impairment losses

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

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.

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.

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1.8 Statutory receivables (continued)

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

Derecognition

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

the rights to the cash flows from the receivable are settled, expire or are waived;

the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer.

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

1.9 Leases

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.10 Impairment of cash-generating assets

Identification

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

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

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

1.10 Impairment of cash-generating assets (continued)

Value in use

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.

Cash-generating units

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

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

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

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.

Accounting Policies

1.11 Impairment of non-cash-generating assets

Identification

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

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

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

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.

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

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

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Accounting Policies

1.12 Employee benefits (continued)

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the municipality during a reporting period, the municipality recognise 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, an municipality recognise 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.

1.13 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.

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1.13 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an municipality:

has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

necessarily entailed by the restructuring; and
not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

the amount that would be recognised as a provision; and
the amount initially recognised less cumulative amortisation.

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

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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 in the commitments note to the financial statements.

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

Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Accounting Policies

1.14 Commitments (continued)

Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Measurement

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

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. .

Interest

Revenue arising from the use by others of entity assets yielding interest 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.

1.16 Revenue from non-exchange transactions

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

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

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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.

Fines

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

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

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

1.17 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).

1.17 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred in bullet points 2, 3 and 4 of the definition of "allocation" otherwise than in accordance with any conditions of allocation; or
- a grant by the municipality otehrwise than in accordance with this Act.

Accounting Policies

1.19 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure must be disclosed in the note to the annual financial statements.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been avoided had reasonable care been exercised..

All expenditure relating to fruitless and wasteful expenditure must be disclosed in the note to the annual financial statements.

1.21 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

(a) expenditure incurred by the municipality in contravention of, or not in accordance with, a requirement of this Act, and has not been condoned in terms section 170;
(b) expenditure incurred by the municipality in contravention of, or not in accordance with a requirement of the municipal Systems Act, and which ha not been condoned n terms of that Act;
(c) expenditure incurred by the municipality in contravention of, or that is not in accordance with a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by the municipality in contravention of, or not in accordance with., a requirement of supply chain management policy of the municipality, or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure is recognised when a payment is made.

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.

1.22 Segment information

A segment is an activity of an entity:

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

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

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

The Municipality uses the Municipal Vote (Departmental) as Primary, secondary and tertiary levels.

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Accounting Policies

1.22 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.

1.23 Budget information

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.

1.24 Related parties

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

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

Notes to the Annual Financial Statements

Restated	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
GRAP 104 (amended): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
IGRAP 21: The effect on past decisions on materiality	April 1, 2025	Unlikely there will be a material impact

3. Receivables from exchange transactions

	2025	2024
Refuse Removal	20 302 087	16 153 872
Allowance for Impairment	(20 011 393)	(15 983 816)
Housing debtor (Human Settlement)	2 747 121	-
Prepaid expenses	60 863	60 863
Insurance receivable	3 664 734	-
	6 763 412	**230 919**

Summary of debtors by customer classification:

Households		
Current (0-30 days)	542 763	264 670
31 - 60 days	530 597	262 222
61 - 90 days	262 590	130 052
91 - 120 days	260 489	130 006
121 - 365 days	13 682 587	11 120 395
	15 279 026	**11 907 345**

Commercial/Business

Current (0 - 30 days)	114 207	108 070
31 - 60 days	105 071	100 590
61 - 90 days	51 808	50 148
91 - 120 days	51 602	48 290
121 - 365 days	3 466 183	2 848 639
	3 788 871	**3 155 737**

Notes to the Annual Financial Statements

Restated	2025	2024

3. Receivables from exchange transactions (continued)

National and provincial government

Current (0 - 30 days)	30 234	32 613
31 - 60 days	26 636	29 145
61 - 90 days	12 201	13 028
91 - 120 days	12 201	12 072
121 - 365 days	1 099 700	1 003 932
	1 180 972	**1 090 790**

Total

Current (0 - 30 days)	687 204	405 353
31 - 60 days	662 304	391 957
61 - 90 days	326 599	193 228
91 - 120 days	324 292	190 369
121 - 365 days	18 248 471	14 972 965
Less: Allowance for impairment	(20 011 393)	(15 983 817)
	237 477	**170 055**

Fair value of Receivables from exchange transactions

Trade and other receivables	237 477	170 055

The fair value of trade and other receivables from exchange transactions approximates their carrying amount.

Trade and other receivables past due but not impaired

The normal credit term for the municipality is 90 days. At 30 June 2025, receivables of R2 055 729 (2024: R737 926) were past due but not impaired.

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

1 month past due	687 204	245 975
2 months past due	679 991	245 975
3 months past due	688 534	245 975

Reconciliation of allowance for impairment

Opening balance	15 983 817	14 347 222
Provision for impairment	4 027 576	1 636 595
	20 011 393	**15 983 817**

No debtors have been pledged as a collateral.

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Notes to the Annual Financial Statements

Restated	2025	2024

4. Receivables from non-exchange transactions

Consumer debtors - Rates	119 885 180	89 230 166
Payroll debtors	290 664	422 344
Traffic Fines	3 033 808	2 964 188
Allowance for impairment - Rates	(114 504 850)	(87 656 708)
Allowance for impairment - Traffic Fines	(3 333 234)	(2 087 974)
	5 371 568	**2 872 016**

Summary of debtors by customer classification:

Households		
Current (0 - 30 days)	818 935	552 114
31 - 60 days	772 282	537 173
61 - 90 days	380 543	266 803
91 - 120 days	375 045	261 415
121 - 365 days	30 798 007	21 454 020
	33 144 812	**23 071 525**

Industrial/Commercial

Current (0 - 30 days)	914 016	420 885
31 - 60 days	697 834	352 191
61 -90 days	293 738	175 610
91 -120 days	293 738	173 734
121 - 365 days	27 754 978	23 979 920
	29 954 304	**25 102 340**

Rates

National and provincial government

Current (0 - 30 days)	-	39 640
31 - 60 days	-	93 238
61 - 90 days	-	15 584
91 - 120 days	12 962	15 584
121 - 365 days	54 841 599	40 892 255
	54 854 561	**41 056 301**

Total

Current (0 - 30 days)	1 732 951	1 012 639
31 - 60 days	1 470 116	982 602
61 - 90 days	674 281	457 996
91 - 120 days	681 745	450 733
121 - 365 days	113 394 584	86 326 195
Less: impairment	(114 504 850)	(87 656 708)
	3 448 827	**1 573 457**

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Sundry debtors

Traffic fines	3 033 808	2 964 188
Payroll debtors	290 664	422 344
Less: impairment	(2 581 322)	(2 087 974)
	743 150	**1 298 558**

Restated	2025	2024

4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Included in Receivables from non-exchange transactions are statutory receivables of 2025: R3 448 827 (2024: 1 573 457) Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R5 106 784 (2024: R2 558,62) were past due but not impaired.

1 month past due	1 732 951	2 559
2 month past due	1 650 975	-
3 month past due	1 722 858	-

Reconciliation of allowance for impairment - Rates

Opening balance	87 656 707	72 035 019
Provision for impairment	26 852 143	15 621 688
	114 508 850	**87 656 707**

No debtors have been pledged as a collateral.

5. VAT receivable

Transaction(s) arising from statute

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

The municipality accounts for VAT on the accrual basis of accounting thus giving rise to statutory receivables in terms of GRAP108.

VAT	5 629 984	1 330 249

An amount of R29 294 865 has been received in the current year and therefore recoverability of the amount receivable from SARS is not remote.

6. VAT Input accrual

VAT input control	4 817 790	1 570 917

VAT is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. VAT provision / accrual tracs VAT invoiced but not yet received from customers or paid to suppliers.

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	3 379	3 200
Bank balances	4 409 415	1 579 160
Short-term deposits	69 375 691	111 970 020
	73 788 485	**113 552 380**

There are no cash and cash equivalents pledged as collateral by the municipality.

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 - Business Call account Revolving Fund: 61399068117	60 153 267	80 988 931	112 546 485	60 153 267	80 988 931	112 546 485
FNB - Business NSTD call: Equitable share: 62027945809	795 804	714 063	118 478	795 804	714 063	118 478
FNB - Public Sector Cheque - Gqunu Lots: 62020395390	557 306	557 306	558 449	557 306	557 306	558 449
FNB - Public Sector Cheque Account - MIG: 62170844221	46 243	162 098	142 147	46 243	162 098	142 147
FNB - Commercial Call Account - FMG: 62280641244	64 421	14 421	14 421	64 421	14 422	14 421
FNB - Commercial Call Account - LED: 62075571713	1 197 101	1 197 101	1 197 101	1 197 101	1 197 101	1 197 101
FNB - Commercial Call Account - EPWP GRANT: 62075570137	18 699	52 699	52 699	18 699	52 699	52 699
FNB - Commercial Money Market Investment - Housing Projects: 62280645345	11 230	734 183	734 183	11 230	734 183	734 183
FNB - Money Market Investment: MDR Grant - 62280642416	4 111 260	25 045 515	5 108 276	4 111 260	25 045 515	5 108 276
FNB - Maturity Notice - Electrifiction program: 74638477254	77 391	46 927	139 740	77 391	46 927	139 740
FNB - Public Sector Cheque Account - Main Account: 62023382526	3 259 378	1 472 837	4 135 356	4 409 415	1 579 160	4 251 020
FNB - Public Sector Cheque Account - DOT: 62869688617	2 342 968	2 428 166	2 514 934	2 342 968	2 456 777	2 514 934
Cash on hand	-	-	-	3 379	3 200	3 327
Total	**72 635 068**	**113 414 247**	**127 262 269**	**73 788 484**	**113 552 382**	**127 381 260**

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Restated	2025	2024

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14 250 621	-	14 250 621	14 250 621	-	14 250 621

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	14 250 621	14 250 621

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	5 982 621	(59 000)	8 327 000	14 250 621

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 properties have been pledged as securities.

Details of valuation

Valuations was performed by an independent valuer not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The municipality performed a fair value adjustment in the value of properties in the current year 2023/24. The independent valuer is Henk Butler.

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9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 065 591	-	14 065 591	14 065 591	-	14 065 591
Buildings	71 142 134	(22 202 259)	48 939 875	71 142 134	(20 141 331)	51 000 803
Strategic asset	3 294 733	(306 319)	2 988 414	3 294 733	(255 314)	3 039 419
Infrastructure	1 487 449 357	(1 176 729 573)	310 719 784	1 400 801 972	(1 146 552 989)	254 248 983
Community	62 976 862	(30 702 243)	32 274 619	61 137 468	(28 393 892)	32 743 576
Other property, plant and equipment	50 078 071	(18 146 481)	31 931 590	46 819 536	(14 137 990)	32 681 546
Work in progress	124 387 764	-	124 387 764	120 765 568	-	120 765 568
Landfill Site	9 685 312	(4 629 665)	5 055 647	8 854 512	(4 316 593)	4 537 919
Total	**1 823 079 824**	**(1 252 716 540)**	**570 363 284**	**1 726 881 514**	**(1 213 798 109)**	**513 083 405**

Notes to the Annual Financial Statements

Restated

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposal through Derecognition	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	14 065 591
Buildings	51 000 803	-	-	-	(2 060 928)	-	48 939 875
Strategic asset	3 039 419	-	-	-	(51 005)	-	2 988 414
Infrastructure	254 248 983	18 261 420	-	68 385 965	(29 262 424)	(914 160)	310 719 784
Community	32 743 576	1 839 394	-	-	(1 543 900)	(764 451)	32 274 619
Other assets	32 681 546	3 153 484	(127 019)	-	(2 822 193)	(954 228)	31 931 590
Work-in-progress	120 765 568	72 008 161	-	(68 385 965)	-	-	124 387 764
Landfill site	4 537 919	830 801	-	-	(313 073)	-	5 055 647
	513 083 405	**96 093 260**	**(127 019)**	**-**	**(36 053 523)**	**(2 632 839)**	**570 363 284**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposal through Derecognition	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	14 065 591	-	-	-	-	-	-	14 065 591
Buildings	53 051 198	90 000	(27 681)	-	-	(2 112 714)	-	51 000 803
Strategic asset	3 090 565	-	-	-	-	(51 146)	-	3 039 419
Infrastructure	245 163 556	13 924 345	(51 687)	-	22 201 785	(25 456 019)	(1 532 997)	254 248 983
Community	37 652 021	-	(2 318 546)	-	-	(1 665 655)	(924 244)	32 743 576
Other assets	36 336 382	3 100 193	-	(3 847 484)	-	(2 863 908)	(43 637)	32 681 546
Work-in-progress	95 470 945	47 496 408	-	-	(22 201 785)	-	-	120 765 568
Landfill Site	4 703 222	170 800	-	-	-	(294 510)	(41 593)	4 537 919
	489 533 480	**64 781 746**	**(2 397 914)**	**(3 847 484)**	**-**	**(32 443 952)**	**(2 542 471)**	**513 083 405**

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Notes to the Annual Financial Statements

Restated	2025	2024

9. Property, plant and equipment (continued)

The below capital projects are included in the above work-in-progress:

Project 1 - Tsolo bulk storm water Phase Two
Start date:
Planned completion date:
The project was delayed due to scarcity of concrete supply due to bulk supply to SANRAL who was constructing the N2 road..

	2025	2024
- Cost to date	12 831 561	12 399 952

Project 2 - Qumbu Sports field
Start Date: 19 November 2018
Planned completion date: 29 November 2019
The contract was terminated due to the poor performance of the contractor.

	2025	2024
Cost to date	28 067 317	28 067 317

Project 3 - Tsolo Sports Field
Start Date: 01 November 2018
Planned completion date: 20 November 2019
Revised completion date: 31 December 2020
Challenges were associated the disaster that washed away some of the work that was completed, differences between the joint venture parties and the delays in delivery of materials.

	2025	2024
Cost to date	16 918 064	10 841 689

Project 4 - Mvumelwano Sports Field
Start Date: 23 October 2017
Planned completion date: 23 February 2019
Revised completion date: 30 November 2020
The project had been delayed by the variances from the original scope that needed additional funding which delayed to be approved by council.

	2025	2024
Cost to date	18 580 846	18 580 846

Project 5 - Vehicle Testing Centre
Start Date: 23 October 2017
Planned completion date: 23 February 2019
Revised completion date: 30 November 2020
The project was not budgted for in 2024/2025 Financial period. Phase 2 of the project will commence in the 2026/2027 Financial period.

	2025	2024
Cost to date	4 115 443	4 115 443

Notes to the Annual Financial Statements

Restated	2025	2024

9. Property, plant and equipment (continued)

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

	2025	2024
Project 6 - Construction of a steel warehouse for brick making incubator Start Date:11 September 2019 Completion date:30 June 2020 Revised completion date: 30 June 2025 The project was delayed by Covid-19 and thereafter consultant was terminated and it took plenty of time to appoint another consultant as the contractor also passed away. The project will be completed in the 2025/2026 financial year.	2 071 055	1 906 745
Project 7 - Tsolo Waste Transfer Station Start Date: July 2022 The project has not started , still on design stage. The delays are due to budget contraints	846 673	846 673
Project 8 - Weigh Bridge Start Date:10 October 2019 Original Completion date:30 June 2020 Revised Completion date: N/A The project were delayed due to COVID-19 and later budget constrains.	782 609	782 609
Project 9 - Building Entrace - Tsitsa Falls Start Date:15 July 2014 Planned Completion date:30 June 2015 The contract was terminated due to the poor performance of the contractor. Budget contraints put project on hold	490 800	490 800
Project 9 - Ablution Facility Tsitsa Falls Start Date:25 July 2019 Planned Completion date:30 June 2020 The project were delayed due to COVID-19 and later budget constrains..	182 090	182 090
Project 10 - Bajodini Ablution Facility Start Date:25 July 2019 Planned Completion date:30 June 2020 The project were delayed due to COVID-19 and later budget constrains	177 090	177 090

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Restated	2025	2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	51 465 887	69 299 681	-	120 765 568
Additions/capital expenditure	78 860 493	12 161 309	1 087 200	92 109 002
Transferred to completed items	(86 647 385)	(1 839 394)	-	(88 486 779)
	43 678 995	**79 621 596**	**1 087 200**	**124 387 791**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	32 167 792	63 303 149	95 226 502
Additions/capital expenditure	55 423 849	5 996 532	61 664 820
Transferred to completed items	(36 125 754)	-	(36 125 754)
	51 465 887	**69 299 681**	**120 765 568**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2025	2024
Repairs and maintenance	41 581 277	64 407 722

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 properties have been pledged as securities.

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	116 223	(92 040)	24 183	116 223	(74 086)	42 137

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	42 137	(17 954)	24 183

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	80 985	(38 848)	42 137

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Notes to the Annual Financial Statements

Restated	2025	2024

11. Payables from exchange transactions

Trade payables	2 829 590	5 238 852
Retention	13 059 497	11 592 846
Payments received in advance	481 471	845 106
Unallocated deposits	2 244 225	1 468 532
Creditor Accruals	14 447 455	3 051 880
Department of Transport	920 661	240 652
	33 982 899	**22 437 868**

12. VAT Payable (SARS Accrual)

SARS Accrual	6 971 731	68 885

VAT is payable/refundable on the receipts/payment basis. Only once payment is received from debtors, payment made to creditors, VAT is paid over/received from to SARS. At year end, the municipality is a net receiver and has off set the receivable.

VAT Payable relates to INEP output vat from prior years that was never declared by the .

VAT is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. VAT provision / accrual tracs VAT invoiced but not yet received from customers or paid to suppliers.

13. Employee benefit obligation

Bonuses
Bonuses are paid out to all employees, excluding some senior managers, in the month of their birthdays each year and are based on a 13th monthly basic salary.

Defined Benefit Plan

Long service awards
The obligation in respect of the long service awards is valued every year by independent qualified actuaries.The last actuarial valuation was performed on 30 June 2025 by One Pangaea Financial using the Projected Unit Credit Method. Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Current service costs

Current service cost	674 119	991 215

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Notes to the Annual Financial Statements

13. Employee benefit obligation (continued)

Other assumptions

The valuation basis assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 6.46% less than the corresponding discount rate in the long term. The effect of one percent increase or decrease in salary inflation rates is as follows:
Cost trends rates would have the followings:

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

	2025 R	2024 R	2023 R	2022 R	
Defined benefit obligation	8 791 975	7 396 737	7 136 764	7 932 937	-

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
LED	15 000	15 000
Library Assistance Grant	3 073 000	-
SETA Training Grants	-	480 000
EPWP DEDEAT	44 439	-
Municipal Disaster Relief Grant	4 064 390	25 025 050
Department of Transport (Surface road rehabilitation fund)	429 070	3 000 000
Human Settlements Graduate stipend Grant	4 012	4 012
	7 629 911	**28 524 062**

Movement during the year

	2025	2024
Balance at the beginning of the year	28 143 606	5 120 495
Additions during the year	94 145 509	105 547 173
Income recognition during the year	(114 659 204)	(82 143 606)
	7 629 911	**28 524 062**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Notes to the Annual Financial Statements

Restated	2025	2024

13. Employee benefit obligation (continued)

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

	2025	2024
Carrying value		
Bonus accrual	2 115 249	2 016 466
Leave pay accrual	16 414 343	15 106 090
Long service awards	8 791 975	7 396 737
	27 321 567	**24 519 293**
Non-current liabilities	(8 791 975)	(6 938 762)
Current liabilities	(18 529 592)	(17 580 531)
	(27 321 567)	**(24 519 293)**

Reconciliation of employee benefits - 2025	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	2 016 466	98 783	-	2 115 249
Leave pay accrual	15 106 090	1 384 368	(76 115)	16 414 343
Long service awards	7 396 737	1 762 565	(367 327)	8 791 975
	24 519 293	**3 245 716**	**(443 442)**	**27 321 567**

Reconciliation of employee benefits - 2024	Opening balance	Additions	Utilised during the year	Total
Bonus accrual	1 840 153	176 313	-	2 016 466
Leave pay accrual	14 394 012	1 912 287	(1 200 209)	15 106 090
Long service awards	7 136 764	666 824	(406 851)	7 396 737
	23 370 929	**2 755 424**	**(1 607 060)**	**24 519 293**

Changes in the present value of the defined benefit obligation are as follows:

	2025	2024
Opening balance	7 396 737	7 136 764
Contributions by plan participants	(367 327)	(406 851)
Net expense recognised in the statement of financial performance	1 762 565	666 824
	8 791 975	**7 396 737**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	674 119	991 215
Past service cost	772 805	740 583
Interest cost	315 641	(1 064 974)
	1 762 565	**666 824**

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	9,28 %	10,78 %
Expected rate of return on assets	4,10 %	5,10 %
Expected rate of return on reimbursement rights	5,10 %	6,10 %
Actual return on reimbursement rights	3,98 %	4,42 %

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Notes to the Annual Financial Statements

Restated	2025	2024

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	6 343 161	830 800	680 621	7 854 582

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	5 854 653	488 508	6 343 161

Environmental rehabilitation provision

The rehabilitation cost provision is for the current operational site which is evaluated each year-end to reflect the best estimate at reporting date. The site under consideration is Qumbu landfill site. The valuation was performed by A.J. Bowers from EMS Advisory. Mr Bowers is a waste management specialist and professional engineer.

Key financial assumptions used were a CPI of 5.92%, a discount rate of 11.530% . The adjustment made to the discounting rate was made due to various risks pertaining to the specific landfill site which influences the cash flows and therefore the discounting rate.

The landfill site closure provision is calculated as the net present value of future cash flows based on the expected remaining life and on the size of the area that has been used for waste removal as at 30 June 2025.

16. Service charges

	2025	2024
Refuse Charges -Business	2 525 994	810 217
Refuse charges - Households	1 391 393	1 503 131
Refuse charges - Government	169 044	177 954
	4 086 431	**2 491 302**

17. Construction contracts

	2025	2024
Electrification - INEP	12 031 304	11 618 262
RDP Housing - Human settlements	6 408 776	585 000
DR08167 - Department of Transport	2 574 942	-
	21 015 022	**12 203 262**

18. Rental of facilities and equipment

	2025	2024
Facilities and equipment		
Commonage	42 812	36 194
Municipal Hall	2 516	13 432
	45 328	**49 626**

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19. Agency services

	2025	2024
Driver's Licences and vehicle registrations	1 129 610	1 242 354

Notes to the Annual Financial Statements

Restated	2025	2024

20. Licences and permits

Business licences	233 283	135 572
DLTC learners and drivers licences	1 047 831	1 158 601
	1 281 114	**1 294 173**

21. Other income

Advertising fees	91 688	90 122
Sundry income	146 729	28 493
Clearance certificates	506	44
Cemetery fees	26 575	31 827
Building plan fees	7 228	4 824
	272 726	**155 310**

22. Interest earned - Investments

Interest revenue		
Bank	8 961 014	11 063 763

23. Interest earned - Receivables

Interest - Receivables from exchange transactions (Service Charges)	613 229	-
Interest - Receivables from non-exchange transactions (Property rates)	3 545 088	-
	4 158 317	**-**

24. Property rates

Rates received

Residential	4 255 526	4 091 968
Commercial	11 194 765	5 631 922
Government	29 595 247	24 218 404
Small holdings and farms	682 294	262 944
Less: Income forgone	(787 620)	(744 415)
	44 940 212	**33 460 823**

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Valuations

Residential	203 576 345	421 769 000
Commercial	572 187 230	259 378 000
Government	1 066 102 501	879 081 000
Municipal	142 763 437	91 652 001
Small holdings and farms	299 164 001	271 699 003
Places of public worship	33 656 000	15 722 000
Vacant Land	50 604 301	14 992 000
Public Benefit Organisation	-	4 739 000
	2 368 053 815	**1 959 032 004**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Restated	2025	2024

25. Government grants and subsidies

Operating grants		
Equitable share	241 156 000	229 195 000
Library Assistance	1 102 000	550 000
Financial Management Grant	2 300 000	2 300 000
EPWP casual workers	1 966 000	1 754 000
EPWP DEDEAT	955 561	-
Human Settlements training grant	53 412	137 609
LG SETA Training Grant	1 669 853	1 070 046
	249 202 826	**235 006 655**
Capital grants		
Municipal Infrastructure Grant	51 631 000	48 947 000
Municipal Disaster relief Grant	45 997 660	13 438 950
	97 628 660	**62 385 950**
	346 831 486	**297 392 605**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	114 659 204	68 782 605
Unconditional grants received	241 156 000	229 195 000
	355 815 204	**297 977 605**

Municipal Infrastructure Grant

Current-year receipts	51 631 000	48 947 000
Conditions met - transferred to revenue	(51 631 000)	(48 947 000)
	-	-

LED

Balance unspent at beginning of year	15 000	15 000

There was no movement during the current financial period.

Finance Management Grant

Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	-	-

Notes to the Annual Financial Statements

Restated	2025	2024

25. Government grants and subsidies (continued)

Expanded Public Work Program

	2025	2024
Current-year receipts	1 966 000	1 785 000
Conditions met - transferred to revenue	(1 966 000)	(1 785 000)
	-	-

Library Assistance Grant

	2025	2024
Current-year receipts	4 175 000	550 000
Conditions met - transferred to revenue	(1 102 000)	(550 000)
	3 073 000	-

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

The municipality received an additional funding of R3 073 000 on the 31 March 2025 from the Department of Sports and Recreation. This amount is meant for repairs and maintenance on the Library infrastructure.

LG SETA

	2025	2024
Balance unspent at beginning of year	480 000	-
Current-year receipts	1 189 853	1 550 046
Conditions met - transferred to revenue	(1 669 853)	(1 070 046)
	-	**480 000**

Integrated Electrification Program

	2025	2024
Current-year receipts	13 836 000	13 361 000
Conditions met - transferred to revenue	(13 836 000)	(13 361 000)
	-	-

Expanded Public Works (DEDEAT)

	2025	2024
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(955 561)	-
	44 439	-

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Notes to the Annual Financial Statements

Restated	2025	2024

25. Government grants and subsidies (continued)

Municipal Disaster Relief/Recovery Grant

	2025	2024
Balance unspent at beginning of year	25 025 050	5 100 000
Current-year receipts	25 037 000	33 364 000
Conditions met - transferred to revenue	(45 997 660)	(13 438 950)
	4 064 390	**25 025 050**

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

The R25 037 000 was received in tranches and was supposed to run for 12 months starting from 1 October 2024 to 30 September 2025.

Department of Transport (Surface road rehabiliation Grant)

	2025	2024
Balance unspent at beginning of year	3 000 000	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(2 574 942)	-
	425 058	**3 000 000**

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

The municipality has signed a memorandum of understanding with the Department of Transport to act an implementing agent for the rehabiliation of the surface road N2 to Shawbury. Part of that memorandum of understanding included the department making a deposit in advance for professional fees.

Human Settlements Training Grant

	2025	2024
Balance unspent at beginning of year	4 012	5 495
Current-year receipts	49 400	148 075
Conditions met - transferred to revenue	(53 412)	(149 558)
	-	**4 012**

The department has placed a number of Graduate interns within the LED department in order to gain work experiance. This Grant is used to pay their stipends.

Human Settlements housing Grant

	2025	2024
Current-year receipts	3 669 679	585 400
Conditions met - transferred to revenue	(6 408 776)	(585 400)
	(2 739 097)	**-**

The municipality has signed a memorandum of understanding with Human Settlements to act an implementing agent on RDP houses to built within the jurisdiction of the municipality.

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Notes to the Annual Financial Statements

Restated	2025	2024

26. Fines, Penalties and Forfeits

Traffic Fines	139 240	526 500
Pound Sales	308 870	143 191
Pound fees	13 339	19 302
	461 449	**688 993**

27. Revenue

Service charges	4 086 431	2 491 302
Construction contracts	21 015 022	12 203 262
Rental of facilities and equipment	45 328	49 626
Interest received (trading)	613 229	-
Agency services	1 129 610	1 242 354
Licences and permits	1 281 114	1 294 173
Acturial gain/loss	-	1 064 974
Gain on insurance recovery	3 664 734	-
Fair value adjustments	-	8 327 000
Gain on dispoal of assets and liabilities	117 713	-
Other income	272 726	155 310
Interest received - investment	8 961 014	11 063 763
Property rates	44 940 212	33 460 823
Property rates - penalties imposed	3 545 088	-
Government grants & subsidies	346 831 486	297 392 605
Public contributions and donations	125 721	-
Fines, Penalties and Forfeits	461 449	688 993
Commission on payroll	305 396	374 167
Recoveries	19 866	451 015
	437 416 139	**370 259 367**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	4 086 431	2 491 302
Construction contracts	21 015 022	12 203 262
Rental of facilities and equipment	45 328	49 626
Interest received (trading)	613 229	-
Agency services	1 129 610	1 242 354
Licences and permits	1 281 114	1 294 173
Gain on insurance recovery	3 664 734	-
Actuarial gain/loss	-	1 064 974
Fair value adjustment	-	8 327 000
Gain on disposal of assets and liabilities	117 713	-
Other income	272 726	155 310
Interest received - investment	8 961 014	11 063 763
	41 186 921	**37 891 764**

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Notes to the Annual Financial Statements

Restated	2025	2024

27. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	44 940 212	33 460 823
Property rates - Interest earned	3 545 088	-
Transfer revenue		
Government grants & subsidies	346 831 486	297 392 605
Public contributions and donations	125 721	-
Fines, Penalties and Forfeits	461 449	688 993
Commission on payroll	305 396	374 167
Recoveries	19 866	451 015
	396 229 218	**332 367 603**

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Notes to the Annual Financial Statements

Restated	2025	2024

28. Employee related costs

	2025	2024
Basic	61 043 117	59 366 736
Bonus	5 078 429	4 527 497
Medical aid - company contributions	6 884 477	6 408 517
UIF	593 252	585 513
SDL	1 205 551	1 123 660
Other payroll levies	29 834	32 318
Leave pay provision charge	1 384 368	1 912 287
Backpay	1 344 612	59 465
Defined contribution plans	9 361 872	8 453 354
Travel allowance	11 003 153	10 378 625
Overtime payments	1 103 085	2 039 521
Long-service awards	429 924	991 215
Acting allowances	(18 345)	999 269
Housing benefits and allowances	3 551 250	3 314 898
Allowance- standby	2 531 055	2 125 447
Temporal employees	2 381 152	1 804 422
Allowance -cellphone	686 463	486 262
	108 593 249	**104 609 006**

Remuneration of Municipal Manager (Mr L. Ndabeni)

	2025	2024
Basic salary	667 901	722 531
Backpay	55 901	50 381
Car allowance	166 975	305 429
Contribution to Medical and Pension Funds	42 300	61 086
Residential allowance	180 333	61 086
	1 113 410	**1 200 513**

Remuneration of Chief Financial Officer (Ms. N.K Sibobi)

	2025	2024
Basic salary	730 276	155 772
Backpay	14 058	-
Car allowance	168 525	45 331
Contribution to Medical and Pension Funds	41 341	9 066
Residential allowance	182 007	9 066
	1 136 207	**219 235**

Ms N.K Sibobi was dissmised Chief Financial on the 30 June 2025.

Remuneration of Senior Manager - Corporate Services (Ms. T.T Madotyeni)

	2025	2024
Basic salary	337 050	113 862
Backpay	9 372	-
Car allowance	81 595	13 599
Contributions to UIF, Medical and Pension Funds	108 795	18 133
Leave Pay	58 604	-
	595 416	**145 594**

Ms T.T. Madotyeni resigned on the 05 January 2025 as Senior Manager: Corporate services.

Restated	2025	2024

28. Employee related costs (continued)

Remuneration of Senior Manager - Infrastructure Services (Ms. Z. Petse)

	2025	2024
Basic salary	537 374	654 152
Backpay	56 231	58 362
Car allowance	181 268	271 902
Contributions to UIF, Medical and Pension Funds	27 561	54 381
Residential allowance	121 338	54 381
Leave Pay	387 161	-
	1 310 933	**1 093 178**

Ms Z. Petse resigned in March 2025 as the Senior Manager: ISD.

Remuneration of Senior Manager - Community Services (Mr. M. Sineke)

	2025	2024
Basic salary	720 887	155 772
Backpay	14 058	-
Car allowance	168 525	27 198
Contributions to UIF, Medical and Pension Funds	223 349	36 265
	1 126 819	**219 235**

Remuneration of Senior Manager - Local Economic Development (Mr. S.C. Ntinzi)

	2025	2024
Acting allowance	5 384	-
Basic salary	674 101	113 862
Backpay	9 372	-
Car allowance	168 525	13 599
Contributions to UIF, Medical and Pension Funds	223 349	18 133
	1 080 731	**145 594**

Mr S.C. Ntinzi was appointed Acting Senior Manager: ISD on the 1st April 2025.

Restated	2025	2024

29. Remuneration of councillors

	2025	2024
Mayor	1 069 041	1 002 349
Speaker	863 990	811 535
Whip of Council	813 009	763 833
Executive Committee Members	5 510 188	5 172 890
Ordinary Councillors	15 007 100	12 277 556
	23 263 328	**20 028 163**

Mayor		
Basic salary	941 578	914 763
Backpay	80 459	40 794
Cell allowance	43 200	43 004
Data allowance	3 804	3 788
	1 069 041	**1 002 349**

Speaker		
Basic salary	565 009	548 859
Backpay	63 640	32 931
Cell allowance	43 200	43 004
Data allowance	3 804	3 788
Car allowance	188 337	182 953
	863 990	**811 535**

Whip of council		
Basic salary	529 639	514 556
Backpay	59 820	30 967
Cell allowance	43 200	43 004
Data allowance	3 804	3 788
Car allowance	176 546	171 519
	813 009	**763 834**

Executive committee		
Basic Salary	3 739 015	3 504 962
Backpay	361 754	213 496
Cell allowance	385 200	379 836
Data allowance	33 919	33 458
Car allowance	990 300	1 041 138
	5 510 188	**5 172 890**

Ordinary councillors		
Basic salary	9 367 052	8 969 016
Backpay	961 868	539 043
Car allowance	1 684 800	2 798 280
Cell allowance	148 356	1 655 654
Data allowance	2 845 024	145 838
	15 007 100	**14 107 831**

Notes to the Annual Financial Statements

Restated	2025	2024

29. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Speaker and Chief Whip have use of a Council owned vehicle for official duties. The Mayor has three full-time bodyguards and the Speaker has three full-time bodyguards.

The accounting officer confirms that the salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

30. Depreciation and amortisation

	2025	2024
Property, plant and equipment	36 052 916	32 443 951
Intangible assets	17 954	38 847
	36 070 870	**32 482 798**

31. Impairment of assets

	2025	2024
Impairments		
Property, plant and equipment	2 633 448	2 542 483

32. Construction contract expenditure

	2025	2024
Electrification - INEP	12 031 304	11 618 262
RDP Housing - Human settlement	6 408 776	58 500
DR08167 - Department of Transport	2 574 942	-
	21 015 022	**11 676 762**

2025	**Cost incurred to date**	**Recognised surplus(less deficit) to date**
Electrification - INEP	12 031 304	-
RDP Housing - Human settlements	6 408 776	-
DR08167 - Department of Transport	2 574 942	-
	21 015 022	**-**

2024	**Cost incurred to date**	**Recognised surplus(less deficit) to date**
Electrification - INEP	11 618 261	-
RDP Housing - Human settlements	585 000	-
	12 203 261	**-**

The municipality recieves INEP grant which it uses to construct the electricity network around Kumkani Mhlontlo area, these assets do not belong to the municipality. They belong to Eskom, thus their expenditure is expense when incurred instead being capitalised.

The municipality also has a service level agreement with the department of transport to contruct the N2 to Shawbury Tar road,however that road belongs to the Department of Transport not the municipality. It is still at the planning stage.

The municipality has a service level agreement with the Department of human settlements to build RDP houses on behalf of the department.

Notes to the Annual Financial Statements

Restated	2025	2024

33. Finance costs

Interest on long service awards	772 805	740 583

34. Lease rentals on operating lease

Contractual amounts	3 260 292	1 085 866

35. Debt impairment

Consumer debtors and traffic fines	32 120 978	17 558 334

36. Contracted services

Security Services	16 335 611	11 724 783
Consultants and Professional Services		
Business and Advisory services	-	142 000
Legal Cost	15 457 437	9 816 813
	31 793 048	**21 683 596**

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Notes to the Annual Financial Statements

Restated	2025	2024

37. Transfers and subsidies

Other subsidies		
Indigent Subsidy	10 305 174	9 120 179

The municipality subsidises indigent households with Free basic electricity of 50kW per month or provider alternative energy in the form of 20L of paraffin per quarter.

38. Loss on disposal of assets

Gains or losses arising from a change in fair value less point of sale costs	-	3 689 671

39. General expenses

Advertising	904 436	1 679 879
Animal Feed	392 401	55 755
Audit committee expenses	1 174 337	729 942
Audit fees (Refer to note 27)	6 241 088	4 659 285
Bank Charges	188 589	160 652
Cleaning	1 721 555	946 045
Conferences and seminars	44 762	-
Consulting and professional fees	4 606 248	3 813 766
Consumables/Cemetery tagging	1 009 964	1 119 471
EPWP stipends	9 398 511	5 591 858
Electricity purchases	3 313 708	2 647 404
Entertainment and catering	4 003 523	4 555 410
Fines and penalties	24 794	-
Fuel and oil	2 109 720	3 028 844
Hiring charges	8 651 640	14 145 276
Social facilitation	1 339 988	1 097 328
Agricultural development	4 266 019	5 801 543
Insurance	636 711	854 562
Medical expenses	-	112 253
Motor vehicle expenses	304 389	266 282
Office expenses	45 658	51 253
Pound claims	28 111	30 395
Printing and stationery	3 502 985	2 329 270
Protective clothing	672 922	(303 856)
Repairs and maintenance	41 715 371	65 885 722
Software expenses	5 550 291	3 379 840
SMME Support	2 758 832	1 381 254
Subscriptions and membership fees	1 429 558	2 518 002
Survey and Planning	2 034 973	2 064 126
Telephone and fax	5 687 797	7 629 795
Tourism development	718 500	1 591 416
Training	3 613 823	5 599 744
Travel - local	8 080 601	6 343 373
Ward committee stipend	9 134 956	7 990 100
	135 306 761	**157 755 989**

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40. Auditors' remuneration

Fees	6 241 088	4 659 285

Notes to the Annual Financial Statements

Restated	2025	2024

41. Cash generated from operations

	2025	2024
Surplus (deficit)	31 059 565	(15 681 601)
Adjustments for:		
Depreciation and amortisation	36 070 870	32 482 798
Loss on sale of assets and liabilities	(117 713)	3 685 595
Fair value adjustments	-	(8 327 000)
Impairment reversal/loss on assets	2 633 448	2 542 483
Debt impairment	32 120 978	17 558 334
Bad debts written off	225 337	711 333
Movements in employee benefit obligations	2 802 274	1 148 364
Movements in provisions	680 000	488 508
Movement in tax receivable and payable	(19 866)	-
Increase in provisions relating to employee cost	(772 805)	(740 583)
Actuarial loss	315 641	(1 064 973)
Other non-cash items	(3 970 130)	(374 167)
Changes in working capital:		
Receivables from exchange transactions	(6 532 493)	(653 915)
Receivables from non-exchange transactions	(28 742 968)	(17 776 256)
Payables from exchange transactions	11 545 031	6 627 660
VAT	(406 984)	2 351 741
Unspent conditional grants and receipts	(20 894 151)	23 403 567
Movement in provisions	(1 378 052)	-
	54 617 982	**46 381 888**

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42. Risk management

Financial risk management

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

Liquidity risk

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

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

Credit risk

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

Trade receivables are amounts owed by consumers and are presented net of impairment losses. The municipality's constitutional mandate compels the municipality to provide minimum basic services to all its residents without recourse of creditworthiness.

The municipality endeavours to collect all its debts by sending monthly invoices, and levying of penalties. All rates and services accounts are payable within 30 days from invoice date.

Cash and cash equivalents consist of short term investments, the primary bank account and petty cash of the municipality. Short term investments are held at First National Bank.

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

Financial instrument	2025	2024
Cash and cash equivalents	73 788 485	113 552 380
Receivables from exchange transactions	6 763 412	230 919
Receivables from non-exchange transactions	290 664	422 344

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The municipality is not exposed to commodity price risk as it does not hold commodities on an open market platform.

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43. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	6 763 412	6 763 412
Receivables from non-exchange transactions	-	290 664	290 664
Cash and cash equivalents	73 788 485	-	73 788 485
	73 788 485	**7 054 076**	**80 842 561**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	33 982 899	33 982 899

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	230 919	230 919
Receivables from non-exchange transactions	-	422 344	422 344
Cash and cash equivalents	113 552 380	-	113 552 380
	113 552 380	**653 263**	**114 205 643**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	22 437 867	22 437 867

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Restated	2025	2024

44. Contingent assets and Liabilities

TDH Tsolo Junction vs Mhlontlo Local Municipality (Case No: 463/20) The plaintiff is suing the Municipality for breach of contract. This is contractual dispute case where TDH I suing the municipality an amount of R50 000 000.	50 000 000	50 000 000
Municipality vs Buhlungu (Case No.3561/20) The respondents unlawfully manufacturing building blocks and building materials at ERF 641 causing nuisance.	200 000	200 000
Municipality vs Lizomac Architecture (Case No.4322/20) The plaintiff is suing the municipality for breach of contract. This is an action matter were the plaintiff is suing the municipality for breach of contract for an amount of R243 278,73.	543 279	543 279
Municipality vs Fundiswa Ngebe (Case No. 2170/20) The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The plaintiff is claiming an amount of R244 000.	544 000	544 000
Zukisani Msawenkosi vs Mhlontlo Local Municipality (Case No: 2173/20) The plaintiff is suing the Municipality for unlawfully demolishing of their property for an amount of R234 000.	534 000	534 000
Kumkani Mhlontlo vs Likhona Saul (Case No. 2176/20) The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The plaintiff is claiming an amount of R400 000.	700 000	700 000
Municipality vs Nandipha Delihlazo (Case No. 2177/20) The plaintiff is suing the Municipality for unlawfully demolishing of their properties. The plaintiff is claiming an amount of R400 000.	428 431	428 431
Municipality vs Zwelixolile Matinize (Case No. 1471/20) The applicant brought an ex parte interdict against Mhlontlo Local Municipality from demolishing his structure built at Farm Mbuto Administrative Area. Part A has been successfully rescinded on 12th August 2021. Part B of the review is pending before Court.	300 000	300 000
Thando Mgaweni & Others vs Mhlontlo Local Municipality(Case No: 3127/2021) This is a review application against the decision of the Municipality to replace District representatives.	500 000	500 000
Municipality vs Fikiswa Eusenhell Mihla ERF 214 (Case No. 1753/2022) This is an application brought by the Municipality to Demolishing and Excavate and remove all rubble in the property situated within its municipal's jurisdiction. To prevent unlawful conduct done within those abandoned property.	300 000	300 000
Municipality vs Zidalele Eric Nyembe (Case No. 1752/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Sogenge Richard Ntizi (Case No. 1756/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Memka John (Case No. 1755/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000

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Notes to the Annual Financial Statements

Restated	2025	2024

44. Contingent assets and Liabilities (continued)

Municipality vs Hubert Veli Mangxaba (Case No. 1754/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Tunzi Dorothy Noluthando (Case No. 1750/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Sindiso Rum (Case No. 1758/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Mpehle Grace Ntomboxolo (Case No. 1759/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Mhlanga Justice Memka (Case No. 1757/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Janet Botya (Case No. 1751/2022) This is an application brought by the Municipality to demolishing, excavate and remove all rubble in the property situated within its jurisdiction. To prevent unlawful conduct done within those abondoned properties.	300 000	300 000
Municipality vs Zwelixolile Matinise & Ntlangano Project Cc (Case No. 96/21) This is an application against the Applicant Zwelixolile Matinise & 1st Respondent Ntlangano Project CC. Land cliams, Eviction proceedings, Demolishing Structures.	300 000	300 000
Bongithemba Props Pty Ltd vs The municipality (ERF 159) Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
Kantoor Family Trust Pty Ltd vs The Municipality (ERF 116) Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
An & AT Potelwa Family Trust vs The Municipality (ERF 129) Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
Jame Kobi vs The Municipality (ERF 193)) Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
Property owner (ERF 627) vs The Municipality Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
Property owner (ERF 629) vs The Municipality Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000

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Restated	2025	2024
44. Contingent assets and Liabilities (continued)		
Property owner (ERF 625) vs The Municipality Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
Property owner (ERF 631) vs The Municipality Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
Property owner (ERF 628) vs The Municipality Land Matters: Land cliams, Eviction proceedings, Demolishing Structures. Awaiting for the allocation of a date from the court.	300 000	300 000
One Grid Projects vs The Municipality (Case No. 727/20) The Plaintiff is suing the Municipality for the breach of contract. The was on roll on the 7th December 2021 to comple the municipality to file the discovery affidavit. The Plaintiff is claiming the money that was paid to the Respondent for the work that has not done. The total value for the specified work, including vat, was amount sued is R 27 879 372.95)	2 000 000	2 000 000
Mhlontlo Encroachments This is an application for illegal encroachment of the land of the Municipality. The occupant does not the title deeds	500 000	500 000
Pumzile Nomfenge vs The Municipality (Case No. 2651/2018) The municipality is sued for the breach of contract. The amount sued is R 871 771-55. Rule 30 Notice was served and filed by the Plaintiff and was no response since then.	500 000	500 000
Malibongwe Mfobo & other vs The Municipality (Case No. 1997/20) This is an application for illegal encroachment of the land of the municipality. The occupant does not have the title deeds. The matter went to court and the eviction order was granted. Sheriff was instructed to serve the court orders to the illegal occupiers. Matter is finalised.	-	500 000
Florence Jojo & Others vs The Municipality (Case No. 2178/2020) This is an action proceeding wherein the plaintiff is suing the Municipality for the demolishing of her house. She demanded the payment being the value of the house. The matter is still in the pleading stage.	2 000 000	2 000 000
Mzuvukile Ngeke & others vs Kumkani Mhlontlo local Municipality (Case No. 11/2019) This is an application for interdict and restraining from demarcating, sub dividing, developing any structure of any nature of the land.	1 000 000	1 000 000
F.N. Themba & Others vs Kumkani Mhlontlo local Municipality This is an application for unlawful occupiers on the Municipality's land.	500 000	500 000
Spar/Shoprite/Usave & others vs Kumkani Mhlontlo local Municipality This was a complaint that was laid by the numerous residents and business owners about sewerage and spillages around the town of Qumbu.	-	500 000
Enye Mapatwana & Ors vs Kumkani Mhlontlo local Municipality (Case No. 2917/2013) This is a matter for illegal occupiers of the land in qumbu. The Matter was heard on the 13 June 2024 before Justice Majiki J. The matter was removed from the roll pending the withdrawal notice from the respond's attorneys.	500 000	500 000

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Notes to the Annual Financial Statements

Restated	2025	2024

44. Contingent assets and Liabilities (continued)

	2025	2024
Thumeka Mabono vs Kumkani Mhlontlo local Municipality (Case No: 184/2024) The applicant instituted review application proceedings in the Labour Court, Gqeberha. The matter concerns a dispute arising from the appointment of an individual to a position within the municipality. The applicant alleges that the municipality acted unfairly by appointing Xolisa Mpatane to the position and contends that she was the most suitable and deserving candidate for promotion. The applicant referred the dispute to the relevant bargaining council for arbitration. At the arbitration hearing, the respondent raised a jurisdictional point, arguing that the Commissioner lacked the necessary jurisdiction to entertain the dispute. The matter was dismissed by the Commissioner in favour of the respondent. The applicant has since lodged an application at the Labour Court in Gqeberha. The applicant is yet to set the matter down for any appearance at the Labour Court.	1 000 000	700 000
Loyiso Yalezo vs Mhlontlo Local Municipality (Case No: 808/2025) This is a matter where the applicant instituted an application against the respondent for the review of the termination of his employment contract. The matter was heard on an urgent basis on 1 April 2025 in the Makhanda High Court before Moloney AJ. The application was dismissed with each party to pay their own costs. The matter is currently being appealed by the applicant. The application for leave to appeal was dismissed with costs at the Makhanda High Court on 6 June 2025. They have now referred the matter to the Supreme Court of Appeal which is being opposed by our office.	3 000 000	-
Thembelani Phembeshiya & Others vs Mhlontlo LM & Others (Case No: 4482/2024) The applicant brought a 2 part application, part A, seeking an interim interdict pending the finalisation of part B of the application. Part A challenges a resolution taken by the municipality appointing the 3rd respondent (N Sibobi) as the CFO. Part A of the application was heard at the Mthatha High Court before Mhambi AJ and it was dismissed with no order as to costs. Part B was set down by the applicant's attorneys for hearing in October 2025.	3 000 000	-
Mthembu Mvelase & One Grid vs Mhlontlo Local Municipality & Others (Case No: 4659/2023) This is an application brought by the applicants' attorneys seeking the court to order the offer of settlement made by Mr N Mtshabe of NZ Mtshabe Inc on behalf of the respondent and accepted by the applicant, to be made a valid and binding settlement agreement. The application was opposed and was heard before the Mthatha High Court and the matter was dismissed with costs.	2 000 000	-
EFF vs Kumkani Mhlontlo local Municipality (Case No. 983/2021) EFF requests that the wearing of their red regalia be allowed by the Municipality in that the court should rule the resolution which bared them from wearing their red regalia be declared as unconstitutional.	825 000	750 000
Batabile Costruction vs Kumkani Mhlontlo local Municipality (Case No. 865/2020) Batabile Construction was being sued by Telkom for cutting their lines and Batabile claims that Mhlontlo LM is to be blamed , however we managed to succeed in misjoinder of Mhlontlo LM.	99 000	90 000
Upper Ndwana community & Others vs Kumkani Mhlontlo local Municipality (Case No. 978/2022) This matter with many others that follow emanate from the people who have no houses. They claim that the Municipaity must build houses for them. The matter is being processed on the basis that the Municipality is not responsible for building houses, this the terrain of the Department of Housing and Human Settlements	1 485 000	1 350 000
	78 158 710	**70 639 710**

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45. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Mayor	Cllr M.G. Jara
Speaker	Cllr E. Pula
Whip of Council	Cllr N. Gcaba
Executive Councillors	Cllr L. Dlova (Ward 11) Cllr S. Voko Cllr N. Sayiti Cllr N.M. Mvanyashe Cllr M. Fune Cllr N. Zikolo Cllr S. Kakha (Ward 5) Cllr U. Socikwa Cllr M. N. Mpheleli
PR Councillors	Cllr M.R. Giyose Cllr V.G. Mazitshana Cllr Z. Makinana Cllr N. Mbunjana Cllr B. Rasimeni Cllr B. Madikida Cllr N. Walaza Cllr Z. Nondaka Cllr M. Libazi Cllr K. Mpula Cllr L. Boyana Cllr S. Bontsa Cllr N. Tiwani Cllr S. Makhu
Councillors	Cllr S. Mngcotana (Ward 1) Cllr N. Ranga (Ward 2) Cllr S. Mbola (Ward 3) Cllr S. Sophangisa (Ward 4) Cllr M. Vunguvungu (Ward 6) Cllr T.S. Guga (Ward 7) Cllr V. Nododana (Ward 8) Cllr A. Nombewu (Ward 9) Cllr S. Mtwazi (Ward 10) Cllr S. Ntukuntezi (Ward 12) Cllr T. Tishana (Ward 13) Cllr B. Gigi (Ward 14) Cllr Z. Renene (Ward 15) Cllr B. Mthishana (Ward 16) Cllr M.P. Bontsa (Ward 17) Cllr T. Magugu (Ward 18) Cllr M. Jikijela (Ward 19) Cllr A.M. Thembela (Ward 20) Cllr N. Khemtshe (Ward 21) Cllr S.M. Hlanti (Ward 22) Cllr S. Hlekwa (Ward 23) Cllr M. Ntamo (Ward 24) Cllr N.V. Ncaphayi (Ward 25) Cllr C. Maqebula (Ward 26)
Traditional Leaders	Nkosi S. Mcelu Nkosi S.P. Bikwe

45. Related parties (continued)

Members of key management	
Municipal Manager	Mr. L. Ndabeni
Chief Financial Officer	Ms N.K. Sibobi (Dismissed 30 June 2025)
Senior Manager: Infrastructure services	Ms. Z. Petse (Resigned in March 2025)
Senior Manager:Corporate services	Ms. T.T. Madotyeni (Resigned in January 2025)
Senior Manager: Local Economic Development	Mr. S.C. Ntinzi
Senior Manager: Community Services	Mr N.M. Sineke

There were no related party transactions. Apart from the remuneration, no further transactions occurred with councillors and section 56 managers. Refer to Note 26 & 27.

Notes to the Annual Financial Statements

46. Prior period errors

The current year comparatives have been adjusted as follows

Statement of Financial Position	Previously stated	Adjustment	Reclassifications	Restated Balance
Property, plant and equipment	514 099 275	(1 015 870)	-	513 083 405
VAT Receivable	2 832 282	(1 502 033)	-	1 330 249
VAT Input accrual	-	1 570 917	-	1 570 917
VAT Payables (SARS accruals)	-	(68 884)	-	(68 884)
	516 931 557	**(1 015 870)**	**-**	**515 915 687**

Property, plant and Equipment
Work-in-progress was overstated by an amount of R1 066 523,15 which was relating to repairs and maintance of access roads and should have been expenditure. That error has now been corrected.

Work-in-progress was also understated by an amount of R50 652,56 relating to the construction of incubator. This amount should have been capitalised, however it was erroneously expensed.

VAT Receivable/
VAT is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. VAT provision / accrual tracks VAT invoiced but not yet received from customers or paid to suppliers. This has been reclassified.

VAT Payables (SARS Accruals)
VAT is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. VAT provision / accrual tracks VAT invoiced but not yet received from customers or paid to suppliers. This has been reclassified

Statement of Financial Performance	Previously Stated	Adjustment	Reclassification	Restated Balance
Service charges	2 570 004	(78 702)	-	2 491 302
Property rates	35 798 206	(2 337 383)	-	33 460 823
Construction contract expenditure	-	-	(11 618 261)	(11 618 261)
Transfers and subsidies	(20 738 440)	-	11 618 261	(9 120 179)
Contracted Services	(21 541 596)	-	(142 000)	(21 683 596)
General Expenditure	(157 065 426)	-	(690 563)	(157 755 988)
	(160 977 252)	**(2 416 085)**	**(832 563)**	**(164 225 899)**

Transfers and subsidies
There has been a reclassification from Transfers and subsidies to Construction contract expenditure expenditure.

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Restated	2025	2024

47. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	12 479 476	10 554 476
Opening balance restated	-	-
Add: Expenditure identified - current	-	1 925 000
Less: Approved/condoned/authorised by council	(12 479 476)	-
Closing balance	**-**	**12 479 476**

The council approved a write-off during the 2024/25 financial year.

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

	2025	2024
Cash	-	1 925 000

Analysed as follows: non-cash

	2025	2024
Legal Fees	-	1 925 000

No unauthorised expenditure was identified in the 2024/2025 Financial year.

48. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	18 875 850	17 842
Opening balance	**18 875 850**	**17 842**
Add: Expenditure identified - prior period	-	18 875 850
Less: Amount written off - current	-	(17 842)
Closing balance	**18 875 850**	**18 875 850**

Fruitless and wasteful expenditure incurred of R18 875 850 relates long outstanding projects (Qumbu sports field and Tsolo sports). The projects have been vandalised and some materials stolen.

All registers from prior year Fruitless and wasteful expenditure were submitted to MPAC for investigation.

49. Irregular expenditure

	2025	2024
Opening balance as previously reported	42 265 890	28 947 289
Opening balance as restated	**42 265 890**	**28 947 289**
Add: Irregular Expenditure - current	10 592 188	13 329 101
Less: Amounts recoverable - current	(27 600)	(10 500)
Less: Amount written off - current	(6 717 126)	-
Closing balance	**46 113 352**	**42 265 890**

Details of irregular expenditure

The municipal recovered an amount of R27 600 in the current financial year which relates to prior year amount deemed irregular by AG.

All register were submitted to MPAC for investigation during the 2024/25 Financial year.

The MPAC committee has recommended that irregular expenditure of R6 717 126 be written off in the current finanial year. The remaining irregular expenditure is still being investigated by the committee.

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Restated	2025	2024

50. Commitments

Already contracted for but not provided for

	2025	2024
Already contracted for but not provided for		
Property, plant and equipment	108 396 921	85 062 762

This committed capital expenditure relates to roads and other infrastructure developments, building of town halls and other goods and services and will be financed by available bank facilities, retained surpluses, as well as Grant funding and existing cash resources.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Current year subscription / fee	1 256 280	1 410 449
Amount paid - current year	(1 256 280)	(1 410 449)
	-	-

Audit fees

	2025	2024
Current year subscription / fee	6 241 088	4 659 285
Amount paid - current year	(6 241 088)	(4 659 285)
	-	-

PAYE, SDL and UIF

	2025	2024
Current year subscription / fee	23 055 812	21 207 367
Amount paid - current year	(23 055 812)	(21 207 367)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	19 869 382	25 930 003
Amount paid - current year	(19 869 382)	(25 930 003)
	-	-

VAT

	2025	2024
VAT receivable	5 629 984	1 330 249
VAT input accrual	4 817 790	1 570 917
	10 447 774	**2 901 166**

All VAT returns have been submitted throughout the year. SARS has paid all VAT claims and no penalties have been incurred in the current year.

Councillors' arrear consumer accounts

There were no councillors who had arrear accounts outstanding for more than 90 days at 30 June 2025:

Supply chain management regulations

There were no deviation in the current year.

52. Events after the reporting date

The municipality had the following adjusting event that ccured after reporting date.
- The main municipal building in Qumbu was damaged due to arson on the 1st June 2025. Subsquently the municipality claimed from the Insurance company and claim was approved in September 2025. The Insurance is going to settle 39% of the damages due to the building being under issured.
- The Insurance recievable has been disclosed in Receivables from exchange transactions
- The municipality manager was suspended in August 2025, although this has no barring on the preparation of the financial statements..

53. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 596 098 941 and that the municipality's total assets exceed its liabilities by R 597 248 628.

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

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54. Accounting by principals and agents

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

Details of the arrangment(s) are as follows:

The municipality acts an an agent for the Department of Transport whereby it administers the provision of motor vehicle licences and registrations as we as driver's licences. It receives compensation for these servcies based on binding arrangement with the department.

The municipality is the principal or agent. Refer to note 1.18 for significant judgement applied in making this assessment.

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 R1 827 754 (2024: R1 827 754).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

	2025	2024
Category 1 - Motor Vehicle Licences and Registrations		
Funds owing to the principal	920 661	240 652
All categories		
Funds owing to the principal	920 661	240 652

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55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of the following functional areas: Community and Social Services, Executive and council , Finance and administration, Planning and Development, Public Safety, Road Transport and Waste Management. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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

These reportable segments as well as the goods and/or services for each segment are set out below:
- Trading services (Refuse reomove and property rates) (Primary segment)
- Public safety and Community services (Secondary segment)
- Technical services, roads and transport (Tertiary segment)

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55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Revenue						
Revenue from exchange transactions						
Service charges	4 086 431	-	-	-	-	4 086 431
Rental of facilities and equipment	-	13 432	-	13 432	31 896	45 328
Agency services	-	1 129 610	-	1 129 610	-	1 129 610
Licences and permits	-	1 281 114	-	1 281 114	-	1 281 114
Construction contracts	-	-	-	-	21 015 022	21 015 022
Other income	-	31 827	-	31 827	240 899	272 726
Interest earned - investments	-	-	-	-	8 961 014	8 961 014
Interest earned - Receivables	613 229	-	-	613 229	-	613 229
Gain on insurance recovery	-	-	-	-	3 664 734	3 664 734
Gain on disposal of assets and liabilities	-	-	117 713	117 713	-	117 713
Revenue from non-exchange transactions						
Property rates	44 940 212	-	-	44 940 212	-	44 940 212
Government grants & subsidies	-	-	346 831 486	346 831 486	-	346 831 486
Interest earned - Outstanding debtors	3 545 088	-	-	3 545 088	-	3 545 088
Fines	-	461 449	-	461 449	-	461 449
Recoveries	-	-	-	-	19 866	19 866
Commision received	-	-	-	-	305 396	305 396
Public contributions and donations	-	-	-	-	125 721	125 721
Total municipal revenue	**53 184 960**	**2 917 432**	**346 949 199**	**398 965 160**	**34 364 548**	**437 416 139**
Municipality's revenue						**437 416 139**

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55. Segment information (continued)

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Expenditure						
Employee related costs	(16 557 555)	(16 369 525)	(13 769 124)	(46 696 204)	(61 720 907)	(108 417 111)
Remuneration of councillors	-	-	-	-	(23 263 328)	(23 263 328)
Depreciation and amortisation	-	-	(36 070 870)	(36 070 870)	-	(36 070 870)
Impairments loss	-	-	(2 633 448)	(2 633 448)	-	(2 633 448)
Finance costs	-	-	-	-	(772 805)	(772 805)
Lease rentals on operating lease	-	-	-	-	(3 260 292)	(3 260 292)
Debt Impairment	(32 120 978)	-	-	(32 120 978)	-	(32 120 978)
Bad debts written off	(225 337)	-	-	(225 337)	-	(225 337)
Contracted services	-	-	-	-	(31 815 084)	(31 815 084)
Transfers and subsidies	-	-	-	-	(10 305 174)	(10 305 174)
Construction contracts expenditure	-	-	-	-	(21 015 022)	(21 015 022)
Actuarial losses	-	-	-	-	(315 641)	(315 641)
Movement in (interest)/change in estimate on Landfill Site	-	-	-	-	(680 621)	(680 621)
General expenses	(3 109 282)	(3 018 283)	(74 328 531)	(80 456 096)	(76 744 311)	(131 498 872)
Total segment expenditure	**(52 013 152)**	**(19 387 808)**	**(126 801 973)**	**(198 202 933)**	**(229 893 185)**	**(403 035 226)**

Total municipality's surplus/(deficit)	
Total segment revenue	28 804 133
Total segment expenditure	398 965 160
Segment surplus (deficit) for the year	(198 202 933)
Municipality's surplus (deficit) for the period	**200 762 227**
	28 804 133

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55. Segment information (continued)

	Trading services (Primary segment)	Public safety and Community services (Secondary segment)	Technical services, Road and Transport (Tertiary segment)	Segment Total	Eliminations (Non-segment)	Total
Assets						
Receivables from exchange transactions	298 718	-	-	298 718	6 464 694	6 763 412
Receivables from non-exchange transactions	4 073 010	876 214	-	4 949 224	422 344	5 371 568
VAT Receivables	-	-	-	-	5 629 984	5 629 984
VAT input accrual	-	-	-	-	4 817 790	4 817 790
Cash and cash equivalents	-	-	-	-	73 788 485	73 788 485
Investment property	-	-	-	14 250 621	14 250 621	14 250 621
Property, plant and equipment	-	-	-	570 363 284	570 363 284	570 363 284
Intangible assets	-	-	24 183	24 183	-	24 183
Total assets	**4 371 728**	**876 214**	**24 183**	**589 886 030**	**675 737 202**	**681 009 327**
Total assets as per Statement of financial Position						**681 009 327**
Liabilities						
Payables from exchange transactions	-	-	(13 059 497)	(13 059 497)	(20 923 402)	(33 982 899)
Employee benefits	-	-	-	-	(27 321 567)	(27 321 567)
Unspent conditional grants	-	-	-	-	(7 629 911)	(7 629 911)
Provisions	-	-	-	-	(7 854 582)	(7 854 582)
VAT Payable (SARS accrual)	-	-	-	-	(6 971 740)	(6 971 740)
Total liabilities	**-**	**-**	**(13 059 497)**	**(13 059 497)**	**(70 701 202)**	**(83 760 699)**
Total segment assets						589 886 030
Total segment liabilities						(13 059 497)
Net segment assets						576 826 533
Municipalities' net assets						**597 248 628**

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55. Segment information (continued)

						Total
Revenue						
Revenue from exchange Transactions	2 491 302	-	-	2 491 302	-	2 491 302
Service charges						
Rental of facilities and equipment	-	13 432	-	13 432	36 194	49 627
Agency services	-	1 242 354	-	1 242 354	-	1 242 354
Licences and permits	-	1 158 601	-	1 158 601	135 572	1 294 173
Construction contract	12 203 262	-	-	12 203 262	-	12 203 262
Other income	-	31 827	-	31 827	123 482	153 310
Interest earned - Investments	-	-	-	-	11 063 763	11 063 763
FV adjustment	-	-	-	-	8 327 000	8 327 000
Actuarial gains	-	-	-	-	1 064 974	1 064 974
Revenue from non-exhange Transactions						
Property rates	33 460 823	-	-	33 460 823	-	33 460 823
Government grants and subsidies	31 514 313	42 996 914	106 860 830	181 372 057	116 605 548	297 977 605
Fines	-	688 993	-	688 993	-	688 993
Recoveries	-	-	-	-	451 015	451 015
Commision recieved	-	-	-	-	374 167	374 167
Total municipalities revenue	**79 669 700**	**46 132 121**	**106 860 830**	**232 662 651**	**138 181 715**	**370 259 367**
Municipality's revenue						**370 259 367**

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55. Segment information (continued)

						Total
Expenditure						
Employee related costs	(16 557 555)	(16 369 525)	(13 769 124)	(46 696 204)	(57 729 498)	(104 425 702)
Remunerations of councillors	-	-	-	-	(21 858 437)	(21 858 437)
Depreciation and amortisation	-	(1 628 073)	(25 792 187)	(27 420 260)	(5 062 538)	(32 482 798)
Impairment of assets	-	-	(2 542 483)	(2 542 483)	-	(2 542 483)
Finance costs	-	-	-	-	(740 583)	(740 583)
Lease rentals on operating lease	-	-	-	-	(1 085 866)	(1 085 866)
Debt impairment	(17 258 282)	(300 052)	-	(17 558 334)	-	(17 558 334)
Bad debts written off	(711 333)	-	-	(711 333)	-	(711 333)
Cotracted services	-	(11 724 583)	-	(11 724 583)	(9 959 013)	(21 683 596)
Transfers and subsidies	-	-	-	(9 120 179)	(9 120 179)	(9 120 179)
Loss on disposal of assets	-	-	-	-	(3 689 671)	(3 689 671)
Construction contract expenditure	-	-	-	(11 618 261)	(11 618 261)	(11 618 261)
Movement in (interest)/change in estimate on Landfill site	-	(488 508)	-	(488 508)	-	(488 508)
General expenses	(3 109 282)	(3 018 283)	(74 328 531)	(80 456 096)	(76 603 793)	(157 059 889)
Total expenditure	**(37 636 452)**	**(33 529 024)**	**(116 432 325)**	**(208 336 241)**	**(197 467 839)**	**(385 061 561)**
Total municipality's surplus/(deficit)						**(15 681 601)**
Total segment revenue						232 662 651
Total segment expenditure						(208 336 241)
Segment surplus (deficit) for the year						24 326 410
Municipality's surplus (deficit) for the period						**(15 681 601)**

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55. Segment information (continued)

						Total
Assets						
Receivables from exchange transactions	170 056	-	-	170 056	60 863	230 919
Receivables from non-exchange transactions	1 573 458	876 214	-	2 449 672	422 344	2 872 016
VAT Receivables	-	-	-	-	1 330 249	1 330 249
VAT Input accrual	-	-	-	-	1 570 917	1 570 917
Cash and cash equivalents	-	-	-	-	113 552 380	113 552 380
Investment property	-	-	-	-	14 250 621	14 250 621
Property, plant and equipment	4 537 919	32 868 375	250 717 779	288 124 073	225 975 202	514 099 275
Intangible assets	-	-	-	-	42 138	42 138
Total assets	**6 281 433**	**33 744 589**	**250 717 779**	**290 743 801**	**357 204 714**	**646 932 644**
Total assets as per Statement of financial Position						**646 932 644**
Liabilities						
Payables from exchange transactions	-	-	(11 592 846)	(11 592 846)	(10 845 022)	(22 437 868)
Employee benefit obligation	-	-	-	-	(24 519 293)	(24 519 293)
Unspent conditional grants and receipts	-	-	(25 025 050)	(25 025 050)	(3 499 012)	(28 524 063)
Provisions	-	(6 343 161)	-	(6 343 161)	-	(6 343 161)
VAT Payable (SARS accrual)	-	-	-	-	(68 884)	(68 884)
Total liabilities	**-**	**(6 343 161)**	**(36 617 896)**	**(42 961 057)**	**(38 932 211)**	**(81 893 269)**
Total segment assets						290 743 801
Total segment liabilities						(42 961 057)
Total segments net assets						247 782 744
Total liabilities as per Statement of financial Position						**565 039 376**

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55. Segment information (continued)

Measurement of Specific information

The accounting policies of the respective segments are the same as the prescribed in the summary of accounting policies and therefore the basis of measurement between the segment reporting and the annual financial statements are consistent

The municipality has no changes to the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from prior year.

The municipality's has aggregated some of its reportabel segment (Secondary and Tertiary segments) as they share similar economic activity.

Basis of accounting for transactions between reportable segments

The non-segment included above is the reconciliation between totals of segment revenues, reported segment surplus or deficit, segment assets and segment liabilities to the corresponding municipality amounts as per the statement of financial performance and statement of financial position.

Geographic Segment Reporting

Although the municipality's operations in a number of geographic areas (i.e. wards) in and around Qumbu and Tsolo area, the geographic information is not considered relevent to management decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the municipality has assessed that it operates in a single geographic area.

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