uMdoni Municipality
Annual financial statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	The primary function of Umdoni Local Municipality is to provide basic services i.e. refuse, roads and stormwater facilities within the municipality's jurisdiction.
Mayoral committee	
Mayor	Cllr MJ Cele - Luthuli
	Cllr PE Thabethe (Deputy Mayor)
	Cllr ME Mbutho (Speaker)
	Cllr P Naidoo (Exco Member)
	Cllr ZZ Duma (Exco Member)
	Cllr GS Jiji (Exco Member)
Councillors	Cllr SD Mdluli (Exco Member)
	Cllr S Mzelemu
	Cllr JM Ndlela
	Cllr S Sookharaj
	Cllr LR Dlamini
	Cllr RB Bhoola
	Cllr PN Nombika
	Cllr MA Khan
	Cllr MJ Ngubo
	Cllr S Mahomed
	Cllr TN Ndlovu
	Cllr MP Tenza
	Cllr SN Mlaba
	Cllr WS Mthwane
	Cllr TM Msomi
	Cllr BA Cele
	Cllr ZKW Jeza
	Cllr MA Mbanjwa
	Cllr SEH Mngoma
	Cllr Z Molife
	Cllr SV Khanyile
	Cllr NL Nkomo
	Cllr S Zulu
	Cllr KP Khumalo
	Cllr CN Gumede
	Cllr RG Ngcobo
	Cllr MR Madlala
	Cllr GM Phungula
	Cllr AT Cutten
	Cllr NS Shezi
	Cllr Rs Maharaj
	Cllr QT Mzimela
Chief Financial Officer (CFO)	Mr TL Mketsu
Accounting Officer	Ms NK Dweba
Registered office	Cnr Bram Fischer and Williamson Streets Scottburgh 4180 www.umdoni.gov.za
Business address	Cnr Bram Fischer and Williamson Streets

General Information

	Scottburgh 4180
Postal address	P O Box 19 Scottburgh 4180
Bankers	Standard Bank
Auditors	Auditor General of South Africa Registered Auditors

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer are 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 have been examined by the municipality's external auditors and their report is presented on page 5.

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

Accounting Officer
Ms NK Dweba

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	149 379 264	146 398 454
Receivables from exchange transactions	3	30 642 618	22 607 432
Receivables from non-exchange transactions	4	73 931 269	62 651 843
Operating lease asset	5	146 979	181 654
		254 100 130	**231 839 383**
Non-Current Assets			
Investment property	6	7 118 150	7 511 458
Property, plant and equipment	7	658 350 480	656 382 946
Intangible assets	8	36 496	70 909
Heritage assets	9	261 011	261 011
		665 766 137	**664 226 324**
Total Assets		**919 866 267**	**896 065 707**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	60 128 900	59 211 739
Unspent conditional grants and receipts	11	11 527 723	6 935 351
Employee benefit obligation	12	2 156 000	2 408 999
Consumer deposits	13	2 539 573	2 526 458
Finance lease obligation	14	32 842	53 177
Operating lease liability	16	400 181	389 857
		76 785 219	**71 525 581**
Non-Current Liabilities			
Provisions	15	12 622 979	16 649 221
Employee benefit obligation	12	35 174 999	30 495 000
Finance lease obligation	14	-	32 842
		47 797 978	**47 177 063**
Total Liabilities		**124 583 197**	**118 702 644**
Net Assets		**795 283 070**	**777 363 063**
Housing development Fund		3 587 173	3 363 470
Accumulated surplus		791 695 897	773 999 593
Total Net Assets		**795 283 070**	**777 363 063**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		3 451 716	2 863 285
Service charges	18	12 430 882	11 151 173
Construction contract revenue		9 988 696	708 696
Rental of facilities and equipment	19	7 339 648	6 827 949
Interest received - Receivables		2 056 441	1 876 589
Agency services	21	2 338 614	2 356 984
Operational revenue	24	483 948	533 412
Interest received - investment	25	14 036 859	14 607 648
Remeasurements relating to employee benefits		-	1 721 917
Total revenue from exchange transactions		**52 126 804**	**42 647 653**
Revenue from non-exchange transactions			
Property rates	26	129 634 057	120 535 255
Property rates - penalties imposed	26	14 456 215	12 152 008
Licences and Permits (Non-exchange)	22	3 110 991	2 952 602
Government grants & subsidies	28	247 462 148	234 571 100
Donation Received	29	85 218	3 669 740
Fines, Penalties and Forfeits	20	1 330 462	1 198 393
Total revenue from non-exchange transactions		**396 079 091**	**375 079 098**
Total revenue	17	**448 205 895**	**417 726 751**
Expenditure			
Employee related costs	30	(162 242 722)	(150 697 668)
Remuneration of councillors	31	(16 853 179)	(16 330 032)
Depreciation and amortisation	33	(42 036 081)	(41 485 136)
Impairment Loss	34	(7 728 303)	(4 572 741)
Finance costs	35	(1 178 195)	(927 123)
Lease rentals on operating lease	23	(221 630)	(2 433 948)
Debt Impairment	37	225 989	(34 274 991)
Bad debts written off	32	(26 419 375)	-
Inventory Consumed	39	(6 145 323)	(7 056 403)
Contracted services	40	(107 542 599)	(107 539 542)
Transfers and Subsidies	27	(3 308 788)	(3 021 456)
Loss on disposal of assets	7	(236 223)	(1 901 383)
Actuarial losses	12	(547 900)	-
Operational Expenditure	38	(56 275 262)	(52 823 339)
Total expenditure		**(430 509 591)**	**(423 063 762)**
Surplus (deficit) for the year		**17 696 304**	**(5 337 011)**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	3 142 755	782 054 849	785 197 604
Adjustments			
Correction of errors	-	(2 497 541)	(2 497 541)
Balance at 01 July 2023 as restated*	**3 142 755**	**779 557 308**	**782 700 063**
Changes in net assets			
Surplus for the year	-	(5 337 011)	(5 337 011)
Housing development fund - interest	184 943	(184 943)	-
Housing development fund- Rentals	35 772	(35 761)	11
Total changes	220 715	(5 557 715)	(5 337 000)
Restated* Balance at 01 July 2024	**3 363 470**	**773 999 593**	**777 363 063**
Changes in net assets			
Surplus for the year	-	17 696 304	17 696 304
Transfer of capital surplus to trust capital	223 703	-	223 703
Total changes	223 703	17 696 304	17 920 007
Balance at 30 June 2025	**3 587 173**	**791 695 897**	**795 283 070**

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates and taxes		110 049 643	104 039 142
Sale of goods and services		9 594 779	8 047 426
Government Grants and Subsidies		251 597 000	238 115 000
Interest income		16 093 300	16 484 237
Fines and penalties		3 430	41 734
Licences and permits		3 093 180	2 952 602
Rental income		7 370 574	6 868 549
Other receipts		2 751 202	2 890 396
Construction contracts		9 988 696	708 696
		410 541 804	380 147 782
Payments			
Employee costs and Councillors		(173 499 600)	(165 476 907)
Suppliers		(178 205 329)	(165 256 512)
Finance costs		(1 178 195)	(927 123)
Transfer and Subsidies Paid		(3 308 788)	(3 021 456)
		(356 191 912)	(334 681 998)
Net cash flows from operating activities	41	**54 349 892**	**45 465 784**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(51 540 492)	(60 957 512)
Proceeds from sale of property, plant and equipment	7	884	532 104
Purchase of other intangible assets	8	-	(3 640)
Net cash flows from investing activities		**(51 539 608)**	**(60 429 048)**
Cash flows from financing activities			
Housimng Development Fund		223 703	220 715
Finance lease payments		(53 177)	(44 358)
Net cash flows from financing activities		**170 526**	**176 357**
Net increase/(decrease) in cash and cash equivalents		**2 980 810**	**(14 786 907)**
Cash and cash equivalents at the beginning of the year		146 398 454	161 185 362
Cash and cash equivalents at the end of the year	2	**149 379 264**	**146 398 455**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	3 108 979	43 614	**3 152 593**	3 451 716	**299 123**	
Service charges	13 832 588	(410 566)	**13 422 022**	12 430 882	**(991 140)**	
Construction contract revenue	9 988 696	-	**9 988 696**	9 988 696	**-**	
Rental of facilities and equipment	7 503 932	(319 339)	**7 184 593**	7 339 648	**155 055**	
Interest received - ReceivablesInterest received - Receivables	229 009	1 520 443	**1 749 452**	2 056 441	**306 989**	
Agency services	2 487 276	(1 008 097)	**1 479 179**	2 338 614	**859 435**	
Other income - (rollup)	384 000	99 339	**483 339**	483 948	**609**	
Interest received - investment	12 500 000	-	**12 500 000**	14 036 859	**1 536 859**	
Total revenue from exchange transactions	**50 034 480**	**(74 606)**	**49 959 874**	**52 126 804**	**2 166 930**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	130 005 379	1 121 189	**131 126 568**	129 634 057	**(1 492 511)**	
Property rates - penalties imposed	11 210 368	844 632	**12 055 000**	14 456 215	**2 401 215**	
Licences and Permits (Non-exchange)	6 473 000	(3 778 000)	**2 695 000**	3 110 991	**415 991**	
Transfer revenue						
Government grants & subsidies	203 785 000	66 000	**203 851 000**	247 462 148	**43 611 148**	
Public contributions and donations	-	-	**-**	85 218	**85 218**	
Fines, Penalties and Forfeits	1 663 382	(136 907)	**1 526 475**	1 330 462	**(196 013)**	
Total revenue from non-exchange transactions	**353 137 129**	**(1 883 086)**	**351 254 043**	**396 079 091**	**44 825 048**	
Total revenue	**403 171 609**	**(1 957 692)**	**401 213 917**	**448 205 895**	**46 991 978**	
Expenditure						
Personnel	(180 736 499)	18 566 322	**(162 170 177)**	(162 242 722)	**(72 545)**	
Remuneration of councillors	(17 631 431)	-	**(17 631 431)**	(16 853 179)	**778 252**	
Depreciation and amortisation	(40 873 000)	(2 000 000)	**(42 873 000)**	(41 572 187)	**1 300 813**	
Impairment loss/ Reversal of impairments	-	-	**-**	(7 728 303)	**(7 728 303)**	
Finance costs	(2 000)	(2 274 000)	**(2 276 000)**	(1 178 195)	**1 097 805**	
Lease rentals on operating lease	-	-	**-**	(221 630)	**(221 630)**	
Debt Impairment	(7 000 000)	-	**(7 000 000)**	(4 861 097)	**2 138 903**	
Bad debts written off	-	-	**-**	(26 419 375)	**(26 419 375)**	
Consumable	(12 076 000)	4 533 000	**(7 543 000)**	(4 769 925)	**2 773 075**	
Contracted Services	(124 356 000)	(9 002 000)	**(133 358 000)**	(98 507 919)	**34 850 081**	
Transfers and Subsidies	(3 505 102)	(749 456)	**(4 254 558)**	(3 308 788)	**945 770**	
General Expenses	(66 535 000)	(4 549 000)	**(71 084 000)**	(62 185 422)	**8 898 578**	
Total expenditure	**(452 715 032)**	**4 524 866**	**(448 190 166)**	**(429 848 742)**	**18 341 424**	
Operating surplus	**(49 543 423)**	**2 567 174**	**(46 976 249)**	**18 357 153**	**65 333 402**	
Loss on disposal of assets and liabilities	-	-	**-**	(112 949)	**(112 949)**	
Actuarial gains/losses	-	-	**-**	(547 900)	**(547 900)**	
	-	**-**	**-**	**(660 849)**	**(660 849)**	
Surplus before taxation	**(49 543 423)**	**2 567 174**	**(46 976 249)**	**17 696 304**	**64 672 553**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(49 543 423)**	**2 567 174**	**(46 976 249)**	**17 696 304**	**64 672 553**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Operating lease asset	445 763	142 495	**588 258**	146 979	**(441 279)**	
Receivables from non-exchange transactions	108 683 685	(20 891 292)	**87 792 393**	73 931 269	**(13 861 124)**	
Consumer debtors	-	-	**-**	30 642 618	**30 642 618**	
Cash and cash equivalents	128 604 077	87 975 731	**216 579 808**	149 379 264	**(67 200 544)**	
	237 733 525	**67 226 934**	**304 960 459**	**254 100 130**	**(50 860 329)**	
Non-Current Assets						
Investment property	4 751 875	2 419 704	**7 171 579**	7 118 150	**(53 429)**	
Property, plant and equipment	-	-	**-**	658 350 480	**658 350 480**	
Intangible assets	13 722	13 520	**27 242**	36 496	**9 254**	
Heritage assets	261 011	-	**261 011**	261 011	**-**	
	5 026 608	**2 433 224**	**7 459 832**	**665 766 137**	**658 306 305**	
Total Assets	**242 760 133**	**69 660 158**	**312 420 291**	**919 866 267**	**607 445 976**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	21 048	**21 048**	32 842	**11 794**	
Payables from exchange transactions	-	-	**-**	60 128 900	**60 128 900**	
Consumer deposits	2 546 799	(20 341)	**2 526 458**	2 539 573	**13 115**	
Employee benefit obligation	-	-	**-**	2 156 000	**2 156 000**	
Unspent conditional grants and receipts	3 896	6 931 490	**6 935 386**	11 527 723	**4 592 337**	
Operating lease liability	150 099	239 758	**389 857**	400 181	**10 324**	
	2 700 794	**7 171 955**	**9 872 749**	**76 785 219**	**66 912 470**	
Non-Current Liabilities						
Finance lease obligation	-	64 972	**64 972**	-	**(64 972)**	
Employee benefit obligation	32 000 876	(1 505 876)	**30 495 000**	35 174 999	**4 679 999**	
Provisions	27 415 722	(10 766 501)	**16 649 221**	12 622 979	**(4 026 242)**	
	59 416 598	**(12 207 405)**	**47 209 193**	**47 797 978**	**588 785**	
Total Liabilities	**62 117 392**	**(5 035 450)**	**57 081 942**	**124 583 197**	**67 501 255**	
Net Assets	**180 642 741**	**74 695 608**	**255 338 349**	**795 283 070**	**539 944 721**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Other NDR	180 642 741	74 695 608	**255 338 349**	3 587 173	**(251 751 176)**	
Accumulated surplus	-	-	**-**	791 695 897	**791 695 897**	
Total Net Assets	**180 642 741**	**74 695 608**	**255 338 349**	**795 283 070**	**539 944 721**	

Figures in Rand

Figures in Rand

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	130 005 379	1 121 189	131 126 568	-		131 126 568	129 666 396		(1 460 172)	99 %	100 %
Service charges	13 832 588	(410 566)	13 422 022	-		13 422 022	12 429 913		(992 109)	93 %	90 %
Investment revenue	12 500 000	-	12 500 000	-		12 500 000	14 036 859		1 536 859	112 %	112 %
Transfers recognised - operational	203 784 500	66 349	203 850 849	-		203 850 849	202 963 497		(887 352)	100 %	100 %
Other own revenue	43 048 695	(2 734 163)	40 314 532	-		40 314 532	44 531 365		4 216 833	110 %	103 %
Total revenue (excluding capital transfers and contributions)	**403 171 162**	**(1 957 191)**	**401 213 971**	**-**		**401 213 971**	**403 628 030**		**2 414 059**	**101 %**	**100 %**
Employee costs	(180 736 499)	19 116 322	(161 620 177)	-	(550 000)	(162 170 177)	(162 242 722)	-	(72 545)	100 %	90 %
Remuneration of councillors	(17 631 431)	-	(17 631 431)	-	-	(17 631 431)	(16 853 179)	-	778 252	96 %	96 %
Debt impairment	(7 000 000)	-	(7 000 000)			(7 000 000)	225 989	-	7 225 989	(3)%	(3)%
Depreciation & Asset Impairment	(40 873 261)	(2 000 000)	(42 873 261)	-	-	(42 873 261)	(49 514 467)	-	(6 641 206)	115 %	121 %
Finance charges	(2 217)	(2 274 000)	(2 276 217)	-	-	(2 276 217)	(1 178 195)	-	1 098 022	52 %	53 144 %
Transfers and grants, contracted services, materials and bulk purchases	(139 937 163)	(5 218 338)	(145 155 501)	-	-	(145 155 501)	(110 821 487)	-	34 334 014	76 %	79 %
Other expenditure	(66 534 639)	(5 098 940)	(71 633 579)	-	550 000	(71 083 579)	(90 125 530)	-	(19 041 951)	127 %	135 %
Total expenditure	**(452 715 210)**	**4 525 044**	**(448 190 166)**	**-**	**-**	**(448 190 166)**	**(430 509 591)**	**-**	**17 680 575**	**96 %**	**95 %**
Surplus/(Deficit)	**(49 544 048)**	**2 567 853**	**(46 976 195)**	**-**		**(46 976 195)**	**(26 881 561)**		**20 094 634**	**57 %**	**54 %**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	40 602 550	13 194 939	53 797 489	-		53 797 489	44 577 865		(9 219 624)	83 %	110 %
Surplus (Deficit) after capital transfers and contributions	**(8 941 498)**	**15 762 792**	**6 821 294**	**-**		**6 821 294**	**17 696 304**		**10 875 010**	**259 %**	**(198)%**
Surplus/(Deficit) for the year	**(8 941 498)**	**15 762 792**	**6 821 294**	**-**		**6 821 294**	**17 696 304**		**10 875 010**	**259 %**	**(198)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	(35 306 567)	(11 473 859)	(46 780 426)	-		(46 780 426)	(37 855 327)		8 925 099	81 %	107 %
Internally generated funds	(14 734 413)	(2 614 618)	(17 349 031)	-		(17 349 031)	(12 507 017)		4 842 014	72 %	85 %
Total sources of capital funds	**(50 040 980)**	**(14 088 477)**	**(64 129 457)**	**-**		**(64 129 457)**	**(50 362 344)**		**13 767 113**	**79 %**	**101 %**
Financial position											
Total current assets	290 619 362	64 608 911	355 228 273	-		355 228 273	254 100 130		(101 128 143)	72 %	87 %
Total non current assets	676 938 808	10 543 717	687 482 525	-		687 482 525	665 766 137		(21 716 388)	97 %	98 %
Total current liabilities	(170 960 749)	(14 483 854)	(185 444 603)	-		(185 444 603)	(76 785 219)		108 659 384	41 %	45 %
Total non current liabilities	(64 589 569)	12 707 405	(51 882 164)	-		(51 882 164)	(47 797 978)		4 084 186	92 %	74 %
Community wealth/Equity	732 007 852	73 376 179	805 384 031	-		805 384 031	795 283 070		(10 100 961)	99 %	109 %
Cash flows											
Net cash from (used) operating	51 226 959	92 741 531	143 968 490	-		143 968 490	54 349 892		(89 618 598)	38 %	106 %
Net cash from (used) investing	(54 067 352)	(19 719 784)	(73 787 136)	-		(73 787 136)	(51 539 608)		22 247 528	70 %	95 %
Net cash from (used) financing	50 000	(50 000)	-	-		-	170 526		170 526	DIV/0 %	341 %
Net increase/(decrease) in cash and cash equivalents	**(2 790 393)**	**72 971 747**	**70 181 354**	**-**		**70 181 354**	**2 980 810**		**(67 200 544)**	**4 %**	**(107)%**
Cash and cash equivalents at the beginning of the year	128 604 077	(128 604 077)	-	-		-	146 398 454		146 398 454	DIV/0 %	114 %
Cash and cash equivalents at year end	**125 813 684**	**(55 632 330)**	**70 181 354**	**-**		**70 181 354**	**149 379 264**		**(79 197 910)**	**213 %**	**119 %**

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

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

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

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

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 for at least the next 12 months.

1.3 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.4 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables

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

The impairment for trade receivables is calculated in terms of GRAP 104 and 108

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

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.

Useful lives of Property, Plant and Equipment

The municipality depreciates assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

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

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

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

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

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

1.5 Investment property (continued)

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

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

Cost model

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

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

Item	Useful life
Property - buildings	30 years

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

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

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

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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.

1.6 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indifinite
Street lighting	Straight-line	35 years
Buildings	Straight-line	25 - 30 years
Machinery and Equipment	Straight-line	5 - 10 years
Furniture and Office Equipment	Straight-line	5 - 10 years
Transport Assets	Straight-line	5 - 10 years
Office equipment	Straight-line	5 -10 Years
IT Equipment	Straight-line	5 - 10 years
Landfill Site	Straight-line	3 -55 years
Traffic signs	Straight-line	5 - 55 years
Community Assets	Straight-line	25 - 30 years
Other property, plant and equipment	Straight-line	10 - 30 years
Artwork	Straight-line	25 - 60 years
Leased Motor vehicles	Straight-line	3 - 5 years
Bins and containers	Straight-line	10 - 30 years
Retaining walls	Straight-line	25 - 30 years
Kerb and channels	Straight-line	40 - 50 years
Roads - concrete surface	Straight-line	25 - 30 years
Roads - concrete basis	Straight-line	25 - 30 years
Roads - Asphalt basis	Straight-line	20 - 30 years
Roads - asphalt surface	Straight-line	20 - 30 years
Infrastructure: Electricity	Straight-line	15 - 80 years
Infrastructure: Storm Water	Straight-line	15 - 80 years
Pedestrain footpaths	Straight-line	15 -30 years

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

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

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

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

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

1.8 Heritage assets (continued)

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition
Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist, and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions
The fair values of financial instruments are determined as follows:
The fair values of quoted investments are based on current bid prices.
If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.
Amortised cost
Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from non -exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount 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.

Accrued interest

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

1.10 Statutory receivables (continued)

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

Impairment losses

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

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

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

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

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

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

Derecognition

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

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

1.11 Bad debt written off

Where debts have been identified as irrecoverable, The Chief Financial Officer prepares the list of all debt showing the following:
- Consumer details;
- Irrecoverable amount broken down by service; and
- Details of procedures followed to recover the debt. (Which in the case of amounts less than R 1000.00 it would be confirmation whether a final demand was sent or not, as according to credit control and debt collection policy accounts owing less than R 1000.00 may not be handed over as it is not financially viable). However, with regards to amounts above R 1000.00, confirmation of hand over must be given and any other relevant documentation.

Bad debt written-off is treated as an expense in the statement of financial performance.

Bad debt writen-off reduce the debtors gross balance in the statement of financial position.

The write-off also reduce the provision for the write-off liability and reverse the provision done in previous years on the statement of financial performance.

1.12 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.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.13 Inventories (continued)

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

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

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

1.16 Impairment of non-cash-generating assets

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

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

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

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

[Specify judgements made]

Significant Accounting Policies

1.17 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: (a) pool the assets contributed by various entities that are not under common control; and (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

Defined plan benefit liabilities

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

As described in Accounting Policy 1.20, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The
defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 13 and 27 to the Annual Financial
Statements.

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

1.17 Employee benefits (continued)

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing the plan assets; and (b) any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Past service cost and gains and losses on settlement

When determining past service cost, or a gain or loss on settlement, the entity remeasures the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices), reflecting:

(a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and

(b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.

Past service cost

The entity recognises past service cost as an expense at the earlier of the following dates:

(a) when the plan amendment or curtailment occurs; and

(b) when the entity recognises related restructuring costs or termination benefits.

Gains and losses on settlement

The entity recognises a gain or loss on the settlement of a defined benefit plan when the settlement occurs.

Recognition and measurement: Plan assets

Fair value of plan assets

The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the deficit or surplus.

Reimbursements

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the entity:

(a) Recognises its right to reimbursement as a separate asset. The entity measures the asset at fair value.

(b) Disaggregate and recognise changes in the fair value of its right to reimbursement in the same way as for changes in the fair value of plan assets. The components of defined benefit cost recognised as below (see section on Components of defined benefit cost), may be recognised net of amounts relating to changes in the carrying amount of the right to reimbursement.

Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Current service cost

The entity determines current service cost using actuarial assumptions determined at the start of the reporting period. However, if the entity remeasures the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement, it determines current service cost for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with the section on Past service cost gains and losses on settlement (part b).

1.17 Employee benefits (continued)

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

1.18 Remuneration of Councillors

Recognition
Remuneration of councillors is recognised as an expense in the Statement of Financial Performance when the related services are rendered by councillors during the financial period

Measurement
Remuneration of councillors is measured at the undiscounted amounts payable in accordance with:
- The Upper Limits Gazette;
- Council's approved remuneration structure;
- SARS tax tables and directives; and
- Applicable municipal policies

Disclosure

Remuneration of councillors is disclosed separately in the Annual Financial Statements in accordance with GRAP 1 and the MFMA reporting framework.

Disclosures include:
- Total remuneration per category of councillor (e.g., Mayor, Speaker, EXCO Member, Chief Whip, Ordinary Councillor)
- Breakdown of salaries, allowances, benefits, contributions, and reimbursements
- Prior-year comparative figures
- Related-party disclosures where applicable (in terms of GRAP 20)

1.19 Provisions and contingencies

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

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

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

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

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

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

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

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

Sale of goods

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

Rentals
Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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.

1.20 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Construction contract revenue
The municipality recognises revenue form construction contract when:
When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. An expected deficit on a construction contract shall be recognised as an expense immediately.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
(a) total contract revenue, if any, can be measured reliably;
(b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
(c) both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
(a) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
(b) the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably. The stage of completion of a contract may be determined in a variety of ways.
The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:
(a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract
(b) surveys of work performed; or
(c) completion of a physical proportion of the contract work.

Interest, royalties and dividends

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

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

1.21 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.

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Fines

1.21 Revenue from non-exchange transactions (continued)

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Significant Accounting Policies

1.23 Accounting by principals and agents (continued)

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.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.
The expenditure is classified in accordance with the nature of the expense, and where
recovered, it is subsequently accounted for as revenue in the statement of financial performance.
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been
exercised.
All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

In accordance with Section 1 of the MFMA, irregular expenditure, in relation to a municipality, means:
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

1.27 Irregular expenditure (continued)

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.
Irregular expenditure that was incurred and identified during the current financial year and for which write-off is being awaited at year end must be recorded in the irregular expenditure register, with the disclosure as such being made to the note in the annual financial statements.

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

Irregular expenditure that was incurred and identified during the current financial 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..

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.29 Segment information

A segment is an activity of an entity:

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

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

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.

Significant Accounting Policies

1.30 Budget information

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

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

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

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

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

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

1.31 Related parties

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

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

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

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

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

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

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

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

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

1.32 Events after reporting date

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

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

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

Significant Accounting Policies

1.33 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Figures in Rand	2025	2024

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	278	278
Short-term deposits	1 332 136	-
Bank balances	16 209 880	14 993 307
Other cash and cash equivalents	131 836 970	131 404 869
	149 379 264	**146 398 454**

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
ABSA BANK - Investment - 92-3600-6170	24 286 760	22 716 955	21 149 771	24 286 760	22 716 955	21 149 771
FIRST NATIONAL BANK Investment - 62-2251-55391	25 011 956	23 250 604	21 517 722	25 011 956	23 250 604	21 517 722
STANDARD BANK Investment- 5876211 6/007	3 301 170	23 301 170	3 301 170	3 301 170	23 301 170	3 301 170
STANDARD BANK Investment- 5876211 6/015	24 091 723	12 244 012	4 429 047	24 091 723	12 244 012	4 429 047
NEDBANK - Investment 78810177 59/94	6 478 860	38 243 041	54 047 040	6 478 860	38 243 041	54 047 040
STANDARD BANK Investment- 88762116/028	6 447 744	5 926 354	35 157 686	6 447 744	5 926 354	35 157 686
STANDARD BANK - Cheque 052791 688-Primary account	16 209 789	14 993 307	17 695 837	16 209 789	14 993 307	17 695 837
Cash on Hand	278	-	278	278	-	278
STANDARD BANK Investment- 88762116/029	3 879 571	4 390 258	789 578	3 879 571	4 390 258	789 578
STANDARD BANK Investment- 058762116/032	-	-	3 097 233	-	-	3 097 233
STANDARD BANK Investment- 058762116/035	1 445 944	1 332 753	-	1 445 944	1 332 753	-
ABSA BANK - 20-816-657-26	38 225 469	-	-	38 225 469	-	-
Total	**149 379 264**	**146 398 454**	**161 185 362**	**149 379 264**	**146 398 454**	**161 185 362**

3. Receivables from exchange transactions

Gross balances		
Salary debtor	1 476 358	1 488 215
Refuse	20 780 059	17 625 469
Sundry Debtors	29 813 073	25 691 787
Department of Transport -accrued revenue	441 356	370 582
Input Vat Accrual on Outstanding Creditors	13 543 100	11 591 100
Vat Receivables -Due from SARS	2 023 715	1 241 531
	68 077 661	**58 008 684**

Less: Allowance for impairment		
Salary debtor	(1 327 570)	(1 327 570)
Refuse	(16 241 767)	(13 155 335)
Sundry debtors	(19 865 706)	(20 918 347)
	(37 435 043)	**(35 401 252)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Receivables from exchange transactions (continued)

Net balance		
Salary debtors	148 788	160 645
Refuse	4 538 292	4 470 134
Sundry debtors	9 947 367	4 773 440
Department of transport -Accrued revenue	441 356	370 582
Input Vat Accrual on Outstanding Creditors	13 543 100	11 591 100
Vat Recievable -Due from SARS	2 023 715	1 241 531
	30 642 618	**22 607 432**

Statutory receivables included in receivables from exchange transactions are as follows, on a gross basis:		
VAT Control Receivable - Due from SARS	2 023 715	1 241 531

Statutory receivables that are past due and impaired included in receivables from exchange transactions are as follows:		
VAT Cotrol Receivable - Due to SARS	-	8 094 870

Refuse		
Current (0 -30 days)	1 344 645	1 132 265
31 - 60 days	373 485	327 541
61 - 90 days	370 175	314 609
91 - 120 days	331 287	281 384
121 - 365 days	18 360 467	15 569 670
	20 780 059	**17 625 469**

Sundry debtors		
Current (0 -30 days)	2 454 025	1 211 144
31 - 60 days	756 372	1 102 275
61 - 90 days	766 611	797 169
91 - 120 days	949 584	622 122
121 - 365 days	24 886 481	21 959 077
	29 813 073	**25 691 787**

Department of Transport - accrued revenue		
Current (0 -30 days)	-	370 582
> 365 days	441 356	-
	441 356	**370 582**

Input VAT Accrual on outstanding creditors		
Current (0 -30 days)	13 503 100	11 591 100

4. Receivables from non-exchange transactions

Gross balances		
Property Rates	169 835 032	162 182 700
Fines	15 779 932	14 452 900
Accrued Income	71 360	-
	185 686 324	**176 635 600**

Less: Allowance for impairment		
Property Rates	(97 334 129)	(100 173 719)
Fines	(14 420 926)	(13 810 038)
	(111 755 055)	**(113 983 757)**

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

	2025	2024
Net balance		
Property Rates	72 500 903	62 008 981
Fines	1 359 006	642 862
Accrued Income	71 360	-
	73 931 269	**62 651 843**

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

	2025	2024
Traffic Fines	15 779 932	14 452 900
Property rates - Residential	96 164 506	101 089 315
Property rates - Informal Settlements	491 884	452 652
Property rates - Vacant land	17 855 418	13 270 984
Property rates - Industrial	2 532 688	1 814 856
Property rates - Business and Commercial	20 978 510	20 371 669
Property rates - Agriculture	17 948 366	14 018 442
Property rates - State Owned Properties	406 090	378 471
Property rates - Public Service Infrastructure	1 131 587	3 165 189
Property rates - Institutional	515 978	473 497
Property rates - Public Service Purpose	11 670 000	7 057 500
Property rates - Public Benefit Organisation	140 007	90 125
Accrued Income	71 360	-
	185 686 326	**176 635 600**

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in tems of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable.The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdication. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt, and is linked to the current prime interest rate + 1%.

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:

Fines	(14 420 927)	(13 810 038)
Property rates - Residential	(55 710 922)	(66 128 776)
Property rates - Informal Settlements	(412 422)	(369 009)
Property rates - Vacant Land	(9 178 984)	(6 428 208)
Property rates -Agriculture	(12 188 019)	(9 746 809)
Property rates - Industrial	(695 979)	(462 926)
Property rates - Business and Commercial	(10 682 768)	(10 344 046)
Property rates - State owned Properties	(393 533)	(364 998)
Property rates - Public Service Infrastructure	(1 131 321)	(3 164 442)
Property rates - Public Service Purpose	(6 447 008)	(3 164 504)
Property rates - Mining and Quarries Properties	(8 582)	-
Property rates - Institutional	(484 590)	-
	(111 755 055)	**(113 983 756)**

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Fines	1 359 005	642 862
Property rates - Residential	40 453 584	34 960 539
Property rates - Informal Settlements	79 461	83 607
Property rates - Vacant Land	8 676 434	6 842 776
Property rates - Industrial	1 836 709	1 351 930
Property rates - Business and Commercial	10 295 743	10 027 623
Property rates - Agriculture	5 760 347	4 271 633
Property rates - States Owned Properties	12 557	13 473
Property rates - Public service Infrastructure	266	747
Property rates - Public Service Purpose	5 222 992	4 456 654
Property rates - Institutional	31 387	-
Property rates - Mining and Quarries	(8 582)	-
Property rates - Public Benefit Organisations Total	140 007	-
Accrued Income	71 360	-
	73 931 270	**62 651 844**

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

Receivables from non-exchange transactions	73 931 269	62 651 843

Rates

Current (0 -30 days)	11 651 896	6 849 463
31 - 60 days	2 942 730	3 672 902
61 - 90 days	2 708 438	2 651 556
91 - 120 days	2 919 035	5 395 645
121 - 365 days	149 612 933	143 615 134
	169 835 032	**162 184 700**

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

Traffic fines		
Current (0 -30 days)	462 750	765 850
31 - 60 days	108 100	126 600
61 - 90 days	-	58 000
91 - 120 days	1 579 753	92 500
121 - 365 days	13 629 329	13 409 950
	15 779 932	**14 452 900**

5. Operating lease asset

Current assets	146 979	181 654

Operating leases		
Balance at the beginning of the year	181 654	94 665
Operating lease revenue recorded	(183 827)	(184 344)
Operating lease revenue effected	149 153	271 333
	146 980	**181 654**

At the reporting date, the municipality had outstanding receipts in terms ofo perating leases, which will accrue as follows:		
Receivable within 1 year	139 493	183 827
Receivable within 2 - 5 years	168 757	168 757
	308 250	**352 584**

Included in the above mentioned operating lease receivables is the following class of assets:		
Land and buildings	308 249	352 584

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

6. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	12 081 209	(4 963 059)	7 118 150	12 081 209	(4 569 751)	7 511 458

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	7 511 458	(393 308)	7 118 150

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	7 905 845	(394 387)	7 511 458

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 277 770	1 200 073

7. 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	70 835 693	-	70 835 693	70 835 693	-	70 835 693
Infrastructure : Roads	267 200 924	(31 841)	267 169 083	451 958 935	(199 241 304)	252 717 631
Buildings	15 429 712	-	15 429 712	18 674 592	(1 545 633)	17 128 959
Machinery and Equipment	19 478 620	(15 712 593)	3 766 027	18 831 365	(14 566 764)	4 264 601
Furniture and Office Equipment	10 261 328	(8 448 430)	1 812 898	9 803 631	(8 171 089)	1 632 542
Transport Assets	23 590 799	(7 792 641)	15 798 158	30 493 871	(15 963 225)	14 530 646
Computer Equipment	12 445 640	(10 059 810)	2 385 830	12 191 355	(9 545 123)	2 646 232
Community Assets	351 769 948	(164 579 624)	187 190 324	336 617 698	(150 638 421)	185 979 277
Infrastructure: Electricity	92 273	(84 890)	7 383	92 273	(81 203)	11 070
Infrastructure: Solid Waste	21 771 588	(8 953 273)	12 818 315	21 771 587	(8 171 533)	13 600 054
Infrastructure: Storm Water	154 155 591	(73 018 534)	81 137 057	154 160 187	(61 123 946)	93 036 241
Total	**947 032 116**	**(288 681 636)**	**658 350 480**	**1 125 431 187**	**(469 048 241)**	**656 382 946**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	70 835 693	-	-	-	-	70 835 693
Infrastructure: Roads	252 717 631	30 096 531	(6 094)	(15 222 316)	(416 669)	267 169 083
Buildings	17 128 959	-	(7 589)	(1 659 817)	(31 841)	15 429 712
Machinery and Equipment	4 264 601	660 155	-	(1 158 729)	-	3 766 027
Furniture and Office Equipment	1 632 542	583 739	(10 312)	(393 071)	-	1 812 898
Transport Assets	14 530 646	4 000 969	(126 766)	(2 606 691)	-	15 798 158
Computer Equipment	2 646 232	783 807	(15 515)	(1 028 694)	-	2 385 830
Community Assets	185 979 277	15 415 291	(66 236)	(14 105 288)	(32 720)	187 190 324
Infrastructure: Electricity	11 070	-	-	(3 687)	-	7 383
Infrastructure: Solid Waste	13 600 054	-	-	(781 739)	-	12 818 315
Infrastructure: Storm Water	93 036 241	-	(4 595)	(4 647 515)	(7 247 074)	81 137 057
	656 382 946	**51 540 492**	**(237 107)**	**(41 607 547)**	**(7 728 304)**	**658 350 480**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	67 165 953	-	-	3 669 740	-	-	-	-	70 835 693
Infrastructure: Roads	255 434 446	13 268 440	(10 145)	33 198 919	(33 198 919)	-	(14 928 806)	(1 046 304)	252 717 631
Buildings	17 852 281	1 139 112	(115 214)	-	-	-	(1 602 403)	(144 817)	17 128 959
Machinery and Equipment	5 434 993	762 275	(881 466)	-	-	-	(1 042 483)	(8 718)	4 264 601
Furniture and Office Equipment	1 413 155	643 318	(156 537)	-	-	-	(265 234)	(2 160)	1 632 542
Transport Assets	11 865 129	5 153 118	(569 639)	-	-	-	(1 907 842)	(10 120)	14 530 646
Computer Equipment	3 702 948	280 427	(467 708)	-	-	-	(863 518)	(5 917)	2 646 232
Community Assets	178 256 917	22 764 608	(232 777)	9 946 170	(9 946 174)	-	(13 528 030)	(1 281 437)	185 979 277
Infrastructure: Electricity	14 769	-	-	-	-	-	(3 699)	-	11 070
Infrastructure: Solid Waste	8 749 386	744 765	-	-	-	6 288 532	(2 181 917)	(712)	13 600 054
Infrastructure: Storm Water	93 598 644	6 243 181	-	6 243 181	(6 243 181)	-	(4 733 028)	(2 072 556)	93 036 241
	643 488 621	**50 999 244**	**(2 433 486)**	**53 058 010**	**(49 388 274)**	**6 288 532**	**(41 056 960)**	**(4 572 741)**	**656 382 946**

Pledged as security

No assets were pledged as security:

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	7 897 535	17 856 380	509 701	26 263 616
Additions/capital expenditure	30 096 531	15 415 291	-	45 511 822
Transferred to completed items	(12 792 983)	(21 787 105)	-	(34 580 088)
	25 201 083	**11 484 566**	**509 701**	**37 195 350**

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	21 584 834	5 037 945	509 701	27 132 480
Additions/capital expenditure	19 511 621	22 764 609	-	42 276 230
Transferred to completed items	(33 198 920)	(9 946 174)	-	(43 145 094)
	7 897 535	**17 856 380**	**509 701**	**26 263 616**

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		
Employee related costs	-	72 812 363
Contracted services	48 914 885	832 030
Inventory Consumed	2 285 085	-
	51 199 970	**73 644 393**

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.

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note .

The following land assets, the Municipality has assessed that it has the right to direct access to, and restrict or deny the access of others to land while another is the legal owner of land. Substance over form determines that the land is controlled by the Municipality as it has the right to direct access to land, and to restrict or deny the access of others to land in terms of IGRAP 18.

Shayamoya Hall (R9 374), the municipality had built a hall on this land hence the recognition. Control can only be exercised on the portion where the building is situated.

UMdoni Municipality is responsible for operating the MPCC in Malangeni as its own building due to cabinet or Council decisions made in the past. The substance over form takes precedent even though there's no formal agreement. Control is only exercised on the portion where the building is situated(Lot 981 Malangeni , R 1038).

The library was built on this land of which the building belongs to the municipality. Control is only exercised on the portion where the building is situated (Lot 982 Malangeni , R 1038). Park Rynie (R11 000 000, Lot 572), the municipality had leased the land from the Department of Public Works with the primary intention of promoting local tourism. The rental income earned is incidental, consequently the land could not be classified as investment property. As part of the on-going local tourism promotion strategy, the municipality has erected buildings on the property. It is assumed that even though the lease term is not unlimited but it will be renewed and the service provided will continue in an ongoing basis.

8. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	393 439	(356 943)	36 496	393 439	(322 530)	70 909

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	70 909	(34 413)	36 496

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	101 058	3 640	(33 789)	70 909

Notes to the Annual Financial Statements

Figures in Rand

9. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monument and Antiques	261 011	-	261 011	261 011	-	261 011

Reconciliation of heritage assets 2025

	Opening balance	Total
Historical Monument and Antiques	261 011	261 011

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical Monument and Antiques	261 011	261 011

10. Payables from exchange transactions

Trade payables and accruals	22 030 535	24 481 284
Payments received in advance	7 001 122	7 221 722
Accrued leave pay	14 322 868	13 165 423
Output VAT Accrual on Outstanding Debtors	505 666	(55 515)
Retention held	12 365 949	10 993 715
Unidentified direct deposits	3 902 760	3 405 110
	60 128 900	**59 211 739**

Figures in Rand	2025	2024

10. Payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors. The municipality has financial policies in place to ensure that all payables are paid within the credit timeframe.

Retention refers to monies retained by the municipality on construction work completed by the various suppliers throughout the duration of their contract. These monies are released upon progressive completion of their respective undertakings.

Leave accrual is due to staff leave accruing to the staff of the municipality on an annual basis, subject to certain conditions and is capped at 48 days as per the collective agreement. The provision is an estimate of the amount due at the reporting date.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Financial Management Grant	1	-
Energy Efficiency Grant	305 300	-
Municipal Disaster Relief Grant	123	3 899 399
Municipal Disaster Response Grant	10 278 028	-
Small town Rehabilitation Grant	3 893	3 893
Title Deeds Restoration Grant	587 558	587 558
Municipal Employment Initiative	31 147	31 147
Beach Infrastructure Grant	321 415	321 415
Umzinto Bus Rank Grant	258	2 091 939
	11 527 723	**6 935 351**

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 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2025	2024

12. Employee benefit obligations

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

Carrying value		
Medical Aid	(28 671 000)	(24 680 000)
Long Service	(8 659 999)	(8 223 999)
	(37 330 999)	**(32 903 999)**
Non-current liabilities	(35 174 999)	(30 495 000)
Current liabilities	(2 156 000)	(2 408 999)
	(37 330 999)	**(32 903 999)**

The fair value of plan assets includes:		
Post Employment Health Care Benefit Liability		
Less : Transfer to Current Provisions	(1 040 000)	(1 028 000)

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2025 by ARCH Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality. The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

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

In-Service members	203	208
Continuation members	16	16
	219	**224**

The liability in respect of past service has been estimated to be as follows:

In-Service members	20 703 000	12 538 000
Continuation members	7 968 000	7 602 000
	28 671 000	**20 140 000**

The municipality makes monthly contributions for health care

- Bonitas

- Key Health

- LA Health

- Samwumed

- Sizwe Hosmed

The future service cost for the ensuring year is established to be R1 535 000, whereas the interest cost for the next year is estiamted to be R3 151 000 (2024: R1 351 000 and R2 965 000 respectively)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Employee benefit obligations (continued)

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	11,20 %	12,26 %
Health Care Cost Inflation Rate	7,00 %	7,74 %
Net Effective Discount Rate	3,90 %	4,20 %
Expected Retirement Age - Males and Females	62	62

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Employee benefit obligations (continued)

The amounts recognised in the Statement of Financial Position are as follows:

Present Value of Fund Obligations	28 671 000	24 680 000

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

Current service Cost	1 351 000	1 280 000
Interest cost	2 965 000	2 786 000
Acturial(gain)/Loss Recognised	547 900	(1 441 042)
	4 863 900	**2 624 958**

The movement in the defined benefit obligation over the year is as follows:

Balance at Beginning of Year	24 680 000	22 787 000
Current Service Cost	1 351 000	1 280 000
Interest Cost	2 965 000	2 786 000
Benefits Paid	(872 900)	(731 958)
Recognised Acturial(Gain/Loss)	547 900	(1 441 042)
	28 671 000	**24 680 000**

The effect of a 1 % movement in the assumed rate of health care
Effect on the defined benefit obligation

Increase	1 157 000	1 493 000
Decrease	1 596 000	1 186 000

The future service cost for the ensuing year is estimated to be R 1 535 000 whereas the interest-cost for the next year is estimated to be R 3 151 000.

The history of experienced adjustments are as follows:

Present Value of Defined Benefit Obligation

Defined Contribution Plan

Umdoni Municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes. All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. Councillors have the option to belong to the Pension Fund for Municipal Councillors. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. All of these afore-mentioned funds are multi-employer plans and are subject to either a triennual, biennual or annual actuarial valuation, details which are provided below. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers. (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer. (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers. It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

DEFINED BENEFIT SCHEME

12. Employee benefit obligations (continued)

Retirement Fund:
The scheme is subject to a tri-annual actuarial valuation. The last actuarial valuation was performed as at 30 June 2025 by ARCH Actuarial Consultants , a member of the Actuarial Society of South Africa. The actuarial valuation performed as at 30 June 2025 revealed that the fund had a surplus of R 356.3 million (31 March 2021: shortfall of R 49.9 million) , with a funding level of 101.0% (31 March 2018: 96,1%). The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 21.65% of pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Superannuation Fund:
The scheme is subject to a tri-annual actuarial valuation. The last actuarial valuation was performed as at 30 June 2025 by ARCH Actuarial Consultants. Nil), with a funding level of 108,9% (31 March 2021: 100%). The contribution rate paid by the members (9,25%) and municipalities (21,63%) This surcharge was payable until 31 July 2024. The surcharge to local authorities amounts to 9.50% (31 March 2021: 9.50%). The "Scheme to eliminate deficiency" in terms of Section 18 of the Pension Funds Act was implemented with effect from 1 August 2012 for a period of 8 years. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund will merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES
Municipal Councillors Pension Fund.
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2025. The valuation performed as at 30 June 2025 revealed that the assets of the fund amounted to R 2 476 156 000. The contribution rate paid by the members (13.75%) and the municipalities (15%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation performed as at 31 March 2022 revealed that the market value of the fund was R 2 476 156 000 (30 June 2025) R 8,923,008 million (31 March 2021: R 7,212,030 billion). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 30 June 2025.

Provident Fund:
The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2022 2022 by ArgenActuaries. The interim actuarial valuation performed as at 31 March 2022. revealed that the market value of the fund was R 8, 923,008 Billion (31 March 2021: R 7 212 030 Billion). The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2022.

None of the above mentioned plans are State Plans

Long Service Awards

	2025	2024
Provision or long service Awards	8 660 000	8 224 000
Less:Transfer of Current Provisions	(1 116 000)	(1 381 000)
	7 544 000	**6 843 000**

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Umdoni Municipality). The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2025 may become entitled to in future, based on an actuarial valuation performed at that date. The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2025 by Arch Actuarial Consultants , a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality. Additional text

The Long Service Awards plans are defined benefit plans. As at year end, 382 employees were eligible for Long Service Awards. The future service cost for the ensuing year is estimated to be R 800 000 whereas the interest-cost for the next year is estimated to be R 801 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:	**2025**	**2024**
Discount rate	9.90%	11,21%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Employee benefit obligations (continued)

Expected rate of salary increase	3.90%	5.35%
Net effective discount rate	4.80%	4.57%
The amounts recognised in the Statement of Financial Position are asPV of funds obligations	8660000	8224000

The amount recognised in the Statement of Financial Performance under employee related costs are as follows:

	2025	2024
Current service cost	800 000	856 000
Interest cost	847 000	837 000
Acturial loss/gain	(39 004)	(280 875)
	1 607 996	**1 412 125**

The movement in the defined benefit obligation over the year is as follows:

	2025	2024
Balance at beginning of year	8 224 000	8 081 000
Current service cost	800 000	856 000
Interest cost	847 000	837 000
Benefits paid	(1 171 996)	(1 269 125)
Actuarial (gain/loss) recognised	(39 004)	(280 875)
	8 660 000	**8 224 000**

Increase

	2025	2024
Effect on the aggregate of the current service cost and interest cost	806 000	452 000

Decrease

	2025	2024
Effect on the aggregate of the current service cost and interest cost	912 000	413 000

The history of experienced adjustments are as follows:

2025	2024	2023	2022	2021	2020
(8 660 000)	(8 224 000)	(8 081 000)	(5 828 000)	(5 147 000)	(4 812 000)

13. Consumer deposits

	2025	2024
Rates- Valuations appeal	27 767	27 767
Signage and poster deposits	79 988	79 988
Verge deposits	1 436 624	1 454 435
Rental deposits	995 194	964 268
	2 539 573	**2 526 458**

Deposits are paid by members of the community on application for the hire of community halls and facilities, as stipulated in the tariff of charges. The deposits are repaid when the use of community halls and facilities are completed, and an inspection has been executed to ensure that the facilties hired have been restored to its original condition, and no damage to the property is evident. Council may utilise the deposit as payment to rectify the facilities to its original condition or to restore damage to the property

No interest is paid on consumer deposits held.

Figures in Rand	2025	2024

14. Finance lease obligation

Minimum lease payments due		
- within one year	33 641	-
- in second to fifth year inclusive	-	91 310
	33 641	91 310
less: future finance charges	(798)	(11 043)
Present value of minimum lease payments	**32 843**	**80 267**

Present value of minimum lease payments due		
- within one year	32 842	-
- in second to fifth year inclusive	-	86 019
	32 842	**86 019**

Non-current liabilities	-	32 842
Current liabilities	32 842	53 177
	32 842	**86 019**

The Municipality entered into a 24 months lease contract on 44 laptop computers with Vodacom which commence on 19 January 2022 and ended on 19 January 2024.

The legal nature of the lease agreement is of a operating lease but substance over form prevails in the context of GRAP 13.The lease agreement meets the requirements of a finance lease and has been accounted for as such in accordance with GRAP 13.

The average lease term was 2 years and the effective borrowing rate is 0%. The prime rate of 7.25% (on date of signing) was used to perform the discounting of present value of future minimum lease payments.All leases has fixed repayments over the duration of the lease term.The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. It is the municipality policy to lease certain equipment under finance leases.

The municipality has finance lease agreements for the following significant classesof a ssets: (i) Computer equipment.Installments are payable Monthly in arrears	-	157 177
Average period	-	30
Average effective interest rate,based on prime 7, 25% .Monthly payments	-	5 239

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	16 649 221	925 697	(5 970 699)	11 604 219
Court litigations	-	1 018 760	-	1 018 760
	16 649 221	**1 944 457**	**(5 970 699)**	**12 622 979**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	9 439 317	921 371	6 288 533	16 649 221

Environmental rehabilitations

The Provisions disclosed relates to Provision for the Humberdale Landfill Site in terms of Grap 19. The Valuation has been performed and detailed in the experts report as at 30 June 2025.

Court litigations

The municipality is being sued for damages to a hired a vehicle that was written off after an accident. Evidence indicates that the municipality is likely to lose the case.

16. Operating lease liability

This Municipality entered into a lease agreement relating to Machinery and Equipment which met the definition of a operating lease.The Actual amount incurred was less then the straight lined amount resulting in a operating lease liability.

	2025	2024
Operating lease liability	400 181	389 857

17. Revenue

	2025	2024
Sale of goods	3 451 716	2 863 285
Service charges	12 430 882	11 151 173
Construction contract revenue	9 988 696	708 696
Rental of facilities and equipment	7 339 648	6 827 949
Interest received - ReceivablesInterest received - Receivables	2 056 441	1 876 589
Remeasurements employee benefits	-	1 721 917
Agency services	2 338 614	2 356 984
Licences and permits	3 110 991	2 952 602
Other income - (rollup)	483 948	533 412
Interest received - investment	14 036 859	14 607 648
Property rates	129 634 057	120 535 255
Property rates - penalties imposed	14 456 215	12 152 008
Government grants & subsidies	247 462 148	234 571 100
Public contributions and donations	85 218	3 669 740
Fines, Penalties and Forfeits	1 330 462	1 198 393
	448 205 895	**417 726 751**

Figures in Rand	2025	2024

17. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	3 451 716	2 863 285
Service charges	12 430 882	11 151 173
Construction contract revenue	9 988 696	708 696
Rental of facilities and equipment	7 339 648	6 827 949
Interest received - ReceivablesInterest received - Receivables	2 056 441	1 876 589
Agency services	2 338 614	2 356 984
Remeasurements employee benefits	-	1 721 917
Other income - (rollup)	483 948	533 412
Interest received - investment	14 036 859	14 607 648
	52 126 804	**42 647 653**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	129 634 057	120 535 255
Property rates - penalties imposed	14 456 215	12 152 008
Licences or permits	3 110 991	2 952 602
Transfer revenue		
Government grants & subsidies	247 462 148	234 571 100
Public contributions and donations	85 218	3 669 740
Fines, Penalties and Forfeits	1 330 462	1 198 393
	396 079 091	**375 079 098**

18. Service charges

Sale of electricity	969	-
Solid waste	90 850	55 536
Refuse removal	12 339 063	11 095 637
	12 430 882	**11 151 173**

19. Rental of facilities and equipment

Premises		
Premises	7 339 648	6 827 949

20. Fines, Penalties and Forfeits

Overdue Books Fines	1 230	1 693
Municipal Traffic Fines	1 329 232	1 196 700
	1 330 462	**1 198 393**

21. Agency services

Vehicle Registration	2 338 614	2 356 984

22. Licences and permits

Boat	7 130	1 669
Trading	17 234	13 238
Drivers and Learners licence	3 039 784	2 905 827
Taxi rank permits	46 843	31 868
	3 110 991	**2 952 602**

Figures in Rand	2025	2024

23. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	221 630	2 433 948

24. Operational revenue

Skills Development Levy Fund	284 091	306 099
Commision Earned	187 466	205 521
Special consents	12 369	21 757
Breakages and Losses	22	35
	483 948	**533 412**

25. Interest on investments

Interest revenue		
Bank	14 036 859	14 607 648

26. Property rates

Property rates billed

Residential	76 560 015	73 689 156
Business and Commercial	17 254 875	12 375 379
Public Benefit and Public Service Infrastructure	13 956 304	13 735 751
Small holdings and farms	6 993 441	6 751 483
Industrial	4 342 706	3 513 570
Vacant Land	10 526 716	10 469 916
	129 634 057	120 535 255
Property rates - penalties imposed	14 456 215	12 152 008
	144 090 272	**132 687 263**

Randages in terms of the Municipal Property Rates Act

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Residential	0.011966	0.011396
Commercial	0.017350	0.016524
Industrial	0.015315	0.014586
Agricultural	0.002991	0.002849
Public Service Property	0.002991	
PSI	0.002991	0.002849
Vacant	0.029913	0.028489

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

27. Transfer and subsidies

Other subsidies		
Grant in aid	1 815 227	1 971 365
Social relief	918 230	786 864
Youth development -Section 20 Schools	380 331	160 981
Skills development and training	195 000	102 246
	3 308 788	**3 021 456**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies

	2025	2024
Operating grants		
Equitable share	182 890 000	173 612 000
Finance Management Grant	1 899 999	1 950 000
Municipal Employment Initiative Grant	-	968 853
Energy Efficiency Grant	1 352 220	-
Provincial Library Services Grant	10 976 000	8 417 000
Umzinto Taxi Rank	2 091 681	1 908 061
Expanded Public Works Programme	1 249 000	1 601 000
Municipal Infrastructure Grant	1 676 953	1 463 579
Municipal Disaster Response Grant	3 899 276	5 500 601
Disaster Management Grant	4 574 972	-
Beach Infrastructure Grant	-	2 178 585
	210 610 101	**197 599 679**
Capital grants		
Municipal Infrastructure Grant	36 852 047	36 171 421
Cleanest Award Grant	-	800 000
	36 852 047	**36 971 421**
	247 462 148	**234 571 100**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2025	2024
Conditional grants received	64 572 148	60 959 100
Unconditional grants received	182 890 000	173 612 000
	247 462 148	**234 571 100**

Equitable Share

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

Equitable Share

	2025	2024
Current-year receipts	182 890 000	173 612 000
Conditions met - transferred to revenue	(182 890 000)	(173 612 000)
	-	**-**

Disaster Management Grant

	2025	2024
Balance unspent at beginning of year	-	4 985 524
Current-year receipts	14 853 000	-
Conditions met - transferred to revenue	(4 574 972)	(4 985 524)
	10 278 028	**-**

Conditions still to be met - remain liabilities (see note 11).

Municipal Infrastructure Grant

	2025	2024
Current-year receipts	38 529 000	37 635 000
Conditions met - transferred to revenue	(38 529 000)	(37 635 000)
	-	**-**

Cleanest Award Grant

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Balance unspent at beginning of year	-	800 000
Conditions met - transferred to revenue	-	(800 000)
	-	**-**

Energy Efficiency

Current-year receipts	1 200 000	-
Conditions met - transferred to revenue	(894 700)	-
	305 300	**-**

Conditions still to be met - remain liabilities (see note 11).

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

Municipal Disaster Relief Grant

Balance unspent at beginning of year	3 899 399	9 400 000
Current-year receipts	-	(5 500 601)
Conditions met - transferred to revenue	(3 899 276)	-
	123	**3 899 399**

Conditions still to be met - remain liabilities (see note 11).

Provincial Library Services Grant

Current-year receipts	10 976 000	8 417 000
Conditions met - transferred to revenue	(10 976 000)	(8 417 000)
	-	**-**

Small Town Rehabiliatation Grant

Balance unspent at beginning of year	3 893	3 893

Conditions still to be met - remain liabilities (see note 11).

Expanded Public Works Programme

Current-year receipts	1 249 000	1 601 000
Conditions met - transferred to revenue	(1 249 000)	(1 601 000)
	-	**-**

Title Deeds Restoration Grant

Balance unspent at beginning of year	587 558	587 558

Conditions still to be met - remain liabilities (see note 11).

Municipal Employment Initiative Grant

Balance unspent at beginning of year	31 147	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(968 853)
	31 147	**31 147**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

Finance Managment Grant

Current-year receipts	1 900 000	1 950 000
Conditions met - transferred to revenue	(1 900 000)	(1 950 000)
	-	**-**

Beach Infrastructure Grant

Balance unspent at beginning of year	321 415	321 415

Conditions still to be met - remain liabilities (see note 11).

Umzinto Bus Rank Grant

Balance unspent at beginning of year	2 091 939	2 091 939
Conditions met - transferred to revenue	(2 091 681)	-
	258	**2 091 939**

Conditions still to be met - remain liabilities (see note 11).

29. Donation Received

Donation of Land	-	3 669 740
Donantion of Equipment	85 218	-
	85 218	**3 669 740**

The municiapality received a donation of furniture and equipment from the department of Sport Art and Culture.

Figures in Rand	2025	2024

30. Employee related costs

Basic	103 800 556	99 159 902
Bonus	7 298 655	7 246 897
Medical aid contributions	7 419 110	6 996 425
Unemployment Insurance Fund	901 624	876 256
Contribution for Leave Pay	2 566 639	1 630 403
Pension fund contributions	15 556 870	15 576 177
Post retirement medical aid contributions	5 923 996	5 759 000
Staff Insurance	2 475	2 475
Overtime payments	14 554 627	9 968 174
Non Pensionable allowances	1 412 438	998 942
Shift allowance	284 124	239 646
Housing Benefits and allowances	471 333	474 610
Rental Subsidy	49 333	49 557
Bargaining Council Levy	64 138	61 941
Cellphone allowance	272 670	290 918
Travelling allowance	105 689	272 317
Standby allowance	1 558 445	1 094 028
	162 242 722	**150 697 668**

Remuneration of municipal manager : Mrs TC Ndlela (1 Jul24 to 31 Oct 24), Acting MM Mr NG Kumalo (Oct24-Apr25), Acting MM Mrs AN Dlamini (Apr25-Jun25)

Annual Remuneration	1 181 995	1 002 570
Cellphone Allowance	17 724	20 868
Travel	26 000	78 000
Leave days paid	97 957	-
Back pay	-	32 597
Non pensionable	-	20 340
	1 323 676	**1 154 375**

Remuneration of Manager: Technical Services Mr MB Shangase (Jul24-Jun25)

Annual Remuneration	855 469	592 281
Car Allowance	6 480	10 800
Backpay	-	11 354
Non pensionable	-	13 560
Travel	58 500	-
	920 449	**627 995**

Remuneration of the Chief Financial Officer: Mr Chandulal (Jul 24 - Oct 24), Mr TL Mketsu (Nov 24 - Jun 25)

Annual Remuneration	913 969	887 205
Car Allowance	2 160	6 480
Backpay	-	26 764
Non Pensionable	-	20 340
Leave Days Paid	106 018	-
	1 022 147	**940 789**

Remuneration of the Manager: Corporate Services Mr ES Nyawo (July 2023 - June 2024), Mr KI Molohlonyana Nov 24- june 25

Annual Remuneration	810 805	779 205
Backpay	-	26 764
Non Pensionable	-	20 340
Cellphone Allowance	1 080	-
Travel	27 000	-
Leave Days Paid	80 428	-
	919 313	**826 309**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Employee related costs (continued)

Remuneration of the General Manager : Community Services: Mr VT Khanyile (Jul24- Oct24), Mr BR Ntsebesha (Apr25-Jun25)

Annual Remuneration	396 985	707 205
Cellphone Allowance	3 300	6 600
Travel	60 000	180 000
Leave paid	87 739	-
Back pay	76 164	26 764
Non pensionable	-	20 340
	624 188	**940 909**

Remuneration of the General Manager: Planning and Development Mr MCI Mzotho(Jul23-Oct23), Mr SE Nxele (Aug24-Jun25)

Annual Remuneration	779 305	237 657
Cellphone Allowance	5 940	2 160
Travel	58 500	57 266
Acting remuneration	12 000	16 778
Backpay	-	9 732
Leave days paid	-	99 092
Non Pensionable	-	6 780
	855 745	**429 465**

31. Remuneration of councillors

Mayor	1 014 260	670 900
Deputy Mayor	820 049	866 399
Mayoral Committee	2 803 918	3 453 239
Speaker	820 049	806 164
Councillors	11 394 903	10 533 330
	16 853 179	**16 330 032**

Mayor Cllr MJ Cele - Luthuli (Jul 2024 - Jun 2025)

Salary	933 968	604 461
Cellphone	43 200	31 200
Backpay	37 092	40 012
	1 014 260	**675 673**

Speaker (Cllr ME Mbutho (Jul 2024 -Jun 2025)

Salary	747 175	418 055
Acting Allowance	-	60 235
Cellphone Allowance	43 200	27 600
Backpay	29 674	36 277
	820 049	**542 167**

Deputy Mayor Cllr PE Thabethe (Jul 2024 - Jun 2025)

Salary	747 175	306 232
Cellphone Allowance	43 200	18 000
Backpay	29 674	-
	820 049	**324 232**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Remuneration of councillors (continued)

In-kind benefits

In-Kind Benefit

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties and ech have one full time driver

The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have one full-time bodyguards.

32. Bad debt written off

Debt for Powers and Functions	5 075 295	-
Partial reversal of Sanral Debt	19 891 848	-
Amnesty granted to debt with more than 90days	292 413	-
Rural Development	1 159 819	-
	26 419 375	**-**

Council agreed to write-off the take-on balances for Rural Development Department and Ugu District Municipality

On receipt of the report the Council approved the partial write-off of Sanral debt based on the outcome of the report.

The Council approved the amnesty for all accounts with arrears for more than 90 days, debtors were to apply for the amnesty and pay the required amount before write-off.

33. Depreciation and amortisation

Property, plant and equipment	41 608 358	41 056 960
Investment property	393 309	394 387
Intangible assets	34 414	33 789
	42 036 081	**41 485 136**

34. Impairment loss

Impairments		
Property, plant and equipment	7 728 303	4 572 741

35. Finance costs

Interest on Non-Current Provisions	925 697	921 371
Trade and other payables	248 006	-
Finance leases	4 492	5 752
	1 178 195	**927 123**

36. Auditors' remuneration

Fees	4 495 718	2 523 833

37. Debt impairment

(Reversal of Debt impairment) / Debt impairment	(225 989)	34 274 991

Figures in Rand	2025	2024

38. Operational expenditure

Advertising	936 674	554 083
Signage	391 687	479 998
Auditors remuneration	4 495 718	2 523 833
Bank charges	294 852	415 258
Commission paid	153 153	159 246
Decommissioning expenses	(4 951 938)	-
Hire charges	1 656 814	2 630 782
Insurance	3 702 520	2 900 967
Conferences and seminars	503 165	549 347
Computer services and licence fees	7 377 192	4 595 685
Skills Development Levies	1 504 043	1 310 312
Fuel and oil	6 896 071	8 402 922
Printing and stationery	3 497 662	1 644 540
Uniform and Protective clothing	3 689 626	3 672 701
Drivers licence and motor vehicle fees	1 045 473	1 034 613
Subscriptions and membership fees	1 981 647	1 941 031
Telephone and fax	1 672 912	1 590 914
Travel and subsistence expenditure	1 091 452	820 619
Vehicle Tracking	120 085	47 372
Electricity and water	16 381 279	12 951 400
Firearm handling fees	26 000	36 783
Workmens Compensation	1 097 042	1 293 219
IDP Budget Roadshows	-	4 980
Ward Committees	2 105 042	2 107 668
Seating Allowance	15 450	-
Indigent relief	591 641	1 155 066
	56 275 262	**52 823 339**

39. Inventory Consumed

Consumables,Materials and Supplies	6 145 323	7 056 403

40. Contracted services

Outsourced Services		
Alien Vegetation Control	42 300	148 500
Animal Care	134 412	108 456
Business and Advisory	6 115 826	8 477 310
Cleaning Services	26 000	-
Clearing and Grass Cutting Services	3 631 095	3 984 762
Hygiene Services	29 950	169 565
Internal Auditors	195 220	196 173
Refuse Removal	8 451 236	8 911 457
Security Services	15 773 702	14 488 958
Swimming Supervision	2 332 980	1 778 796
Transport Services	384 773	579 971
Electrical	9 988 695	5 663 290
Consultants and Professional Services		
Business and Advisory	153 941	174 049
Infrastructure and Planning	149 174	1 366 994
Legal Cost	4 984 857	5 140 242

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Contracted services (continued)

Contractors		
Artists and Performers	29 900	-
Catering Services	1 667 991	2 134 158
Employee Wellness	48 000	82 000
First Aid	43 468	44 870
Gas	444 900	798 856
Interior Decorator	256 000	-
Maintenance of Buildings and Facilities	6 114 778	5 721 828
Maintenance of Equipment	1 082 014	1 978 331
Maintenance of Unspecified Assets	38 320 533	38 745 289
Medical Services	87 285	55 250
Traffic and Street Lights	3 392 540	3 503 450
Sports and Recreation	1 410 635	1 059 949
Stage and Sound Crew	167 327	245 052
Shark Nets	2 083 067	1 981 986
	107 542 599	**107 539 542**

41. Cash generated from operations

Surplus (deficit)	17 696 304	(5 337 011)
Adjustments for:		
Depreciation and amortisation	42 036 081	41 485 136
Impairment deficit	7 728 303	4 572 741
Debt impairment	(225 989)	34 274 991
Bad debts written off	26 419 375	-
Movements in operating lease assets and accruals	44 999	152 769
Contribution to Refuse Site Provision	1 321 287	7 209 904
Decommissioning expenses	(4 951 938)	-
Donated asset recieved	(85 218)	(3 669 740)
Loss on disposal of assets	236 223	1 901 383
Other movements	(280 105)	1 799 703
Changes in working capital:		
Receivables from exchange transactions	(36 488 352)	(1 210 466)
Receivables from non-exchange transactions	(9 050 724)	(31 052 998)
Payables from exchange transactions	917 159	(5 029 222)
Unspent conditional grants and receipts	4 592 372	(1 707 065)
Consumer deposits	13 115	39 659
Employee benefit obligation	4 427 000	2 036 000
	54 349 892	**45 465 784**

Figures in Rand	2025	2024

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	33 106 718	26 489 796
Total capital commitments		
Already contracted for but not provided for	33 106 718	26 489 796

Total commitments

Total commitments		
Authorised capital expenditure	33 106 718	26 489 796

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	429 023	429 023

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Rental expenses relating to operating leases		
Minimum lease payments	429 023	2 140 158

43. Contingent Liabilities

Claim for demages against the municipality, Breach of contract regarding the Humberdale Landfill site	3 256 945	300 000
Claim against Umdoni in respect of materials we allegedly instructed Thabani Projectsto procure in respect of the Electrification of Ward 11	8 338 070	8 338 070
Breach of contract claim in respect of a tender being awarded to service provider but could not commence construction.	-	4 706 062
Breach of contract - rehabilitation of Scottburgh CBD	24 602 689	24 602 689
Breach of Contract claim against Umdoni due to termination of agreement	7 119 222	13 083 585
Claim against the municipality of an application brought to declare the filling of a vacant exco seat	500 000	500 000
Defending action instituted against the municipality for recovery of funds spent by theratepayers association for the upgrade of roads within the municipal district.	-	152 670
Claim for payment of invoice in respect of the Humberdale landfill site. Coalition Trading has served summons on the municipality	2 260 111	2 760 111
Letter of demand and Summons received in respect of vehicle hired by UmdoniMunicipality, wherein the erstwhile Deputy Mayor's Driver whilst driving over the speedlimit met with an accident which resulted in the hired vehicle being written off. Theplaintiff's attorneys are now demanding payment for the full write off and recoverycosts. Corporate Services - Fleet. Recommendation is to settle this matter as we donot have good prospects in defending the claim. Consequence management to beinstituted against driver of vehicle with intention of recovering claim amount.	-	1 081 760
Claim against the municipality for damage to plaintiff's property as a result of Umdoni'salleged failure to maintain storm water drainage.	388 200	-
Breach of Contract claim, no performance in respect of Tender. This claim related tothe construction of the new Council Chambers. Tender a	2 615 467	-
Defending action instituted against the municipality for recovery of funds spent by theratepayers association for the upgrade of roads within the municipal district.	21 365	-
	49 102 069	**55 524 947**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Related parties

Related party transactions

Relationship		
Remuneration of Councillors	16 853 179	16 330 032
Members of key management	5 729 836	5 291 952

Councillors exercise a significant influence over the municipality's financial and administractive capacity by being the municipality's executive and legislative authority. Further details of remuneration of councillors is set out in note 33 of the annual financial statements

Key management personnel comprise individuals who have the authority and responsibility for planning, directing, and controlling the activities of the municipality. This includes the Municipal Manager, Chief Financial Officer, and Heads of Departments. These officials exercise significant influence over the municipality's financial and administrative operations through their strategic and operational decision-making roles. Further details of the remuneration paid to key management personnel are disclosed in Note 32 of the Annual Financial Statements.

45. Change in estimate

Property, plant and equipment

The useful lives of Property Plant and Equipment were assessed by management. At the end of the current period management has revised their estimate ranging to 3 years for different asset categories. The effect of this revision has decreased the depreciation charge for the current and the future period by R3 443 396 in respect of these assets. The assessment was done at year end when the assets were approaching the end of the useful lives and the economic benefits still accruing to the municipality.

Depreciation previously reported	11 951 011	11 364 952
Change in estimate	395 591	(3 443 396)
	12 346 602	**7 921 556**

Humber Landfill Site

The survey was conducted by the surveyor and based on the available airspace the liabilty amounts to R 17 970 509. Therefore, R 395 591.27 represent the change in estimate.The change has decreases as compared to last financial year due to the caping method which was ammended to suit the latest environmental legislation.

Humberdale Landfill Site		
Landfill Site liability after unwinding interest	(17 574 918)	(22 937 754)
Landfill Site liability as at 30 June 2025	17 970 509	16 649 222
	395 591	**(6 288 532)**

46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Trade and other Receivables from Exchange Transactions		35 060 691	(4 587 991)	30 472 700

46. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Trade and other Receivables from Exchange Transactions		29 145 233	(6 537 801)	22 607 432
Receivables from Non-exchange Transactions		69 199 190	(6 547 347)	62 651 843
Trade and payables from exchange transactions		(59 246 615)	34 875	(59 211 740)
Finance Lease - Non Current Liabilities		(86 019)	53 177	(32 842)
Finance lease current liability		-	(53 177)	(53 177)
Accumulated surplus		(787 049 866)	13 050 273	(773 999 593)
		(748 038 077)	**-**	**(748 038 077)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Rental from Fixed Assets		7 620 355	(792 405)	6 827 950
Agency Fees		2 589 398	(232 414)	2 356 984
Debt impairment		(24 747 085)	(9 527 906)	(34 274 991)
Surplus for the year		**(14 537 332)**	**(10 552 725)**	**(25 090 057)**

Accumulated Surplus

	2025	2024
Balance Previously reported 2024	-	(787 049 859)
Correction of Prior year error to opening accumulated surplus	-	2 497 541
Net adjustement to 2024 surplus	-	10 552 725
Restated Balance	**-**	**(773 999 593)**

Agency Fees - Reverse FS20230055 (Agency fees in respect of May and June 2023) Not reversed in 2024
Rental frrom Fixed Assets - Correction of Publi Works rental for 01/07/2023 to 30/06/2024

Receivables from exchange Transactions - Correction of Public Works rental Sep 2017 to June 2023, Raise correct amounts as per recon for MVL licencing 2020/2021 to 2022/2023
Receivables from Non-exchange Transactions - Correction of traffic fines opening balance-2023/2024
Finance lease - Reclassification of finance lease from Non - Current to current as the portion was payable within 12 months.

Debt impairment expense was understated by R9 527 906 and receivables from exchange transactions and receivables from non-exchange transactions overstated by R2 538 351 and R6 989 556 respectively as a result of allowance for impairment that was erroneously understated.

47. Risk management

Financial risk management

47. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation
.
Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables-Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.
The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Market risk

Interest rate risk

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

Figures in Rand	2025	2024

47. Risk management (continued)

Financial Instrument disclosure

Receivables from exchange transactions on the Financial Position includes VAT, which is Statutory receivable in terms of GRAP 108. The VAT portion is considered to be statutory receivable and has not been included as financial instrument.In accordance with GRAP 104, the municipality does not recognise statutory receivables as financial instruments, as the standard permits contractual receivables to be disclosed as such.

Financial Assets at Amortised Cost :		
Receivables from exchange transactions (Contractual Receivables)	15 075 803	9 774 801
Bank balances	149 379 264	146 398 454
Operating lease asset	136 655	181 654
	164 591 722	**156 354 909**

Financial Liabilities at Amortised Cost:		
Consumer Deposits	2 539 573	2 526 458
Trade Payables and Accruals	22 030 535	24 481 282
Payments received in advance	7 001 122	7 221 722
Retention	12 365 949	10 993 715
Unallocated deposits	3 902 760	3 405 110
	47 839 939	**48 628 287**

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

48. Events after the reporting date

Subsequent to the end of financial year 2024/2025, The municipality public accounts committee has investigated the unauthorized expenditure of R34 449 243 which was presented to council on 27 August 2025. the council after deliberating on the matter it has resolved to write off the unauthorized expenditure.

49. Unauthorised expenditure

Opening balance as previously reported	34 449 243	27 866 838
Add: Unauthorised expenditure - current	26 419 375	6 582 405
Less: Amount approved by councillor for write-off	(34 449 243)	-
Closing balance	**26 419 375**	**34 449 243**

50. Fruitless and wasteful expenditure

Opening balance as previously reported	18 369 737	18 258 412
Add: Fruitless and wasteful expenditure identified - current	268 090	111 325
Closing balance	**18 637 827**	**18 369 737**

51. Irregular expenditure

Opening balance as previously reported	16 608 404	252 754
Add: Irregular expenditure from prior identified in the current	187 264 488	-
Add: Irregular expenditure - current	116 401 127	16 355 650
Closing balance	**320 274 019**	**16 608 404**

The municipality is in the process of investigated the irregular expenditure incurred which will be processed through council and consequence management will be implementedt

Figures in Rand	2025	2024

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Current year subscription / fee	1 978 529	1 941 031
Amount paid - current year	(1 978 529)	(1 941 031)
	-	-

Audit fees

	2025	2024
Current year subscription / fee	4 495 718	2 523 833
Amount paid - current year	(4 495 718)	(2 523 833)
	-	-

Unemployment insurance fund and Skills Levy

	2025	2024
Opening balance	2 405 667	2 194 893
Current year subscription / fee	(2 405 667)	(2 194 893)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	22 975 980	22 572 602
Amount paid - current year	(22 975 980)	(22 572 602)
	-	-

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts as at 30 June 2025.

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
RB Boola	1 127	12	1 139
M & P Nombika	174	51	225
	1 301	**63**	**1 364**

53. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Incident

	2025	2024
An emergency: Expenditure incurred in accordance with Section 36 of theSCM Regulations in respect of an emergency	13 879 208	1 191 615
Goods and services procured or available from a single provider only:Expenditurei ncurred in accordance with Section 36 of the SCM Regulations inrespect of goods and services or available from a single provider only.	82 478	129 483
Exceptional case where it is impracticable or impossible to follow the official procurement process: Expenditure incurred in accordance to Section 36 of the Regulations in respect of exceptional case where it is impractical or impossibleto follow the official procurement processes.	548 964	4 765 107
	14 510 650	**6 086 205**

54. Segment information

General information

54. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the Kwa-Zulu Natal Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Kwa-Zulu Natal were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Segment 1	Roads and Storm water
Segment 2	Waste Management
Segment 3	Housing
Segment 4	Planning and Development
Segment 5	Recreational Facilities
Segment 6	Libraries and Archives
Segment 7	Community Halls and Facilities

54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libaries and archives	Community halls and facilities	Total
Revenue								
Service charges	-	(12 429 913)	(969)	-	-	-	-	(12 430 882)
Sale of good and rendering of service	-	-	-	(537 750)	(359 213)	(16 633)	(56 226)	(969 822)
Rental of facilities and equipment	-	-	(35 773)	-	-	(565)	(166 559)	(202 897)
Interest recieved -Receivables	-	(2 056 441)	-	-	-	-	-	(2 056 441)
Fines ,Penalties and Forfiets	-	-	-	-	-	(1 230)	-	(1 230)
Operational Revenue	-	-	-	-	-	(12 390)	-	(12 390)
Licenses and Permits	-	-	-	-	(7 130)	-	-	(7 130)
Government grants and subsidies	(42 954 424)	-	-	(3 340 681)	-	(10 976 000)	-	(57 271 105)
Contraction - Contract Revenue	(9 988 696)	-	-	-	-	-	-	(9 988 696)
Donation Land	-	(85 218)	-	-	-	-	-	(85 218)
Total segment revenue	**(52 943 120)**	**(14 571 572)**	**(36 742)**	**(3 878 431)**	**(366 343)**	**(11 006 818)**	**(222 785)**	**(83 025 811)**
Unallocated -Agency services								(2 338 614)
Unallocated - Interest recieved -Investments								(14 036 858)
Unallocated - Operational Revenue								(471 557)
Unallocated - Rental of Facilities and Equipment								(7 686 059)
Unallocated - Sale of Goods and Rendering of Services								(2 705 596)
Unallocated - Fines, Penalties & Forfeits								(1 329 232)
Unallocated - Government grants and Subsidies								(189 364 972)
Unallocated - Licenses and Permits								(3 103 861)
Unallocated - Property rates								(129 634 058)
Property rate penalties imposed								(14 456 215)
Total revenue reconciling items								**(365 127 022)**
Entity's revenue								**(448 152 833)**

Notes to the Annual Financial Statements

Figures in Rand

54. Segment information (continued)

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Recreational facilities	Libaries and archives	Community halls and facilities	Total
Expenditure								
Employee related cost	(12 112 867)	(16 059 237)	(2 364 200)	(12 310 414)	(9 592 091)	(11 281 435)	(6 020 685)	(69 740 929)
Contracted services	(45 706 034)	(10 124 633)	(407 792)	(963 455)	(5 191 950)	(260 162)	(2 383 210)	(65 037 236)
Operational expenditure	(2 324 426)	3 618 408	(20 503)	(521 378)	(200 366)	(704 671)	(195 271)	(348 207)
Depreciation and armortisation	(30 506 342)	-	-	-	-	-	(4 647 515)	(35 153 857)
Impairment loss	(7 509 619)	-	-	-	-	-	-	(7 509 619)
Transfers and subsidies	-	-	-	(856 831)	-	(483 193)	-	(1 340 024)
Total segment expenditure	**(98 159 288)**	**(22 565 462)**	**(2 792 495)**	**(14 652 078)**	**(14 984 407)**	**(12 729 461)**	**(13 246 681)**	**(179 129 872)**
Total segmental surplus/(deficit)	**45 216 168**	**7 993 890**	**2 755 753**	**10 773 647**	**14 618 064**	**1 722 643**	**13 023 896**	**96 104 061**
Unallocated - Contracted Services								(38 556 769)
Unallocated - Debt Impairment								225 989
Unallocated - Debt writeoff								(26 419 375)
Unallocated - Depreciation and Amortisation								(6 882 224)
Unallocated - Employee Related Cost								(92 501 792)
Unallocated - Finance Cost								(925 697)
Unallocated - Impairment loss reversal								(218 683)
Unallocated - Lease rental on operating lease								(13 137)
Unallocated - Loss on disposal of assets								(109 457)
Unallocated - Operational expenditure								(63 181 080)
Unallocated - remuneration of councillors								(16 853 179)
Unallocated - Transfers and Subsidies								(2 049 268)
Unallocated - Actuarial Loss								(547 900)
Total expenditure reconciling items								**(248 032 572)**
Assets								
Segment assets acquisitions	26 235 040	101 400	-	1 932 907	124 218	-	14 016 438	42 410 003
Unallocated - Assets								895 315 331
Total assets as per Statement of financial Position								**937 725 334**

2024

54. Segment information (continued)

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Sports Grounds and Stadium	Recreational Facilities	Libaries and Archives	Community Halls and facilities	Total
Revenue									
Service charges	-	11 151 174	-	-	-	-	-	-	11 151 174
Sale of goods and rendering of services	-	-	-	520 829	-	355 862	30 700	61 285	968 676
Rental of facilities and equipment	-	-	35 772	-	-	-	122	223 919	259 813
Interest received - Receivables	-	1 927 156	-	-	-	-	-	-	1 927 156
Operational revenue	708 696	-	-	-	-	-	21 792	-	730 488
Fines, Penalties and Forfeits	-	-	-	-	-	-	1 693	-	1 693
Government grants and subsidies	43 135 601	-	800 000	4 477 914	-	2 178 584	8 417 000	-	59 009 099
Licences and Permits	-	-	-	-	-	-	-	21 080	21 080
Total segment revenue	**43 844 297**	**13 078 330**	**835 772**	**4 998 743**	**-**	**2 534 446**	**8 471 307**	**306 284**	**74 069 179**
Unallocated - Proceeds from Insurance fund (Allocations in kind)									1 721 917
Unallocated - Actuarial gains - employee benefits									2 589 398
Unallocated - Agency Services									14 607 648
Unallocated - Interest received - Investment									511 620
Unallocated - Interest received - Receivables									7 360 540
Unallocated - Operational revenue									2 039 134
Unallocated - Government Grants and subsidies									1 894 609
Unallocated - Licenses and Permits									175 562 000
Unallocated - Property rates									2 950 932
Unallocated - Property rates Penalties imposed									120 535 254
Interest received - Receivable									12 130 928
Interest									(50 658)
Donation planned									3 669 470
Fines, penalties and Forfeits									1 196 700
Licenses and Permits									2 950 932
Property rates									132 666 182
Total revenue reconciling items									**482 336 606**
Entity's revenue									**556 405 785**

54. Segment information (continued)

	Roads and Stormwater	Waste Management	Housing	Planning and Development	Sports Grounds and Stadium	Recreational Facilities	Libaries and Archives	Community Halls and facilities	Total
Expenditure									
Employee related cost	(10 304 902)	(2 383 756)	(2 399 176)	(9 424 103)	-	(6 690 561)	(10 364 142)	(10 631 654)	(52 198 294)
Contracted Services	(41 462 319)	(12 275 111)	(413 589)	(2 793 976)	-	(3 760 582)	(310 805)	(3 587 952)	(64 604 334)
Operational Expenditure	(127 727)	-	(19 087)	(449 505)	-	(157 675)	(587 908)	(92 330)	(1 434 232)
Depreciation and Armortisation	(32 079 322)	-	-	-	-	-	-	(3 211 775)	(35 291 097)
Total segment expenditure	**(83 974 270)**	**(14 658 867)**	**(2 831 852)**	**(12 667 584)**	**-**	**(10 608 818)**	**(11 262 855)**	**(17 523 711)**	**(153 527 957)**
Total segmental surplus/(deficit)	**127 818 567**	**27 737 197**	**3 667 624**	**17 666 327**	**-**	**13 143 264**	**19 734 162**	**17 829 995**	**227 597 136**
Total revenue reconciling items									482 336 606
Unallocated - Contracted Services									(38 407 775)
Unallocated - Debt Impairment									(34 274 991)
Unallocated - Depreciation and Amortisation									(4 407 551)
Unallocated - Employee Related Cost									(81 331 114)
Unallocated - Impairment of Cash and Non Cash Generating asset									(4 564 022)
Unallocated - Inventory consumed									(3 069 239)
Unallocated - Loss on disposal of assets									(1 658 459)
Unallocated - Operational expenditure									(51 589 826)
Unallocated - Remuneration of councillors									(16 330 032)
Unallocated - Transfers and Subsidies									(1 599 285)
Unallocated - Finance Cost									(5 752)
Unallocated - Lease rental on operating assets									(1 802 833)
Entity's surplus (deficit) for the period									**243 295 727**
Assets									
Segment assets acquistions	19 511 620	695 634	-	-	49 130	-	-	21 295 405	41 551 789
Unallocated assets									867 599 067
Total assets as per Statement of financial Position									**909 150 856**

55. Budget differences

Material differences between budget and actual amounts

Revenue

Property rate
The amount accrued on rates amounts to R129,6 million, against the expected R131,1 million resulting to 1% variance. This variance is cause by the fact that proposed new development on properties was not finalised in 2024/25 financial year.

Service charges
Amount accrued on refuse removal is R12,4 million against the expected R13,4 million. Variance is sitting at 7%. This variance is cause by the fact that proposed new development on properties was not finalised in 2024/25 financial year.

Investment revenue
This section relates to interests received on the call account deposits held, Interest recognised amounts to R14,0 million against the expected R12,5 million. The variance is 12%. This over performance is a result of change in interest rates.

Other income

Actual revenue received is R 44.8 million against the budget of R40.3 million, variance is 11%. Major contributor on this variance is interest on property rates and refuse, customers are falling to pay on time due to poor economic conditions.

Expenditure

Remuneration of councillors
Amount spent totals to R16,8 million against the year-to-date budget of R17,6 million. Variance is sitting at 4%. Caused by Gazette no 51419 issued on the 21st of October 2024 which states that Councillors remuneration was supposed to be increased by 2.5% effective from July 2024, that was not affected. It will be affected in 2025-26 financial year with back pay.

Debt impairment

Amount spent totals to -R1.5 million against the budget, variance is 100%. We have this variance because there was no budget for write offs

Expenditure / Irrecoverable debts written off.

Amount spent totals to R26.4 million against no budget, variance is 100%. We have this variance because there was no budget for write offs.

Expenditure / Irrecoverable debts written off.

Amount spent totals to -R1.5 million against the budget of R7.0 million, variance is -21%. This variance is caused by reversal of previously recognised impairment of R5.0 million.

Contacted services

Amount spent totals to R107.2 million against the budget of R135.0 million, variance is 79%. This variance is caused by stringent measures to control budget and cost containment measures

Materials and bulk purchases

Amount spent totals to R4,8 million against the budget of R7.5 million, variance is 81%. This variance is caused by stringent measures to control budget and cost containment measures

Transfers and grants

55. Budget differences (continued)

Amount spent totals to R4.2 million against the budget of R3.8 million, variance is 77%. This variance is caused by fact that big portion of item is related to disaster which it's only incurred if disaster happens.

Other expenditure

Amount spent totals to R62.3 million against the budge R71.8 million against the budget, variance is 87%. This variance is caused by the fact that some items are purchased as when needed e.g. hire of vehicles also stringent measures to control budget and cost containment measures

Loss on disposal of assets

Amount spent totals to R109.4 thousand against no budget, variance is 100%. This variance is caused by less proceeds received during auction.

Actuarial loss

Amount spent totals to R547.9 million against no budget, variance is 100%. This variance is caused by calculations done at the end of financial year.

Current liabilities

Current liabilities is more than the budget cause we had less actuals than anticipated

Non current liabilities

Non Current liabilities is more than the budget cause we had less actuals than anticipated

Transfers recognised - capital

Amount spent totals to R37.9 million against the budget of R46.7 million, variance is 81%. This variance is caused by Municipal Disaster Response Grant with a budget of 1R2,9 million actual expenditure of only 30% of the budget.

Internally generated funds

Amount spent totals to R13.6 million against the budget of R17.3 million, variance is 77%. This variance is caused by some assets which were budgeted for but not acquires due to some delays.

56. Accounting by principals and agents

Title Deeds Restoration Programme

The Municipality works as an agent on the title deeds restoration programme on behalf of the KZN Provincial Department of human settlements.
The Municipality is considered to be an agent in accordance with GRAP 109, with the KZN Provincial Department of Human Settlements being the principal in this arrangement.

56. Accounting by principals and agents (continued)

Details of the arrangment(s) is|are as follows:

The purpose of the principal-agent relationship is for funding to effect the transfer of the 1863 houses in the Ifafa Glebe Housing Project.

Significant terms and conditions of the arrangement are as follows:
- The Municipality to submit to the department ,its bussiness plan detailing how funds are to be used ,also setting time frames for utilization of funds

- The municipality to appoint the conveyancers that are registered with the law society of south africa to carry out the transfer of theproperties on the business plan.

- To give regular progress reports to the departments as requested and at steering commitee meetings.

- To ensure that the registration of sites is done quickly as possible and with parameters of the law.

56. Accounting by principals and agents (continued)

Municipality as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

During the year, the municipality had an opening balance of R 587 558 .Amount of 0.00 has been spent during the year.
Balance of R587 558 was left unspent. It is recorded under Unspent Conditional Grants, Current Liabilities note 11 and 28.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year.

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities which were incurred on behalf of the principal have been settled during the financial year, and hence no outstanding payments were recorded at year end.

Additional information

Motor Vehicle Registrations
The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

Details of the arrangement
The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.
Significant terms and conditions of the arrangement are as follows:
The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year. The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due. The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences. The municipality is entitled to retain 10% of the cash collected for undertaking this activity on behalf of the Department. Significant risks have been identified as follows:
The significant risks relate to the possible loss of any monies during transit and potential theft by employees Mitigation strategies and benefits associated with the relationship are as follows: Cameras installed and monitored Access is controlled through biometric system Cash is collected by the security services company and such cash is insured Internal controls and reconciliation are performed on a daily and monthly basis Resources held on behalf of the principal, but recognised in the entity's own financial statements.

During the financial year, the municipality collected R28 657 237.56 All the monies collected were paid over to the principal as banking is done everyday. No resources are expected to be paid over to the principal. Revenue recognised
Revenue has been recognised as the compensation for the transactions carried out on behalf of the principal is R2 338 613.79 (2024: R 2 589 398.22)
Liabilities and corresponding rights of reimbursement recognised as assets No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end. No corresponding rights of reimbursement that have been recognised at year

Resources (including assets and liabilities) of the entity under the custodianship of the agent
No resources have been recognised by the agent in its financial statements.The municipality is required to return the equipment supplied by the department should the agreement is terminated.
During the period the municipality collected R28 657 237.56. All the funds were paid over to the Principal by the end of the financial year.No resources expected to be remitted as remaining resources by the agent to the Principal.Banking is done everyday, therefore funds collected on behalf of the principal are paid over everyday.The municipality is required to return the equipment supplied by the department if the agreement is terminated.

56. Accounting by principals and agents (continued)

Umzinto Slums
The municipality works as an agent on the Umzinto Slums Clearing Housing Projects on behalf of the KZN Department of Human Settlements.

The municipality is considered to be an agent in accordance with GRAP 109 with the KZN Department of Human Settlements being the principal in this agreement.

Details of the arrangements are as follows:
The municipality was appointed as a Developer and the Implementing Agent (IA) was appointed by KZN Provincial Department Human Settlements(DOHS.
The responsibility of the municipality is to ensure that the project is executed in accordance with the terms and conditions of this agreement.
The municipality warrants that it is entitled to develop the area as the area is registered in its name.
The municipality shall manage and monitor the performance of the Implementing Agent to ensure compliance with the terms of their agreement and to ensure that the IA adheres to the timeframes of the Development Programme in the implementing of the project.
The municipality will receive the claims for payment from IA and forward them to DOHS. The municipality will receive funds from DOHS and in turn pay it over to the IA.

Reporting Procedure
The municipality and the IA shall submit written progress reports to DOHS at the end of each consecutive month with effect from the effective date stating the status of the Project and whether the municipality and the IA is adhering to the programme and the reasons for any delays which have been experienced.
IA or the municipality shall provide the DOHS with cashflow projections with each claim submitted.
Upon completion of the project IA or the municipality shall sign a completion certificate as proof of completion of the project.

Accounts
The municipality and the IA shall keep proper books of accounts in accordance of GRAP. At the termination of the project the municipality or the IA shall prepare a reconciliation of the project

Revenue and expenses
The DOHS will pay the municipality for the work done by the IA and the municipality will not recognise any revenue or expenses incurred as the municipality is an agent.

Assets and liabilities
The municipality as an agent will not recognise assets or liabilities arising from the project.