UMKHANDLU
UMSHWATHI
MUNICIPALITY

UMSHWATHI LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended June 30, 2025

General Information

Legal form of entity	Local Municipality interms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with Section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Executive committee	
Mayor	Cllr. G.M. Zondi
	Cllr. N.P. Mdunge (Deputy Mayor)
Councillors	Cllr. P.P. Shezi (Exco Member)
	Cllr. S.K. Nxumalo (Exco Member)
	Cllr. M.P. Majozi (Exco Member)
	Cllr. S.M. Mbatha Ntuli (Speaker)
	Cllr. A.M. Mbuthu
	Cllr. B.E. Mncube
	Cllr. B.K. Mkhize
	Cllr. E.B. Mbongwe
	Cllr. B.T. Zondi
	Cllr. H. Ngubane
	Cllr. M.P Mlobeli
	Cllr. M.Z. Mbewana
	Cllr. N.A. Mbhele
	Cllr. T.P. Nxumalo
	Cllr. N.E. Cebekhulu (WHIP)
	Cllr. N.H. Chamane
	Cllr. N.R. Khanyile
	Cllr. T.A. Papiyana
	Cllr. N.W. Gasa
	Cllr. R. Thomas-Govender
	Cllr. K.V. Gwala
	Cllr. S.G. Shezi
	Cllr. S.P. Khanyile
	Cllr. V.M. Mncwabe
	Cllr. N. Dladla
Grading of local authority	Category 2
Chief Finance Officer (CFO)	Mr. EV Mdlalose
Accounting Officer	N.M. Mabaso
Registered office	Main Road New Hanover 3230
Auditors	Auditor General (SA)

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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 June 30, 2025 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 annual financial statements set out on page 4 which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2025 and were signed on its behalf by:

N.M. Mabaso
Acting Municipal Manager

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	2	8,973,357	8,827,745
Other financial assets	3	281,180	4,048,022
Receivables from exchange transactions	4	5,828,285	2,229,258
Statutory Receivables	5	31,843,502	24,878,836
Other debtors non-exchange	6	812,139	1,039,076
Cash and cash equivalents	7	115,402,724	105,904,759
		163,141,187	**146,927,696**
Non-Current Assets			
Investment property	8	11,299,600	9,559,898
Property, plant and equipment	9	373,781,822	345,495,642
Intangible assets	10	576,692	678,470
Heritage assets	46	260,000	148,782
Non-current portion of Acknowledgement of debt debtors	6	3,637,903	3,841,028
		389,556,017	**359,723,820**
Total Assets		**552,697,204**	**506,651,516**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	30,047,141	9,619,895
Taxes and transfers payable (non-exchange)	47	3,664,246	2,225,538
Provisions	12	6,036,178	5,975,685
		39,747,565	**17,821,118**
Non-Current Liabilities			
Provisions	12	6,233,000	5,375,000
Total Liabilities		**45,980,565**	**23,196,118**
Net Assets		**506,716,639**	**483,455,398**
Accumulated surplus		506,716,639	483,455,398
Total Net Assets		**506,716,639**	**483,455,398**

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	13	3,353,132	2,891,304
Construction contract revenue	14	1,969,565	-
Rental of facilities and equipment	15	828,574	700,883
Interest earned (trading)	16	884,554	946,390
Agency services	49	2,933,309	3,541,364
Licences and permits	17	17,287	13,713
Commissions received		138,182	603,314
Other revenue	50	93,678	358,940
Interest on Current Account		789,662	451,187
Other income - Sale of Goods	51	585,306	581,785
Interest earned - investment	18	9,582,938	10,029,731
Total revenue from exchange transactions		**21,176,187**	**20,118,611**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	57,352,167	57,751,312
Interest earned - outstanding debtors	20	6,516,276	6,308,109
Transfer revenue			
Government grants and subsidies	21	178,749,000	174,586,281
Fines	22	567,200	337,407
Donation Received - Community facilities		9,759,675	-
Total revenue from non-exchange transactions		**252,944,318**	**238,983,109**
Total revenue	48	**274,120,505**	**259,101,720**
Expenditure			
Employee related costs	23	100,453,622	96,174,132
Remuneration of councillors	24	12,724,840	12,609,520
Impairment loss	25	453,325	5,524,812
Depreciation and amortisation	26	19,281,696	18,082,145
Lease rentals on operating lease	27	281,985	303,210
Contribution to Provisions- Debt impairment	28	3,234,944	(44,265,957)
Bad debts written off	55	9,975,064	54,538,893
Construction Contract expenditure	29	1,969,565	-
Contracted services	30	53,708,258	47,077,316
Transfers and Subsidies	52	6,974,499	2,314,412
General Expenses	31	41,760,788	37,915,581
Total expenditure		**250,818,586**	**230,274,064**
Gains and (losses)	32	(40,683)	947,746
Surplus for the year		**23,261,236**	**29,775,402**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2023	**453,679,996**	**453,679,996**
Changes in net assets		
Surplus for the year	29,775,402	29,775,402
Total changes	29,775,402	29,775,402
Opening balance as previously reported	490,517,083	490,517,083
Adjustments		
Correction of errors	(7,061,680)	(7,061,680)
Restated* Balance at July 1, 2024 as restated*	**483,455,403**	**483,455,403**
Changes in net assets		
Surplus for the year	23,261,236	23,261,236
Total changes	23,261,236	23,261,236
Balance at June 30, 2025	**506,716,639**	**506,716,639**

Note(s)

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		49,098,574	56,277,005
Grants		178,749,000	173,767,000
Interest income		11,184,570	17,735,417
Other receipts		5,774,925	6,363,076
		244,807,069	254,142,498
Payments			
Employee costs		(110,869,509)	(108,783,649)
Suppliers		(85,591,202)	(107,241,336)
		(196,460,711)	(216,024,985)
Net cash flows from operating activities	33	**48,346,358**	**38,117,513**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(37,057,933)	(43,811,708)
Proceeds from sale of property, plant and equipment	9	-	947,746
Purchase of investment property	8	(1,674,610)	-
Purchase of other intangible assets	10	(115,850)	(297,211)
Proceeds from sale of other intangible assets	10	-	(66,189)
Purchase of heritage assets	46	-	(148,782)
Net cash flows from investing activities		**(38,848,393)**	**(43,376,144)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**9,497,965**	**(5,258,631)**
Cash and cash equivalents at the beginning of the year		105,904,759	111,163,390
Cash and cash equivalents at the end of the year	7	**115,402,724**	**105,904,759**

The accounting policies on pages 11 to 25 and the notes on pages 26 to 66 form an integral part of the annual financial statements.

* See Note 37

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 Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3,909,480	-	**3,909,480**	3,353,132	**(556,348)**	A
Construction contracts	-	-	**-**	1,969,565	**1,969,565**	
Rental of facilities and equipment	725,000	35,000	**760,000**	828,574	**68,574**	B
Interest received (trading)	1,500,000	(500,000)	**1,000,000**	884,554	**(115,446)**	C
Agency services	3,362,625	(50,000)	**3,312,625**	2,933,309	**(379,316)**	D
Licences and permits	15,000	2,000	**17,000**	17,287	**287**	E
Commissions received	-	250,000	**250,000**	138,182	**(111,818)**	F
Other revenue	-	-	**-**	93,678	**93,678**	G
Interest on current account	120,000	205,000	**325,000**	789,662	**464,662**	H
Other income	264,600	2,494,372	**2,758,972**	585,306	**(2,173,666)**	
Interest received - investment	7,000,000	1,500,000	**8,500,000**	9,582,938	**1,082,938**	
Total revenue from exchange transactions	**16,896,705**	**3,936,372**	**20,833,077**	**21,176,187**	**343,110**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	58,990,687	(1,319,313)	**57,671,374**	57,352,167	**(319,207)**	I
Interest - outstanding debtors	4,000,000	2,300,000	**6,300,000**	6,516,276	**216,276**	J
Transfer revenue						
Government grants & subsidies	181,014,000	(2,265,000)	**178,749,000**	178,749,000	**-**	
Fines, Penalties and Forfeits	32,000	33,000	**65,000**	567,200	**502,200**	K
Donations - Community Assets	-	-	**-**	9,759,675	**9,759,675**	L
Total revenue from non-exchange transactions	**244,036,687**	**(1,251,313)**	**242,785,374**	**252,944,318**	**10,158,944**	
Total revenue	**260,933,392**	**2,685,059**	**263,618,451**	**274,120,505**	**10,502,054**	
Expenditure						
Employee related cost	(107,110,808)	(2,079,911)	**(109,190,719)**	(100,453,622)	**8,737,097**	M
Remuneration of councillors	(13,997,826)	-	**(13,997,826)**	(12,724,840)	**1,272,986**	N
Impairment Loss	-	-	**-**	(453,325)	**(453,325)**	
Depreciation,amortisation and Impaiments	(17,870,000)	(6,000,000)	**(23,870,000)**	(19,281,696)	**4,588,304**	
Lease rentals on operating lease	-	-	**-**	(281,985)	**(281,985)**	
Debt Impairment	(15,500,000)	-	**(15,500,000)**	(3,234,944)	**12,265,056**	O
Bad debts written off	(10,000,000)	2,000,000	**(8,000,000)**	(9,975,064)	**(1,975,064)**	O
Contract expenditure	-	-	**-**	(1,969,565)	**(1,969,565)**	
Contracted Services	(66,679,999)	570,020	**(66,109,979)**	(53,708,258)	**12,401,721**	P
Transfers and Subsidies	(7,513,000)	577,000	**(6,936,000)**	(6,974,499)	**(38,499)**	Q
General Expenses	(49,624,754)	2,129,180	**(47,495,574)**	(41,760,788)	**5,734,786**	R
Total expenditure	**(288,296,387)**	**(2,803,711)**	**(291,100,098)**	**(250,818,586)**	**40,281,512**	
Operating surplus	**(27,362,995)**	**(118,652)**	**(27,481,647)**	**23,301,919**	**50,783,566**	

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
Loss on disposal of assets and liabilities	-	-	-	(40,683)	**(40,683)**	
Surplus	**(27,362,995)**	**(118,652)**	**(27,481,647)**	**23,261,236**	**50,742,883**	
Actual Amount on Comparable Basis	**(27,362,995)**	**(118,652)**	**(27,481,647)**	**23,261,236**	**50,742,883**	

(A) - Service Charges – the variance is due to business closure, termination of leases for household tenants without notifications

(B) - Rental of Facilities – this includes the hiring of community halls, which are on cash basis and the increase is due to high demand in community hall hiring.

(C) - Interest earned trading - The budget for this line item is on the interest this relates to interest on earnrd on trading services, the variance relates to the outstanding debtors billed on the refuse removal.

(D) - Agency services fee – the decrease was due to the temporaly closure of MLB office, due to the destruction that occurred.

(E) - Licenses and permits – this item is on cash basis, with cause an increase in licences and permits applications

(F) - Commission received - This relates to comission received fromIEMAS Financial Services for the administration of employee loan collections on their behalf. Interest on investments – the decrease is due to the reduction in loans offered to employees

(G) - Other revenue - this is due to building plans applications, sale of properties (valuation certificates) and new developments, which are all based on cash basis through applications, there were reduction in new applications

(H) - Interest on current account - this is the interest earned on current account and investments made

(I) - Property Rates – the variance is due to an additional rebate on rural residential properties as per council resolution

(J) - Interest on outstanding debtors - this item relates to an outstanding debtors pertains to property rates.

(K) - Fines penalties and forfeits - this is due to non-payment and cancellation of traffic fines by court.

(L) - Donation Community assets - this relates to the donation the municipality received from non profitable organisation , the donation was in the form of community facilities, the fair value was applied for cost.

(M) - Employee Related – the variance is due to unfilled new budgeted positions

(N) - Remuneration of Councilors – the budgeted amount also includes Subsistence and Travelling for Councilors   The variance reflects uauthorised expenditure that was approved for write off by council.

(O)- Debt impairment reversal occured in current year due to an improved collection rate attributed to debt write offs

(P) - Contracted services - the variance in this expenditure item is due to the delay on the SCM processes and lack of implementation of the procurement plan by user departments.

(Q) - Contracted Services – the variance in this expenditure item is due to the delay on the SCM processes and lack of implementation of the procurement plan by user departments.

(R) - General expenses – the variance in this expenditure item is due to the delay on the SCM processes and lack of implementation of the procurement plan by user departments.

Statement of Financial Position

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
Assets						
Current Assets						
Inventories	6,278,000	-	**6,278,000**	8,973,357	**2,695,357**	
Other financial assets	-	-	**-**	281,180	**281,180**	
Receivables from exchange transactions	19,924,000	(500,000)	**19,424,000**	5,828,285	**(13,595,715)**	
Statutory Receivables	58,991,000	(1,320,000)	**57,671,000**	31,843,502	**(25,827,498)**	
Other debtors: non-exchange	9,636,000	3,988,000	**13,624,000**	812,139	**(12,811,861)**	
VAT receivable	32,037,000	(1,477,000)	**30,560,000**	-	**(30,560,000)**	
Cash and cash equivalents	65,979,000	(208,000)	**65,771,000**	115,402,724	**49,631,724**	
	192,845,000	**483,000**	**193,328,000**	**163,141,187**	**(30,186,813)**	
Non-Current Assets						
Investment property	8,812,000	(190,000)	**8,622,000**	11,299,600	**2,677,600**	
Property, plant and equipment	284,377,000	(9,097,000)	**275,280,000**	373,781,822	**98,501,822**	
Intangible assets	213,000	116,000	**329,000**	576,692	**247,692**	
Heritage assets	-	-	**-**	260,000	**260,000**	
Statutory receivables	3,588,000	-	**3,588,000**	3,637,903	**49,903**	
	296,990,000	**(9,171,000)**	**287,819,000**	**389,556,017**	**101,737,017**	
Total Assets	**489,835,000**	**(8,688,000)**	**481,147,000**	**552,697,204**	**71,550,204**	
Liabilities						
Current Liabilities						
Other financial liabilities	2,695,144	-	**2,695,144**	-	**(2,695,144)**	
Payables from exchange transactions	37,064,000	410,000	**37,474,000**	30,047,141	**(7,426,859)**	
Taxes and transfers payable (non-exchange)	-	-	**-**	3,664,246	**3,664,246**	
Provisions	5,061,000	-	**5,061,000**	6,036,178	**975,178**	
	44,820,144	**410,000**	**45,230,144**	**39,747,565**	**(5,482,579)**	
Non-Current Liabilities						
Provisions	6,233,000	-	**6,233,000**	6,233,000	**-**	
Total Liabilities	**51,053,144**	**410,000**	**51,463,144**	**45,980,565**	**(5,482,579)**	
Net Assets	**438,781,856**	**(9,098,000)**	**429,683,856**	**506,716,639**	**77,032,783**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	438,781,856	(9,098,000)	**429,683,856**	506,716,639	**77,032,783**	

Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

These Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following which are effective on 01 April 2023 and before:

	Standard of GRAP
Presentation of Financial Statements	1
Cash Flow Statements	2
Accounting Policies, Changes in Accounting Estimates and Errors	3
Borrowing Costs	5
Revenue	9
Leases	13
Events after Balance Sheet Date	14
Property, Plant and Equipment	17
Segment Reporting	18
Provisions, Contingent Liabilities and Contingent Asset	19
Related Party Transactions	20
Impairment of Non-cash-generating Assets	21
Revenue from Non-exchange Transactions (Taxes and Transfers)	23
Presentation of Budget Information in the Financial Statements	24
Employee Benefits	25
Intangible Assets	31
Financial Instruments.	104
Statutory Receivables	108
Principals and Agents	109
Heritage assets	103

GRAP statements 4, 6, 7, 8, 10, 12, 16, 27, ,34, 35, 36, 37, 38, 100, 101, 103, 105, 106, 107 and 110 have not been implemented since they do not affect the operations of the municipality.

GRAP standards 25 (Revised), 104 (revised), IGRAP 7 (revised) and IGRAP 21 are issued but effective date not yet determined but will not affect the municipality's financial statements when they become effective. The Guideline on accounting for landfill sites has been issued but the effective date is not yet determined however it will not have an effect on the municipality since it does not have a landfill site.

Details of related party transactions are disclosed as per GRAP 20.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Based on the assumptions and estimates these annual financial statements have been prepared on a going concern basis.

1.4 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 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 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 of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

1.5 Investment property

Investment property comprises the Thusong Centre where office are let to various government departments. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and historically the average renewal period is five years. Investment property is valued at cost in the annual financial statements.

1.6 Property, plant and equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 1.17

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Item	Depreciation method	Average useful life (years)
Plant and machinery	Straight-line	5 - 30
Furniture and fixtures	Straight-line	5 -19
Motor vehicles	Straight-line	5 - 30
Office equipment	Straight-line	5 - 19
Computer equipment	Straight-line	5 -19
Computer software	Straight-line	3 - 10
Infrastructure	Straight-line	
• Roads and Stormwater		10 - 100
• Electricity Infrastructure		10 - 70
• Buildings		5 - 50
Open spaces	Straight-line	5 - 30
Investment property	Straight-line	1 - 30

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revenue.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

1.7 Intangible assets

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over a period of five years. Intangible assets are disclosed at cost less amortization in the financial statements.

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.

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.

A financial asset is:

Accounting Policies

1.9 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting.

The municipality has the following financial instruments:

Financial Assets:

- Trade and other Receivables from and exchange valued at cost;
- Cash and cash equivalents valued at amortised cost.
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Financial Liabilities:

- Trade and other payables from exchange valued at cost;
- Finance lease liabilities.

Initial Measurement.

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.

Subsequent Measurement

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments, excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review.

1.9 Financial instruments (continued)

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 cost are subsequently measured at cost if the fair value cannot be reliably determined.

Reclassification of Financial Instruments

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

Gains and losses on Financial Instruments

Gains and losses on fair value measurements, reclassifications, impairment and de-recognition are recognised in surplus or deficit.

Impairment and Review of Financial Assets

Financial assets are subject to annual impairment review.

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

De-recognition of Financial Instruments

Financial Assets

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

Financial Liabilities

The municipality removes a financial liability from its statement of financial position when , and only, it is extinguished . A financial liability is extinguished when the debtor either:
- Discharges the liability by paying the creditor, normally with cash, other financial liabilities , goods or services.;
- Is legally released from primary responsibility for the liability either by process(expires) of law or by the creditor (cancelled). If the debtor has given a guarantee , this condition may still be met.

1.9 Financial instruments (continued)

- Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.

Interest, dividends or similar distributions , losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when , the municipality:

- Currently has a legally enforceable right to set off the recognised amounts; and
- Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

1.10 Inventories

Inventory consists of land and consumable stores. The cost of consumable stores is expensed at the time of issue.

1.11 Construction Contract Revenue

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

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

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance..

1.13 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears 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.

Interest and rentals are recognized on a time proportionate basis.

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

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

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

1.14 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received. Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

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

Conditional Grants and Receipts

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

1.15 Provisions and contingencies

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. The municipality provides for annual leave and long service awards. The leave provision is based on the number of days accrued to employees at year end multiplied by the daily basic salary applicable on 01 July. The provision for the long service award is valued by an actuary as at year end.

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

1.16 Leases

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor’s vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

1.17 Impairment of cash-generating assets

Non-Cash-Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Identification

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

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

Value in use of an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in a surplus or deficit.

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

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

Redesignation

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

Accounting Policies

1.18 Employee benefits

Short-term employee benefits

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

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

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

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

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

Post-employment benefits: Defined benefit plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined benefit plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.19 Unauthorised expenditure

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

1.20 Irregular expenditure

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

Accounting Policies

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Comparative figures

Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

1.23 Budget information

The municipality is typically subject to budgetary limits in the form of an approved budget which is approved by Council through legislation and regulations applicable in preparation of budgets. The budget is prepared on an accrual basis and linked to performance outcome objectives. The reporting requirements puts an onus on the municipality to provide information on whether resources were obtained in accordance with the legally adopted budget.

The budget covers the financial year under review namely 01 July 2024 to 30 June 2025. The budget and the annual financial statements are prepared on the same basis of accounting. A comparison of the budget to actual amounts is reflected in the Statement of comparison of Budget and Actual Amounts.

1.24 Related parties

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

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

1.25 Commitments

Commitments for contracts already contracted for in the year under review but to be completed and payable in the following year are disclosed as contracted commitments and the approved capital budget for the following year is disclosed as uncontracted commitments.

1.26 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.

Accounting Policies

1.26 Statutory receivables (continued)

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.

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.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

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.

Accounting Policies

1.26 Statutory receivables (continued)

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, is reduced, either directly or through the use of an allowance account.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Where the effect of the time value of money is material the estimated future cash flows are discounted using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable 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 estimate 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 exceeding what the carrying amount of the receivable 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.

Value Added Tax (VAT) Receivable

The municipality recognises receivables due from the South African Revenue Service (SARS) in respect of VAT as statutory receivables in accordance with GRAP 108: Statutory Receivables. These receivables arise directly from legislation, namely the Value-Added Tax Act, 1991 (Act No. 89 of 1991), and are recognised when claims for VAT refunds become due.

Transactions arising from statute

The receivable originates from transactions legislated under the VAT Act, including input tax claims on goods and services acquired by the municipality for municipal purposes. Refunds due are determined based on VAT returns submitted to SARS, reflecting input VAT claimed in excess of output VAT declared.

Determination of transaction amount

The transaction amount is determined from VAT returns prepared on a cash basis, in line with municipal VAT registration status. The receivable balance represents amounts refundable by SARS to the municipality based on the difference between input tax paid and output tax collected in the applicable VAT reporting period.

Interest and other charges levied

No interest or penalties are levied by SARS on VAT receivables. Interest and penalties are only applicable on VAT payable balances and do not arise on refund claims.

Basis used to test for impairment

Accounting Policies

1.26 Statutory receivables (continued)

The municipality assesses the VAT receivable for impairment by considering historical experience with SARS refunds, correspondence from SARS regarding disputes or audits, and the legal enforceability of the claim. An impairment loss is recognised where evidence exists that all or part of the receivable may not be recovered.ext

Discount rate applied to estimated future cash flows

No discounting of future cash flows has been applied in determining the carrying amount of the receivable, as the timing of settlement is not expected to be materially delayed beyond the normal operating cycle.

1.27 Accounting by principals and agents

Identification

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

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.

Accounting Policies

1.27 Accounting by principals and agents (continued)

For the period under assessment the municipality has the following principal-agent arrangements:

- The municipality acts as an agent to administer the issuing of driver's, learner and vehicle licenses on behalf of the Provincial Department of Transport. The municipality receives a commission for providing the service as an agent;
- The municipality constructs electrical infrastructure with funding received from the Department of Energy. The infrastructure is built according to standards set by Eskom. Since the municipality is not an electricity license holder the infrastructure, once complete, is handed over to Eskom. As a result the municipality is an agent in this arrangement

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. Inventories

Consumable stores	685,548	393,024
Unsold Properties Held for Resale	8,287,809	8,434,721
	8,973,357	**8,827,745**

Inventories recognised as an expense during the year	146,912	753,012

Land reserved for housing development of Amount R146,912.00 (2025) and R753,012.00 (2024) were transferred to the respective beneficiaries during the year under review. No impairment or write-down of inventory was required in the current or prior financial years.

Inventory pledged as security

No inventory was pledged as security.

3. Other financial assets

Fuel deposits	150,000	150,000
Accrued Interest	131,180	943,151
District Municipality	-	404,245
Thokazane housing and Department of Housing	-	1,604,076
Housing Debtors	-	946,550
	281,180	**4,048,022**

Current assets

4. Receivables from exchange transactions

VAT Receivable	4,124,176	1,020,661
Consumer debtors - Refuse	1,464,899	1,060,388
Consumer debtors - Rental	239,210	148,209
	5,828,285	**2,229,258**

Receivables from Exchange Transactions

Consumer Debtors Refuse		
Gross Debtors	5,600,429	4,730,183
Impairment	(4,135,530)	(3,669,795)
	1,464,899	**1,060,388**

Consumer Debtors Rental		
Gross Debtors	2,136,181	1,261,586
Impairment	(1,896,971)	(1,113,377)
	239,210	**148,209**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Receivables from Exchange Transactions Ageing-2025	Refuse	Rental	Total
Current	276,829	81,398	358,227
>30 Days	180,287	136,280	316,567
>60 Days	145,961	71,174	217,135
>90 Days	140,802	93,003	233,805
>120 Days	138,540	63,171	201,711
>150 Days	4,718,010	1,691,155	6,409,165
	5,600,429	**2,136,181**	**7,736,610**

Receivables from Exchange Transactions Ageing-2024	Refuse	Rental	Total
Current	274,132	64,169	338,301
>30 Days	165,266	64,169	229,435
>60 Days	155,412	64,169	219,581
>90 Days	145,931	61,280	207,211
>120 Days	104,853	59,764	164,617
>150 Days	3,884,587	948,035	4,832,622
	4,730,181	**1,261,586**	**5,991,767**

5. Statutory Receivables

Fines	941,200	411,598
Vat- Due from SARS	586,493	541,066
Consumer debtors - Rates	20,182,223	17,680,774
Interest debtors	10,133,586	6,245,398
	31,843,502	**24,878,836**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Statutory Receivables (continued)

Statutory ReceivablesStatutory Receivables

Rates		
Gross	80,683,521	79,127,296
Impairment	(60,501,299)	(61,446,520)
	20,182,222	**17,680,776**
	-	-
Interest		
Gross	43,016,244	36,197,216
Impairment	(32,882,658)	(29,951,818)
	10,133,586	**6,245,398**

Ageing of Statutory receivables		
Current	6,050,401	10,117,685
>30 Days	4,323,490	2,994,488
>60 Days	2,920,340	2,607,043
>90 Days	2,725,559	2,702,743
>120 Days	2,678,443	2,784,948
>150 Days	105,001,533	94,117,603
	123,699,766	**115,324,510**

Reconciliaton of provision for doubtful debts for Receivables from Exchange transactions and Statutory Receivables		
Balance at the beginning of the year	96,181,511	140,447,468
(Reversal of impairment)/ Contribution to provision	3,234,944	(44,265,957)
	99,416,455	**96,181,511**

Transaction(s) arising from statute

Statutory receivables are receivables that arise from legislation, supporting regulations or similar means and requires settlement by another entity in cash or another financial assets. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019

Statutory Receivables pledged as security

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

6. Other debtors: non-exchange

Unallocated receipts	(181,252)	(28,898)
Sundry debtors	358,953	439,638
Current portion of Acknowledgement of Debt Debtors	634,438	628,336
	812,139	**1,039,076**
Non-current portion of Acknowledgement of Debt Debtors	3,637,903	3,841,028

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	2,900	2,900
Bank balances	16,679,161	1,950,955
Short-term deposits	98,720,663	103,950,904
	115,402,724	**105,904,759**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
FNB- Primary Account: 62025459232	-	1,334,386	3,509,522	-	382,348	3,429,522
Standard Bank: Transaction account: 253186900	-	1,563,337	-	-	1,568,606	-
STD BANK: 253186722	477,615	-	-	477,615	-	-
STD BANK: 253187028	16,298,681	-	-	16,201,546	-	-
STD Bank- Call Account: 0536-1443-4-14	24,826	24,826	24,475	24,826	24,826	24,475
FNB Investment 1-62101572081	-	37,113,858	72,571,710	-	37,113,858	72,571,710
FNB Ivestment 2- 62101572172	-	162,079	151,651	-	162,079	151,651
FNB Call Account-62101571710	-	851,310	28,112,861	-	851,310	28,112,861
FNB Call Account Housing-62214429799	-	98,398	92,113	-	98,398	92,113
FNB Call account-74491854045	-	1,072,104	988,330	-	1,072,104	988,330
ABSA Investment 1-2066260264	6,822,139	6,298,998	5,789,827	6,822,139	6,298,998	5,789,827
FNB VAT Refund- 63074751679	4,958,206	4,661,865	-	4,958,206	4,661,865	-
ABSA- 2081161421	-	21,717,247	-	-	21,717,247	-
FNB-Business Money Market: 76203471075	-	31,950,221	-	-	31,950,221	-
STD BANK-268609276011	30,631,397	-	-	30,631,397	-	-
Nedbank- 037881168617	23,763,017	-	-	23,763,017	-	-
ABSA Investment: 2081682758	32,521,079	-	-	32,521,079	-	-
Cash on Hand	2,900	2,900	2,900	2,900	2,900	2,900
Total	**115,499,860**	**106,851,529**	**111,243,389**	**115,402,725**	**105,904,760**	**111,163,389**

The difference between Bank statement balances and Cash book balances for STD BANK: 253187028 are attributed on an outstanding payment which will be cleared in the next financial year.

Notes to the Annual Financial Statements

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	16,713,521	(5,413,921)	11,299,600	14,499,347	(4,939,449)	9,559,898

Reconciliation of investment property - 2025

	Opening balance	Additions	Depreciation	Total
Investment property	9,559,898	2,214,174	(474,472)	11,299,600

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	9,693,697	(133,799)	9,559,898

Pledged as security

No investment property was pledged as security.

The Thusong Centre is classified as Investment Property due to the nature of rentals collected from the Government Departments. Investment Property is depreciated on a straight line basis over 30 years. Refer to Note 15 for Rental Income.

Details of property

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Investment property (continued)

Maintenance of investment property

Refer to Note 30 the maintenance costs incurred relates to income and non-income generating.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	9,671,213	-	9,671,213	9,671,213	-	9,671,213
Buildings	171,989,387	(65,625,057)	106,364,330	152,682,033	(61,315,422)	91,366,611
Plant and machinery	2,523,686	(1,303,951)	1,219,735	2,166,945	(1,107,577)	1,059,368
Furniture and fixtures	13,129,849	(8,816,732)	4,313,117	12,263,714	(7,908,719)	4,354,995
Motor vehicles	26,042,079	(11,915,272)	14,126,807	23,793,745	(8,822,172)	14,971,573
Infrastructure	461,025,719	(222,939,099)	238,086,620	436,598,599	(212,526,717)	224,071,882
Total	**684,381,933**	**(310,600,111)**	**373,781,822**	**637,176,249**	**(291,680,607)**	**345,495,642**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Work in progress	Disposals	Transfers received	Depreciation	Impairment loss	Impairment reversal	Total
Land	9,671,213	-	-	-	-	-	-	-	9,671,213
Buildings	91,366,611	13,288,146	(3,740,448)	-	9,759,675	(4,285,716)	(64,122)	40,184	106,364,330
Plant and machinery	1,059,368	356,740	-	-	-	(196,331)	(42)	-	1,219,735
Furniture and fixtures	4,354,995	866,135	-	-	-	(908,013)	-	-	4,313,117
Motor vehicles	14,971,573	2,376,743	-	(4,989)	-	(3,216,520)	-	-	14,126,807
Infrastructure	224,071,882	-	23,906,034	-	521,086	(9,983,016)	(756,044)	326,678	238,086,620
	345,495,642	**16,887,764**	**20,165,586**	**(4,989)**	**10,280,761**	**(18,589,596)**	**(820,208)**	**366,862**	**373,781,822**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in progress	Disposals	Depreciation	Impairment loss	Total
Land	9,671,213	-	-	-	-	-	9,671,213
Buildings	89,361,446	16,566,035	(10,561,669)	-	(3,920,590)	(78,611)	91,366,611
Plant and machinery	651,579	579,726	-	-	(171,937)	-	1,059,368
Furniture and fixtures	3,094,186	1,920,654	-	(1,715)	(654,568)	(3,562)	4,354,995
Motor vehicles	10,327,216	7,343,262	-	(64,474)	(2,634,431)	-	14,971,573
Infrastructure	212,936,328	38,090,523	(11,402,262)	-	(10,110,067)	(5,442,640)	224,071,882
	326,041,968	**64,500,200**	**(21,963,931)**	**(66,189)**	**(17,491,593)**	**(5,524,813)**	**345,495,642**

Pledged as security

No property, plant and equipment was pledged as security.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	2,321,560	6,061,254	8,382,814
Additions/capital expenditure	25,618,557	11,651,872	37,270,429
Transferred to completed items	(1,712,523)	(15,392,320)	(17,104,843)
	26,227,594	**2,320,806**	**28,548,400**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	14,892,708	16,661,351	31,554,059
Additions/capital expenditure	26,613,257	6,004,364	32,617,621
Other movements [specify]	(1,168,879)	(38,426)	(1,207,305)
Transferred to completed items	(38,015,526)	(16,566,035)	(54,581,561)
	2,321,560	**6,061,254**	**8,382,814**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	22,842,698	21,324,078

Prior year disclosure of R21 294 498 excluded R29 580 which was classified as operational cost in error.

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

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,008,635	(4,431,943)	576,692	4,892,785	(4,214,315)	678,470

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	678,470	115,850	(217,628)	576,692

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	536,106	297,211	(154,847)	678,470

Pledged as security

There is no intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Payables from exchange transactions

Trade payables	21,509,414	4,415,820
Retentions	5,939,553	3,054,094
Debtors with Credit Balances	310,612	-
Vat Payable	194,193	157,644
Accrued Bonus	2,093,369	1,992,337
	30,047,141	**9,619,895**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Long service awards	6,276,000	159,000	494,000	(901,000)	645,000	6,673,000
Leave pay provision	5,074,685	2,405,953	(1,884,460)	-	-	5,596,178
	11,350,685	**2,564,953**	**(1,390,460)**	**(901,000)**	**645,000**	**12,269,178**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Long service awards	5,809,000	88,000	511,000	(748,000)	616,000	6,276,000
Leave pay provision	4,205,749	2,803,461	(1,934,525)	-	-	5,074,685
	10,014,749	**2,891,461**	**(1,423,525)**	**(748,000)**	**616,000**	**11,350,685**

	2025	2024
Non-current liabilities	6,233,000	5,375,000
Current liabilities	6,036,178	5,975,685
	12,269,178	**11,350,685**

An actuarial valuation was done for the provision for Long Service Awards to Current employees as at 30 June 2025 in terms of GRAP 25 and a liability raised accordingly. Due to the uncertainty of who will be entitled to the award an actuarial valuation was done on all employees based on their date of appointment together with the policy on the qualifying of the Long Service Award.

The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA.

Changes in the Present Value of the defined benefit obligation is as follows:	2025	2024
Opening Balance	6,276,000	5,809,000
Expense recognised in Statement of Financial Performance	397,000	467,000
	6,673,000	**6,276,000**

Expense recognised in Statement of Financial Performance	2025	2024
Current Service Cost	494,000	511,000
Interest Cost	645,000	616,000
Actuarial Loss	159,000	88,000
Vested benefits	(901,000)	(748,000)
	397,000	**467,000**

Key Assumptions Used	2025	2024
Discount Rate	9.7%	11.05%
CPI Inflation Rate	3.8%	5.20%
Salary Increase Rate	4.8%	6.20%

Mortality Rate

Average Retirement Age	62 years
Pre-retirement Mortality	SA 85/90 with 1 year downward age rating for females

Leave Provision

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Provisions (continued)

Provision for leave relates the number of days accumulated by employees during the reporting period. The provision is calculated on the leave balance due on 30 June 2025. This is the amount the employee will be entitled to should the employee cease employment on 30 June 2025. The municipality is not aware of the time when the leave will be paid out since this is dependent on the time when the employee ceases to be an employee.

Notes to the Annual Financial Statements

12. Provisions (continued)

Sensitivity analysis

Sensitivity analysis on current service and interest costs for the year ending 30 June 2025.

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central Assumptions		494,000	645,000	1,139,000	
General earnings inflation rate	+1%	529,000	686,000	1,215,000	+7%
	-1%	462,000	607,000	1,069,000	-6%
Discount rate	+1%	466,000	662,000	1,128,000	-1%
	-1%	525,000	625,000	1,150,000	1%
Average retirement age	+2years	522,000	683,000	1,205,000	6%
	-2years	466,000	605,000	1,071,000	-6%
Rates of termination of service	x2	409,000	551,000	960,000	-16%
	x0.5	551,000	705,000	1,256,000	10%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Service charges

Refuse removal	3,353,132	2,891,304

14. Construction Contract Revenue

Construction agreement with ESKOM

The amount of revenue arising from such agreements in the period	1,969,565	-

The methods used to determine the stage of completion of agreements in progress is as follows:

The municipality entered into arrangement with ESKOM to construct electrical infrastructure for ESKOM in the Umshwathi area of jurisdiction. The municipality recognises revenue only to the extent of expenditure incurred on the construction of such infrastructure.

Amount of advances received for agreements in progress	1,969,565	-

15. Rental of facilities and equipment

Premises		
Rentals	773,669	673,935
Community halls hire	54,905	26,948
	828,574	**700,883**

16. Interest Earned (Trading)

Rental debtors	123,136	114,471
Service charges debtors	761,418	831,919
	884,554	**946,390**

17. Licences and Permits

Licences and Permits	17,287	13,713

18. Interest earned - Investment

Interest revenue		
Short term investments	9,582,938	10,029,731

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Property rates

Rates billed

Residential	37,375,766	31,578,950
Commercial	12,093,022	11,812,620
Agricultural	28,360,248	27,823,819
Public benefit Organisations	21,219,845	22,213,456
Less: Income forgone	(41,696,714)	(35,677,533)
	57,352,167	**57,751,312**

The decrease in rates revenue is due to an additional rebate of 24% that was awarded to the rural residential category.

Valuations

Residential	1,368,774,160	1,477,507,000
Commercial/industrial	467,338,000	472,720,000
State	1,438,093,500	1,356,973,700
Public Benefit Organisations	120,194,200	120,194,200
Small holdings and farms	5,651,561,070	5,420,566,980
Places of worship	49,997,000	48,497,000
Other	-	143,337,800
	9,095,957,930	**9,039,796,680**

The new general valuation was implemented on 01 July 2022 by a professional valuer, Eagiliwe Property Consulting and Assets. The next valuation roll will be implemented in 2027.

20. Interest earned - outstanding debtors

Interest - Receivables	6,516,276	6,308,109

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Government grants and subsidies

Operating grants		
Equitable share	139,899,000	132,526,000
Extended Public Works Programme (EPWP)	1,760,000	2,968,000
Finance Management Grant (FMG)	1,900,000	1,920,000
Library grant	3,341,000	3,200,000
Housing Sector Grant	-	819,281
	146,900,000	**141,433,281**
Capital grants		
Municipal Infrastructure Grant (MIG)	31,849,000	33,153,000
	178,749,000	**174,586,281**

Conditional and Unconditional

Conditional grants received	38,850,000	41,241,000
Unconditional grants received	139,899,000	132,526,000
	178,749,000	**173,767,000**

Extended Public Works Programme (EPWP)

Current-year receipts	1,760,000	2,968,000
Conditions met - transferred to revenue	(1,760,000)	(2,968,000)
	-	-

Finance Management Grant (FMG)

Current-year receipts	1,900,000	1,920,000
Conditions met - transferred to revenue	(1,900,000)	(1,920,000)
	-	-

Library grant

Current-year receipts	3,341,000	3,200,000
Conditions met - transferred to revenue	(3,341,000)	(3,200,000)
	-	-

Municipal Infrastructure Grant (MIG)

Current-year receipts	31,849,000	33,153,000
Conditions met - transferred to revenue	(31,849,000)	(33,153,000)
	-	-

Housing Sector Grant

Balance unspent at beginning of year	-	819,281
Housing Sector Grant	-	(819,281)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Fines

Overdue Books Fines	-	187
Traffic Fines	567,200	337,220
	567,200	**337,407**

Fines are accounted for on accrual basis.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Employee related costs

Basic	66,032,146	62,969,537
Bonus	4,634,825	4,339,080
Medical aid - company contributions	5,167,047	5,008,478
UIF	494,113	490,677
Leave pay provision increase	2,405,953	2,803,461
Defined contribution plans	11,076,481	10,868,018
Travel, motor car, accommodation, subsistence and other allowances	911,342	1,172,308
Overtime payments	830,239	1,544,687
Long-service awards	1,159,662	1,081,282
Acting allowances	968,145	1,293,729
Car allowance	4,446,082	2,964,048
Housing benefits and allowances	922,163	608,387
Bargaining Council	30,473	30,294
Cellphone and telephone	100,500	120,178
Standby Allowance	1,003,390	879,968
Grass cutting allowance	271,061	-
	100,453,622	**96,174,132**

Remuneration of Municipal Manager

Annual remuneration	1,135,288	764,548
Travel Allowance	593,658	345,253
Performance Bonus	95,786	86,209
Cellphone Allowance	16,500	25,500
Travel Reimbursement	27,757	30,670
Other	131,363	-
	2,000,352	**1,252,180**

Remuneration of Chief Finance Officer

Annual Remuneration	845,999	617,810
Travel Allowance	455,522	189,450
Performance Bonus	56,175	-
Cellphone	12,000	12,000
Housing	112,684	113,490
Travel Reimbursement	31,099	14,411
	1,513,479	**947,161**

General Manager: Technical Services

Annual Remuneration	845,999	617,829
Travel Allowance	455,522	189,450
Performance Bonus	89,880	-
Municipal Running Cost/Cellular and Telephone/Equi	12,000	16,000
Housing	112,684	113,490
Other	34,137	-
	1,550,222	**936,769**

General Manager: Corporate Services

Annual Remuneration	816,902	551,378
Travel Allowance	631,110	369,371
Performance Bonus	56,175	79,629
Travel Reimbursement	28,668	28,446

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Employee related costs (continued)

Other	13,480	-
	1,546,335	**1,028,824**

General Manager : Community Services

Annual Remuneration	771,201	466,748
Travel Allowance	565,796	343,601
Performance Bonus	56,175	-
Housing	111,016	110,440
Travel Reimbursement	50,108	18,579
	1,554,296	**939,368**

24. Remuneration of councillors

Mayor	1,024,204	1,000,208
Deputy Mayor	828,765	818,131
Executive Committee Members	1,568,229	1,535,601
Speaker	838,883	810,622
Councillors	7,528,275	7,643,469
MPAC Chair	480,609	479,706
Chief whip	455,875	321,782
	12,724,840	**12,609,519**

In-kind benefits

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

The Mayor, Deputy Mayor, Speaker and Whip have use of a Council owned vehicle for official duties.

The Mayor has three full-time VIP protection.The Deputy Mayor has one VIP protection, the speaker has two VIP protection and the Whip has one VIP protection.

Additional information

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

25. Impairment loss

Impairment Loss	453,325	5,524,812

Umshwathi Local Municipality has assesed and tested the impairment of assets for the financial year ended 30 June 2025. The assessment of impairment of assets has resulted in an impairment loss of R820,183.00 for roads infrastructure and community assets due to deterioration in condition and physical damage. There has been an impairment reversal adjustment of R366,858.20. Refer to note 9

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Depreciation and amortisation

Property, plant and equipment	18,589,596	17,491,593
Investment property	474,472	435,705
Intangible assets	217,628	154,847
	19,281,696	**18,082,145**

27. Lease rentals on operating lease

Equipment		
Operating Lease Expenditure	281,985	303,210

The municipality has recognised the lease on photocopiers as operating leases and recognised the payments of R281,985.00. The lease is effective from 01 June 2023 for a period of three years (36 months).

28. Debt impairment

Contributions to debt impairment provision	3,234,944	(44,265,957)

29. Construction contract expenditure

INEP expenditure	1,969,565	-

The municipality entered an arrangement with ESKOM to construct electrical infrastructure for ESKOM in the Umshwathi area of jurisdiction. The municipality recognises revenue only to the extent of expenditure incurred on the construction of such infrastructure

30. Contracted services

Outsourced Services		
Burial Services	63,900	33,250
Hygiene Services	292,524	253,037
Professional Staff	6,565,623	5,448,770
Refuse Removal	849,840	489,490
Security Services	5,551,716	2,902,589
Transport Services	81,907	50,500
Consultants and Professional Services		
Business and Advisory	2,630,503	3,294,417
Infrastructure and Planning	2,573,011	2,646,476
Legal Cost	1,784,773	1,487,297

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Contracted services (continued)

Contractors		
Artists and Performers	639,137	56,000
Catering Services	4,170,298	3,636,235
Electrical	335,630	320,182
Employee Wellness	369,160	-
Gardening Services	637,181	1,111,598
Interior Decorator	-	13,850
Maintenance of Buildings and Facilities	8,660,977	6,235,206
Maintenance of Equipment	174,032	180,733
Maintenance of Unspecified Assets	14,007,690	14,908,139
Medical Services	99,950	68,420
Pest Control and Fumigation	49,000	151,100
Transportation	1,919,532	2,474,952
Safeguard and Security	281,827	193,701
Sports and Recreation	1,675,775	718,660
Stage and Sound Crew	294,272	402,714
	53,708,258	**47,077,316**

31. General expenses

Advertising	1,248,500	1,317,906
Auditors Fees	2,204,150	2,294,201
Bank charges	187,782	120,142
Cleaning	78,370	57,456
Computer expenses	5,747,572	3,300,426
Consulting and professional fees	270,000	65,437
Fines and penalties	7,600	1,851
Learnerships and internships	996,300	325,936
Gifts	49,200	17,593
Hire charges	647,971	1,934,438
Insurance	600,739	1,663,543
Conferences and seminars	22,957	-
IT expenses	38,929	11,640
Fleet	464,775	205,805
Levies	925,366	875,130
Archives and storage	16,283	30,356
Printing	348,112	223,092
Fuel and oil	5,140,577	4,668,226
Printing and stationery	82,818	101,200
Subscriptions and membership fees	1,406,526	1,228,639
Telephone and fax	2,904,492	2,572,093
Travel - local	3,315,217	1,923,681
Refuse	106,776	72,000
Electricity and Water	5,892,610	5,503,102
Uniforms	2,936,474	205,579
Workmen's Compensation Fund	1,269,499	1,814,465
Bursaries (Employees)	634,862	821,128
Indigent Relief- Free Basic Services	1,704,540	1,838,462
Achievements and Awards	52,567	457,364
Ward Committees	1,857,300	1,491,000
Inventory consumed	565,942	2,707,121
Professional Bodies, Membership and Subscription	35,982	66,569
	41,760,788	**37,915,581**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Gains and (Losses)

Inventory- Land	(146,912)	-
Property Plant and Equipment	(4,989)	947,746
Fair Value Adjustment- Mayoral Chain	111,218	-
	(40,683)	**947,746**

Land inventory pertains to transfers processed to beneficiaries. Refer to note 2

Property Plant and Equipment: The municipality suffered a loss of R4,989 due to a transport asset that was written off.

33. Cash generated from operations

Surplus	23,261,236	29,775,402
Adjustments for:		
Depreciation and amortisation	19,281,662	18,082,145
Gain on sale of assets and liabilities	40,683	-
Debt impairment	3,234,944	(44,265,957)
Bad debts written off	9,975,064	54,538,893
Movements in provisions	918,493	1,335,936
Transfers in kind	(10,280,662)	-
Newly identified assets	(106,229)	-
Non-cash movements PPE	(575,664)	-
Impairment loss	453,326	5,524,814
Changes in working capital:		
Inventories	(145,612)	594,283
Receivables from exchange transactions	(16,217,330)	(9,334,865)
Statutory Receivables	(6,964,666)	2,793,100
Other receivables from non-exchange	430,062	1,589,067
Payables from exchange transactions	19,835,501	(23,921,562)
Taxes and transfers payable (non-exchange)	1,438,708	2,225,538
Unspent conditional grants and receipts	-	(819,281)
Movement in other financial assets	3,766,842	-
	48,346,358	**38,117,513**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	11,515,509	8,995,651
Total capital commitments		
Already contracted for but not provided for	11,515,509	8,995,651

Total commitments

Total commitments		
Authorised capital expenditure	11,515,509	8,995,651

35. Contingencies

The municipality is in dispute with various people at Bargaining Council. The matters are shown below.

Contingent liabilities

Matter	Status	Contingent liability 2025	Contigent Liability 2024
Sibusiso N Lunga and LB Msomi vs Umshwathi Local Municipality	Filed our answering affidavits in response to applicats founding affidavit	500,000	500,000
Zabalaza Mshengu and Others vs Umshwathi Municipality and others	Litigation was finalised. The issue of legal costs of applicants is outstanding	500,000	-
Umshwathi Municipality vs G4S Cash Solution	We awaits information regulatory pre investigation report	600,000	-
Umshwathi Local Municipality vs Property owners	We awaits confirmation that misunderstanding with affected areas has been clarified regarding verification	400,000	-
Umshwathi Local Municipality vs POZZA Planning and Development	Matter defended Plea served and filed	195,000	-
Umshwathi vs Ron Parthab Investments t/a Bargain Uniform and Uniforms	The plea has been served and filed, and we are opposing the plaintiff's application for condonation for the late filing of its Notice in Terms of Section 3(4) of the institution of legal proceedings against and organ state	82,685	-
Zwelakhe Joseph Mkhize vs Umshwathi Local Municipality	The matter is sat down for 29.09.2025 by the plaintiff and 29.10.2025 by the lawyers for rescission of the default judgement.	300,000	300,000
Umshwathi Local Municipality vs Narayanan Mainstry and Kisten Maintry	Interdict was granted, we awaits instruction on whether to insitute centempt application	250,000	-
Thulani Butani Magwaza vs Umshwathi Municipality	The matter is sat down for 29.09.2025 by the plaintiff and 29.10.2025 by the lawyers for rescission of the default judgement.	300,000	300,000
Nqobile Joseph Luthuli vs Umshwathi Local Municipality	The application will be argued on 2 Oct 2024 at the Pietermaritzburg High Court	300,000	300,000
Thembani Sibongile Mkhize vs Umshwathi Local Municipality	The matter is sat down for 29.09.2025 by the plaintiff and 29.10.2025 by the lawyers for rescission of the default judgement.	300,000	300,000
Thembisile Agnes Mbatha vs Umshwathi Local Municipality	The matter is sat down for 29.09.2025 by the plaintff and also 29.10.2025 by the lawyers for rescission of the default judgement.	300,000	300,000
Roweda Nabee vs Umshwathi Local Municipality	The plaintiff is not clear whether or not she is proceeding with her claim against the municipality	14,109	14,109
	-	**4,041,794**	**2,014,109**

Contingent assets

The municipality is in a dispute with Ndsindiso Group (Pty) Ltd for failure to deliver PPE paid for by the municipality. It is believed that the municipality can potentially win the claim for R354 480.00.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Related parties

During the year, no transactions were conducted with councillors' or entities in which they held interests.

The Remuneration for Councillors is disclosed in Note 24.

Key management information

Remuneration of management

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

Management class: Executive management

2025

Name	Basic salary	Bonuses and performance related payments	Car Allowance	Cellphone Allowance	Travel Reimbursement	Other	Other benefits-Housing	Total
Municipal Manager	1,135,287	95,786	593,658	16,500	27,757	131,363	-	2,000,351
Chief Financial Officer	845,999	56,175	455,522	12,000	31,099	-	112,684	1,513,479
General Manager: Technical	845,999	89,880	455,522	12,000	34,137	-	112,684	1,550,222
General Manager: Corporate	816,902	56,175	631,110	-	28,668	13,480	-	1,546,335
General Manager: Community	771,201	56,175	565,796	-	50,108	-	111,016	1,554,296
	4,415,388	**354,191**	**2,701,608**	**40,500**	**171,769**	**144,843**	**336,384**	**8,164,683**

2024

Name	Basic salary	Bonuses and performance related payments	Car Allowance	Cellphone Allowance	Travel Reimbursement	Other Allowances-(Housing)	Total
Municipal Manager	764,548	86,209	345,253	25,500	30,670	-	1,252,180
Chief Financial Officer	617,810	-	189,450	12,000	14,411	113,490	947,161
General Manager: Corporate	551,378	79,629	369,371	-	28,446	-	1,028,824
General Manager: Community	466,748	-	343,601	-	18,579	110,400	939,328
General Manager: Technical	617,829	-	189,450	16,000	-	113,490	936,769
	3,018,313	**165,838**	**1,437,125**	**53,500**	**92,106**	**337,380**	**5,104,262**

The municipality is administered by 5 senior managers namely the Municipal Manager (Accounting Officer); the Chief Financial Officer; General Manager; Corporate Services; General Manager: Technical Services and the General Manager: Community Services who are accountable to the Council. During the year the above remuneration was paid to the managers.

Notes to the Annual Financial Statements

Figures in Rand

36. Related parties (continued)

The municipal manager's contract came to and end on 31 May 2025 the council resolved to appoint Mr N.M Mabaso as the acting municipal manager for a period of 3 months.

37. 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

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Heritage Assets- Mayoral Chain		-	148,782	-	148,782
Other Debtors non-exchange		4,596,675	(3,557,599)	-	1,039,076
Investment property		9,257,992	301,906	-	9,559,898
Property Plant and Equipment		345,232,533	263,110	-	345,495,643
Receivables exchange transactions		1,208,597	-	1,020,661	2,229,258
Payables exchange transactions		7,469,912	-	2,149,983	9,619,895
Payables non-exchange transactions		-	2,225,539	-	2,225,539
Accumulated surplus		496,795,678	(13,340,280)	-	483,455,398
		864,561,387	**(13,958,542)**	**3,170,644**	**853,773,489**

Statement of financial performance

Figures in Rand	2025	2024

37. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation		18,016,229	65,916	-	18,082,145
Employee Related Costs		96,109,919	-	64,211	96,174,130
General Expenses		41,020,473	-	(3,104,892)	37,915,581
Contracted expenditure		46,351,047	-	726,269	47,077,316
Transfers and Subsidies Expenditure		-	-	2,314,412	-
Surplus for the year		**201,497,668**	**65,916**	**-**	**199,249,172**

Errors

The following prior period errors adjustments occurred:

Heritage Assets

Heritage Assets relate to the mayoral chain that was not accounted for in prior which was discovered during asset verification. A valuation report was obtained from the valuer for a fair value for recognition purposes.

Other debtors non-exchange

Unallocated Receipts - The correction related to unallocated reciepts R1 226 948 which were previously misallocated

Other Debtors - The correction relate to historically misclassified debtors of R1 309 243

Sundry Debtors - There were misclassified control acounts for employee related costs valued at R1 021 408

Payables from exchange transactions

Accrued bonuses of R1 992 338 which were previously accounted for have been added to trade payables.

Property plant and equipment

Additions - These realate to to assets that were omitted and not accounted for in the previous financial year namely Plant and Machinery R88 161, Furniture and Fixtures R292 689, Motor vehicles R12 650 (trailer).

Disposals - Relates to a motor vehicle that was written off by insurance and not derecognised valued at R64 474

Depreciation - The correction of depreciation relating to transport assets that was not decognised.

Irregular expenditure

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Prior-year adjustments (continued)

Reclassifications

VAT Receivable

Receivables and Payables from exchange transactions - VAT was previously reported was a net of output and input VAT. To ensure compliance with GRAP 108 it has been split to VAT Payable and VAT Receivable reported within receivables and payables from exchange transactions.

Employee related costs

There were misclassifications in cellphone deductions. Cellphone expenses of R64 213 deducted from employees were expensed against cell phone allowance instead of the cellphone expense account.

General expenses

Contracted service expenses for Decor services R13 850 and consulting fees for town planning R712 148 which were previously reported under general expenses have been reclassified to contracted services.

Transfers and Subsidies Expenditure

Transfers and subsidies expenses previously reported as inventory consumed items under General Expenses amounting to R2 314 412 have been reclassified to Transfers and subsidies.

Investment property

Depreciation charge in prior year was overstated resulting in carrying amount being understated by R301,905.68

Payables from non-exchange transactions

Debtors with credit balance R2 225 539 were not previously accounted for in prior year and these have been added to trade payables.

38. Risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Financial instruments		
Payables from exchange transactions	27,643,160	7,627,552

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Risk management (continued)

Credit risk

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

Financial instrument	2025	2024
Cash and cash equivalents	115,402,724	105,904,759
Trade receivables from exchange transactions	6,414,778	2,770,324

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

Interest rate risk

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

39. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

40. Events after the reporting date

No reportable events occured after the reporting date.

41. Unauthorised expenditure

Add: Unauthorised expenditure - current	3,032,185	-

Unathorised expenditure relates to overspending on MIG capital projects.

42. Irregular expenditure

Add: Irregular expenditure - current	3,976,066	2,546,715
Less: Amount written off - current	(1,389,111)	(2,546,715)
Closing balance	**2,586,955**	**-**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R1 389 111 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Current year irregular expenditure is comprised of the following.

Expired contracts	1,521,156	-
Competitive bidding process not followed	2,454,910	-
	3,976,066	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Current year subscription / fee	1,146,740	1,045,097
Amount paid - current year	(1,146,740)	(1,045,097)
	-	-

Audit fees

	2025	2024
Current year fee	2,204,150	2,294,201
Amount paid - current year	(2,204,150)	(2,294,201)
	-	-

PAYE and UIF

	2025	2024
Current year subscription/ fee	14,337,627	13,007,392
Amount paid - current year	(14,337,627)	(13,007,392)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	24,581,766	27,830,458
Amount paid - current year	(24,581,766)	(27,830,458)
	-	-

Councillors' and Employees arrear consumer accounts

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

June 30, 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Zondi GM	4,878	4,028	8,906
Ntuli JB	6,310	117,023	123,333
Mhlongo K	1,267	-	1,267
	12,455	**121,051**	**133,506**

June 30, 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Zondi GM	7,293	5,436	12,729
Ntuli JB	6,848	98,829	105,677
	14,141	**104,265**	**118,406**

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

Figures in Rand	2025	2024

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

Awards to close family members of persons in service of the state

Ngelizwe Trading	17,689,214	13,432,920
Nkomose boys	370,916	-
Inkazimulo Trading	51,119	-
Uphofu Services	344,296	-
SHM4 Projects	644,735	-
Mdibanisi NA Trading	45,450	-
Isibalamandosi	155,212	-
Spik and Span	56,102	-
Amankilane	54,875	-
Mobile Telephone Network	521,204	-
	19,933,123	**13,432,920**

44. Deviation from supply chain management regulations

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

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

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

Description	Supplier	Amount
The Request for quotation sourced to the agent service provider as this service requires strip and quote	Bell Equipment Sales South Africa	126,880
Due to Community protests which threated the lives of Councilors the service provider was appointed as a matter of Emergency.	Ubukhalibayo	86,800
Due to the nature of work it is difficult to obtain three quotations as each program requires a specific program director and motivational speaker	TC Thobza Trading	10,000
Strip, quote and maintenance to the preferred service provider	Mandamark	11,716
This is the only service provider/petrol station that comply with CSD requirements, hence the petrol prices are regulated.	Wartburg Fuel and Lubricants	216,605
Due to the nature of service required, it is difficult to compile specification for a specific programme	MAAA0768609 MENDROSS PRODUCTION S (Pty) LTD	10,000
Strip, quote and maintenance to the preferred service provider	PMB Power Product	8,013
Strip and quote service is provided by agent service provider	Umvoti Repairs	48,647
The Security gate was damaged by uMshwathi	NKZ Trading	49,200
Quote were sourced from the agent to Calibrate Traffic speed Cameras	Truvelo Africa Electronics	12,310
Due to the nature of work it is difficult to obtain three quotations as each program requires a specific program director and motivational speaker	DUPO Trading	20,000
		600,171

45. Segment information

General information

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Segment information (continued)

Identification of segments

The municipality reports to council on the basis of functions as defined in mSCOA regulations.The segments were organised around the type of service delivered and the target beneficiary.

Aggregated segments

The municipality operates throughout the Umshwathi. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Umshwathi 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	Finance and administration
Segment 2	Planning and development
Segment 3	Waste management
Segment 4	Community and social services
Segment 5	Executive and council
Segment 6	Road transport
Segment 7	Public safety

Notes to the Annual Financial Statements

Figures in Rand

45. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Finance and administration	Planning and development	Waste Management	Community and social services	Executive and council	Road transport	Public safety	Total
Exchange Revenue								
Service charges - waste	-	-	(3,353,132)	-	-	-	-	(3,353,132)
Sale of goods and rendering of services	(2,541,632)	-	-	(13,239)	-	-	-	(2,554,871)
Agency services	(195,769)	-	-	-	-	-	(2,737,540)	(2,933,309)
Interest earned from receivables	(123,136)	-	-	-	(761,418)	-	-	(884,554)
Interest from investments	(10,372,599)	-	-	-	-	-	-	(10,372,599)
Rental from fixed assets	(828,574)	-	-	-	-	-	-	(828,574)
Licences and permits	(17,287)	-	-	-	-	-	-	(17,287)
Operational revenue	(231,860)	-	-	-	-	-	-	(231,860)
Total segment revenue	**(14,310,857)**	**-**	**(3,353,132)**	**(13,239)**	**(761,418)**	**-**	**(2,737,540)**	**(21,176,186)**
Non-Exchange Revenue								
Property rates	(57,352,16							(57,352,167)
Fines, penalties and forfeits							(567,20	(567,200)
Transfers and subsidies - operational	(144,180,71			(3,341,00				(147,521,711)
Interest					(6,516,27			(6,516,276)
Other gains					(111,21			(111,218)
Transfers and subsidies capital (in kind)				(9,759,67				(9,759,675)
Transfers and subsidies capital (monetary allocations)						(31,227,28		(31,227,289)
	(201,532,87			**(13,100,67**	**(6,627,49**	**(31,227,28**	**(567,20**	**(253,055,536)**
Entity's revenue	**(215,843,73**		**(3,353,13**	**(13,113,91**	**(7,388,91**	**(31,227,28**	**(3,304,74**	**(274,231,722)**

45. Segment information (continued)

	Finance and administration	Planning and development	Waste Management	Community and social services	Executive and council	Road transport	Public safety	Total
Expenditure								
Employee related costs	30,536,897	11,258,169	9,610,290	27,582,461	14,561,092	6,904,712	-	100,453,621
Remuneration of councillors	-	-	-	-	12,724,840	-	-	12,724,840
Inventory consumed	36,835	13,998	18,611	-	496,498	-	-	565,942
Debt impairment	3,234,944	-	-	-	-	-	-	3,234,944
Depreciation and amortisation	19,735,024	-	-	-	-	-	-	19,735,024
Contracted services	15,605,492	7,971,751	3,021,702	13,056,472	5,222,087	10,686,090	114,228	55,677,822
Transfers and subsidies	1,714,765	1,823,965	1,502,557	1,006,704	784,007	-	142,500	6,974,498
Irrecoverable debts written off	6,518,377	-	3,456,686	-	-	-	-	9,975,063
Operational costs	27,419,783	245,704	1,119,553	4,800,596	7,026,074	53,078	812,041	41,476,829
Losses on disposal of assets	151,901	-	-	-	-	-	-	151,901
Total segment expenditure	**104,954,018**	**21,313,587**	**18,729,399**	**46,446,233**	**40,814,598**	**17,643,880**	**1,068,769**	**250,970,484**
Total segmental surplus/(deficit)	**(110,889,717)**	**21,313,587**	**15,376,267**	**33,332,319**	**33,425,686**	**(13,583,409)**	**(2,235,971)**	**(23,261,238)**

2024

	Community and public safety	Environmental/ Road services	Waste Management	Governance and Administration	Total
Revenue					
Revenue	7,703,781	32,785,462	2,891,303	215,721,172	259,101,718
Entity's revenue					**259,101,718**

Notes to the Annual Financial Statements

Figures in Rand

45. Segment information (continued)

Expenditure					
Operating expenditure	61,930,555	15,923,951	11,372,946	117,439,650	206,667,102
Depreciation and impairment loss	-	-	-	23,541,041	23,541,041
Gains/(Losses)	-	-	-	(947,746)	(947,746)
Total segment expenditure	**61,930,555**	**15,923,951**	**11,372,946**	**140,032,945**	**229,260,397**
Total segmental surplus/(deficit)					**29,841,321**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Notes to the Annual Financial Statements

Figures in Rand

46. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayor chain	260,000	-	260,000	148,782	-	148,782

Reconciliation of heritage assets 2025

	Opening balance	Revaluation increase/(decrease)	Total
Mayoral Chain- Jewellery	148,782	111,218	260,000

Reconciliation of heritage assets 2024

	Opening balance	Additions	Total
Heritage Assets- Mayoral Chain	-	148,782	148,782

47. Taxes and transfers payable (non-exchange)

Advance receipts - Taxes	3,664,246	2,225,538

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Revenue

Service charges	3,353,132	2,891,304
Construction contracts	1,969,565	-
Rental of facilities and equipment	828,574	700,883
Interest received (trading)	884,554	946,390
Agency services	2,933,309	3,541,364
Licences and permits	17,287	13,713
Commissions received	138,182	603,314
Other revenue	93,678	358,940
Interest on Current Account	789,662	451,187
Other income - Sale of Goods	585,306	581,785
Interest received - investment	9,582,938	10,029,731
Property rates	57,352,167	57,751,312
Interest, Dividends and Rent on Land	6,516,276	6,308,109
Government grants & subsidies	178,749,000	174,586,281
Fines, Penalties and Forfeits	567,200	337,407
Other transfer revenue 1	9,759,675	-
	274,120,505	**259,101,720**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3,353,132	2,891,304
Construction contracts	1,969,565	-
Rental of facilities and equipment	828,574	700,883
Interest received (trading)	884,554	946,390
Agency services	2,933,309	3,541,364
Licences and permits	17,287	13,713
Commissions received	138,182	603,314
Other revenue	93,678	358,940
Interest on Current Account	789,662	451,187
Other income - Sale of Goods	585,306	581,785
Interest received - investment	9,582,938	10,029,731
	21,176,187	**20,118,611**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	57,352,167	57,751,312
Interest, Dividends and Rent on Land	6,516,276	6,308,109
Transfer revenue		
Government grants & subsidies	178,749,000	174,586,281
Fines, Penalties and Forfeits	567,200	337,407
Other transfer revenue 1	9,759,675	-
	252,944,318	**238,983,109**

49. Agency services

Vehicle Registration	2,933,309	3,541,364

Income from Agency Services is made up of commission earned from administering the Motor Licensing section on behalf of Department of Transport on an agency basis. Only the commission received is recognised as income.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Other revenue

Insurance Recovery	-	160,547
SDL Claim	93,678	198,393
	93,678	**358,940**

51. Other income -Sale of Goods

Sale of goods (Tender, Rezoning, Bldg Plans)	447,778	446,772
Grave sites	13,239	12,304
Valuation fees and Rates clearance certificates	105,172	101,516
Photocopies	19,117	21,193
	585,306	**581,785**

52. Transfer and subsidies

Other subsidies		
Transfers and subsidies expenditure	6,974,499	2,314,412

These are allocations in kind where the municipality transfer good and services to the community for local development and disaster recovery.

53. Auditors' remuneration

Fees	2,204,150	2,294,201

54. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	281,985	303,210
Gain on sale of property, plant and equipment	-	947,746
Loss on sale of intangible assets	(40,683)	-
Amortisation on intangible assets	217,628	154,847
Depreciation on property, plant and equipment	18,589,596	17,491,593
Depreciation on investment property	474,472	435,705
Employee costs	113,178,462	108,783,652

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Bad debts written off

Individual residential accounts with interest on outstanding water balances	-	21,720,594
Department of water affairs outstanding interest	-	25,041,010
Department of rural development and land affairs outstanding interest	-	804,115
Provincial Department of public works outstanding interest	-	304,069
National Department of public works outstanding interest	-	1,247,979
Transnet outstanding interest	-	277,231
Department of human settlement outstanding interest	-	324,750
Department of education outstanding interest	-	1,727,942
Ingonyama Trust Board outstanding interest	-	2,076,828
Department of justiceoutstanding interest	-	16,197
Other debtors till 31 August 2023	-	998,178
Historic outstanding arrear debt on qualifying indigent beneficiaries in the 2023/24 Financial Year	7,095,465	-
In 2009 Umgungundlovu District Municipality was allocated water licencing all local municipalities that were providing water and sewer services handed over their staff compliment and infrastructure to the dictrict amounting to this amount.	404,245	-
Thokozani Housing and Department of Housing commitment broght forward in the year 2002 with no supporting information	1,604,076	-
Housing Debtors amount reflected in the 2023-2024 AFS been brought forward with no debt reflected in the system	946,550	-
	10,050,336	**54,538,893**

A council resolution was passed on 28 March 2025 to write off irrecoverable outstanding debts and historic arrear debt .