uMngeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	uMngeni Municipality is a local municipality with the primary function of providing basic services i.e. electricity, refuse, roads and stormwater facilities to the community within the municipality's jurisdiction
Mayoral committee	Cllr C Pappas (Mayor)
Executive Mayor	Cllr S Mnikathi (Deputy Mayor)
	Cllr JE Holmes (Speaker)
Councillors	Cllr PA Passmoor
	Cllr HM Lake
	Cllr S Lamula
	Cllr KPJ Van Rensburg
	Cllr PC Le Roux
	Cllr TA Duggan
	Cllr T Skhakhane
	Cllr NF Buthelezi
	Cllr KP Msimango
	Cllr HN Mabaso
	Cllr SS Msibi
	Cllr B Mkhize
	Cllr SJ Zuma
	Cllr MM Mchunu
	Cllr H Maphumulo
	Cllr GT Dlamini
	Cllr RS Sokhela
	Cllr CT Mthalane
	Cllr SD Nkuna
	Cllr QSB Buthelezi
	CllrZN Ntshangase
	Cllr M Zuma
	Cllr DE Malevu (end date (29/04/2024)
	Cllr FT Cele (end date 30/06/2024)
Grading of local authority	Three
Accounting Officer	Mr M Hloba
Chief Finance Officer (CFO)	Ms BP Msomi
Registered office	Corner of Dicks and Somme Streets Howick 3290
Postal address	P O Box 5 Howick 3290
Bankers	ABSA Bank
Auditors	Office of the Auditor General Registered Auditors

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
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, there are sets standards for internal control aimed at reducing the risk of error or surplus 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 surplus

The accounting officer has reviewed the municipality’s cash flow forecast for the next financial year, the 1st of July 2025 to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

The Accounting Officer also certifies that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper, limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the public office bearers Act and the minister of Provincial and Local Government determination in accordance with this Act.

The annual financial statements set out on page 5 to 14, which have been prepared on the going concern basis, were approved by the accounting officer Accounting Officer on 31 August 2025 and were signed on its behalf by:

Accounting Officer
Designation

1. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R1 018 047 277 and that the municipality's current assets exceed its liabilities by R 46 852 810

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note 50 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

3. Approval of Annual Financial Statements

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any and payments made to Council for the loss office. if any, as disclosed in note 35 of these Annual Financial Statements are within the Upper Limits of the framework envisaged in section 129 of the Constitution, read with the narration of Public Office Bearers Act and the Minister of Provincial and the Local Government Determination in Accordance with this

Accounting Officer
Designation

Statement of Financial Position as at 30 June 2025

	Note(s)	2025	2024 Restated*
	Note(s)		
Assets			
Current Assets			
Cash and cash equivalents	12	29 452 808	34 052 606
Trade and Other Receivables from Exchange Transactions	10	47 580 480	40 060 459
Receivables from non-exchange transactions	11	102 911 858	63 813 954
		179 945 146	**137 927 019**
Non-Current Assets			
Investment property	3	19 501 990	19 221 860
Property, plant and equipment	4	1 036 086 373	1 046 388 445
Heritage Assets	5	3 380 619	3 380 619
Receivables from exchange transactions	9	7 849 484	7 427 476
		1 066 818 466	**1 076 418 400**
Non-Current Assets		1 066 818 466	1 076 418 400
Current Assets		179 945 146	137 927 019
Total Assets		**1 246 763 612**	**1 214 345 419**
Liabilities			
Current Liabilities			
Payables from exchange transactions	6	123 533 769	95 577 742
VAT payable		-	-
Consumer deposits	7	4 562 774	4 631 752
Employee benefit obligation	8	2 199 000	2 338 000
Unspent conditional grants and receipts	14	2 796 793	6 697 530
		133 092 336	**109 245 024**
Non-Current Liabilities			
Employee benefit obligation	8	42 913 000	37 549 000
Provisions	15	52 710 999	97 955 589
		95 623 999	**135 504 589**
Non-Current Liabilities		95 623 999	135 504 589
Current Liabilities		133 092 336	109 245 024
Total Liabilities		**228 716 335**	**244 749 613**
Assets		1 246 763 612	1 214 345 419
Liabilities		(228 716 335)	(244 749 613)
Net Assets		**1 018 047 277**	**969 595 806**
Accumulated surplus		1 018 047 277	969 595 806
Total Net Assets		**1 018 047 277**	**969 595 806**

Statement of Financial Performance

	Note(s)	2025	2024 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services	13	6 201 530	4 896 534
Service charges	18	131 002 133	124 865 250
Rental of facilities and equipment	19	1 792 934	1 802 402
Licences and permits	22	4 286 109	3 613 354
Interest received from exchange transactions		2 844 297	3 502 673
Staff and Council Recoveries	24	1 187 774	258 172
Interest received - bank and investments	25	4 254 338	4 663 623
Operational revenue	61	1 268 424	1 936 648
Discount Received	62	4 999	-
Remeasurements on employee benefits	63	-	1 160 000
Gains on disposal of assets	64	5 077 486	-
Total revenue from exchange transactions		**157 920 024**	**146 698 656**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	275 079 420	261 026 917
Property rates - penalties imposed	26	12 720 263	12 219 173
Transfer revenue			
Government grants & subsidies	28	166 312 737	159 716 457
Public contributions and donations	30	480 414	1 229 655
Fines, Penalties and Forfeits	20	1 911 414	349 386
Total revenue from non-exchange transactions		**456 504 248**	**434 541 588**
		157 920 024	146 698 656
		456 504 248	434 541 588
Total revenue	16	**614 424 272**	**581 240 244**
Expenditure			
Materials and supplies	17	(5 326 276)	(3 161 156)
Loss on disposal of assets	21	-	(3 378 103)
Lease rentals on operating lease	23	(1 083 076)	(2 294 521)
Transfers and Subsidies	27	(1 598 044)	(1 778 998)
Bad debts written off	29	(24 711 253)	(18 770 845)
Employee related costs	31	(155 078 597)	(146 201 405)
Remuneration of councillors	32	(12 131 265)	(11 752 902)
Depreciation and amortisation	33	(60 077 810)	(52 287 544)
Impairment of non-cash generating assets	34	(558 159)	24 462 784
Finance costs	35	(14 372 543)	(13 691 379)
Debt Impairment (reversal of impairment)	37	29 752 323	16 968 968
Operational expenditure	38	(23 711 114)	(39 856 644)
Bulk purchases	39	(213 844 892)	(182 055 909)
Contracted services	40	(82 099 100)	(70 276 310)
Remeasurements on employee benefits	63	(1 133 000)	-
Total expenditure		**(565 972 806)**	**(504 073 964)**
		-	-
Total revenue		614 424 272	581 240 244
Total expenditure		(565 972 806)	(504 073 964)

Statement of Financial Performance

	Note(s)	2025	2024
		-	-
Surplus before taxation		48 451 466	77 166 280
Taxation		-	-
Surplus for the year		**48 451 466**	**77 166 280**

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	891 940 344	891 940 344
Correction of errors -refer to note 48	489 182	489 182
Balance at 01 July 2023 as restated*	**892 429 526**	**892 429 526**
Changes in net assets		
Net income (losses) recognised directly in net assets		
Surplus for the year	77 166 280	77 166 280
Balance at 01 July 2024	**969 595 811**	**969 595 811**
Surplus for the year	48 451 466	48 451 466
Balance at 30 June 2025	**1 018 047 277**	**1 018 047 277**

Note(s)

Cash Flow Statement

	Note(s)	2025	2024 Restated*
	Note(s)		
Cash flows from operating activities			
Receipts			
Property rates and taxes		263 216 257	237 850 127
Services Charges: Electricity and Waste Management		133 517 306	113 992 234
Government Grants and Subsidies		162 412 000	165 790 000
Interest Received on Investment		4 254 338	4 663 623
Interest Received on Receivables		6 003 222	15 513 240
Cash Donations		20 000	-
		569 423 123	537 809 224
Payments			
Employee Related Costs and Remuneration of Councillors		(166 144 148)	(158 928 721)
Suppliers		(325 553 654)	(269 903 251)
Finance costs		(52 020)	(38 960)
		(491 749 822)	(428 870 932)
Total receipts		569 423 123	537 809 224
Total payments		(491 749 822)	(428 870 932)
Net cash flows from operating activities	41	**77 673 301**	**108 938 292**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(82 273 099)	(87 515 072)
Proceeds from Asset Disposal	4	-	857 314
Net cash flows from investing activities		**(82 273 099)**	**(86 657 758)**
Cash flows from financing activities			
Finance lease payments		-	(477 902)
Net increase/(decrease) in cash and cash equivalents		**(4 599 798)**	**21 802 632**
Cash and cash equivalents at the beginning of the year		34 052 606	12 249 974
Cash and cash equivalents at the end of the year	12	**29 452 808**	**34 052 606**

Interest on receivables is calculated based on the best estimate of penalties that have been billed by the municipality.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	6 334 928	736 256	**7 071 184**	6 201 529	**(869 655)**	60.1
Service charges - Electricity	173 523 779	(3 427 999)	**170 095 780**	113 512 195	**(56 583 585)**	60.2
Service Charges - Refuse	16 069 108	1 094 481	**17 163 589**	17 489 938	**326 349**	
Rental of facilities and equipment	1 442 130	14 435	**1 456 565**	1 792 934	**336 369**	60.3
Interest earned from Receivables	4 624 676	(1 175 551)	**3 449 125**	2 844 297	**(604 828)**	
Licences and permits	3 921 864	256 737	**4 178 601**	4 286 109	**107 508**	
Discount Recieved	-	-	**-**	4 999	**4 999**	
Operational Revenue	827 796	642 297	**1 470 093**	1 268 424	**(201 669)**	60.4
Bad Debts Recovered	-	-	**-**	1 187 774	**1 187 774**	60.5
Interest received - investment	3 178 000	1 331 083	**4 509 083**	4 254 338	**(254 745)**	
Gains on disposal of assets	331 379	7 508 621	**7 840 000**	8 088 050	**248 050**	
Total revenue from exchange transactions	**210 253 660**	**6 980 360**	**217 234 020**	**160 930 587**	**(56 303 433)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	271 174 940	4 100 001	**275 274 941**	275 079 420	**(195 521)**	
Interest earned - outstanding debtors	14 347 651	(500 000)	**13 847 651**	12 720 263	**(1 127 388)**	
Transfer revenue						
Government grants & subsidies	115 580 070	496 409	**116 076 479**	115 818 852	**(257 627)**	
Fines, Penalties and Forfeits	3 256 810	65 818	**3 322 628**	1 911 414	**(1 411 214)**	60.6
Total revenue from non-exchange transactions	**404 359 471**	**4 162 228**	**408 521 699**	**405 529 949**	**(2 991 750)**	
'Total revenue from exchange transactions'	210 253 660	6 980 360	**217 234 020**	160 930 587	**(56 303 433)**	
'Total revenue from non-exchange transactions'	404 359 471	4 162 228	**408 521 699**	405 529 949	**(2 991 750)**	
Total revenue	**614 613 131**	**11 142 588**	**625 755 719**	**566 460 536**	**(59 295 183)**	
Expenditure						
Employee Related Costs	(162 029 260)	7 287 827	**(154 741 433)**	(156 211 597)	**(1 470 164)**	
Remuneration of councillors	(12 303 348)	213 380	**(12 089 968)**	(12 131 265)	**(41 297)**	
Depreciation and amortisation	(57 004 511)	(2 900 000)	**(59 904 511)**	(60 635 969)	**(731 458)**	
Finance costs	(63 471)	9 768	**(53 703)**	(14 372 543)	**(14 318 840)**	60.7
Debt Impairment	(10 744 599)	(1 900 000)	**(12 644 599)**	29 752 323	**42 396 922**	60.8
Bad debts written off	(1 080 209)	(25 650 352)	**(26 730 561)**	(24 711 253)	**2 019 308**	60.9
Bulk purchases	(215 706 042)	4 500 000	**(211 206 042)**	(213 844 892)	**(2 638 850)**	
Contracted Services	(77 415 731)	(9 055 304)	**(86 471 035)**	(83 182 175)	**3 288 860**	
Transfers and Subsidies	(1 752 000)	(105 197)	**(1 857 197)**	(1 598 044)	**259 153**	60.10
Loss on Disposal of Assets	(1 114 475)	-	**(1 114 475)**	(3 010 564)	**(1 896 089)**	60.11
Inventory consumed	(8 250 548)	341 261	**(7 909 287)**	(5 326 276)	**2 583 011**	60.12
General Expenses	(66 716 192)	(3 750 412)	**(70 466 604)**	(23 711 113)	**46 755 491**	60.13

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total expenditure	**(614 180 386)**	**(31 009 029)**	**(645 189 415)**	**(568 983 368)**	**76 206 047**	
	614 613 131	11 142 588	**625 755 719**	566 460 536	**(59 295 183)**	
	(614 180 386)	(31 009 029)	**(645 189 415)**	(568 983 368)	**76 206 047**	
Operating deficit	**432 745**	**(19 866 441)**	**(19 433 696)**	**(2 522 832)**	**16 910 864**	
Transfers and Subsidies - Capital	48 640 930	4 440 607	**53 081 537**	50 013 470	**(3 068 067)**	
Transfer and Subsidies-Capital (in-kind)	-	4 028 284	**4 028 284**	480 414	**(3 547 870)**	
	48 640 930	**8 468 891**	**57 109 821**	**50 493 884**	**(6 615 937)**	
	432 755	(19 866 441)	**(19 433 686)**	(2 522 832)	**16 910 854**	
	48 640 930	8 468 891	**57 109 821**	50 493 884	**(6 615 937)**	
Surplus before taxation	**49 073 685**	**(11 397 550)**	**37 676 135**	**48 451 466**	**10 294 917**	
Surplus / (Deficit) for the year	49 073 685	(11 397 550)	**37 676 135**	48 451 466	**10 775 331**	
Surplus / (Deficit) for the year	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**49 073 685**	**(11 397 550)**	**37 676 135**	**48 451 466**	**10 775 331**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	26 384 800	(16 170 890)	**10 213 910**	36 685 188	**26 471 278**	60.14
Receivables from non-exchange transactions	91 517 557	2 750 426	**94 267 983**	102 911 858	**8 643 875**	
VAT receivable	3 476 619	4 540 256	**8 016 875**	10 895 287	**2 878 412**	60.15
Cash and cash equivalents	22 817 420	8 319 560	**31 136 980**	29 452 808	**(1 684 172)**	
	144 196 396	**(560 648)**	**143 635 748**	**179 945 141**	**36 309 393**	
Non-Current Assets						
Investment property	18 588 982	261 715	**18 850 697**	19 501 990	**651 293**	
Property, plant and equipment	1 033 877 080	48 394 268	**1 082 271 348**	1 036 086 373	**(46 184 975)**	60.16
Intangible assets	1 323 108	(1 323 108)	**-**	-	**-**	
Heritage Assets	3 380 619	-	**3 380 619**	3 380 619	**-**	
Receivables from exchange transactions	6 883 855	543 621	**7 427 476**	7 849 484	**422 008**	
	1 064 053 644	**47 876 496**	**1 111 930 140**	**1 066 818 466**	**(45 111 674)**	
Non-Current Assets	1 064 053 644	47 876 496	**1 111 930 140**	1 066 818 466	**(45 111 674)**	
Current Assets	144 196 396	(560 648)	**143 635 748**	179 945 141	**36 309 393**	
Total Assets	**1 208 250 040**	**47 315 848**	**1 255 565 888**	**1 246 763 607**	**(8 802 281)**	
Liabilities						
Current Liabilities						
Other financial liabilities	477 902	(477 902)	**-**	-	**-**	
Payables from exchange transactions	70 828 275	12 340 137	**83 168 412**	121 191 288	**38 022 876**	60.17
Provisions	30 172 981	(8 098 468)	**22 074 513**	2 199 000	**(19 875 513)**	60.18
VAT payable	3 102 816	380 597	**3 483 413**	2 342 476	**(1 140 937)**	60.19
Consumer deposits	4 560 693	71 059	**4 631 752**	4 562 774	**(68 978)**	
Unspent conditional grants and receipts	-	-	**-**	2 796 793	**2 796 793**	60.20
	109 142 667	**4 215 423**	**113 358 090**	**133 092 331**	**19 734 241**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	42 913 000	**42 913 000**	60.21
Provisions	113 276 334	22 228 255	**135 504 589**	52 710 999	**(82 793 590)**	60.18
	113 276 334	**22 228 255**	**135 504 589**	**95 623 999**	**(39 880 590)**	
	109 142 667	4 215 423	**113 358 090**	133 092 331	**19 734 241**	
Non - Current Liabilities	113 276 334	22 228 255	**135 504 589**	95 623 999	**(39 880 590)**	
	-	-	**-**	-	**-**	
Total Liabilities	**222 419 001**	**26 443 678**	**248 862 679**	**228 716 330**	**(20 146 349)**	
Assets	1 208 250 040	47 315 848	**1 255 565 888**	1 246 763 607	**(8 802 281)**	
Liabilities	(222 419 001)	(26 443 678)	**(248 862 679)**	(228 716 330)	**20 146 349**	
Net Assets	**985 831 039**	**20 872 170**	**1 006 703 209**	**1 018 047 277**	**11 344 068**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Reserves						
Accumulated surplus	985 831 039	20 872 170	**1 006 703 209**	1 018 047 277	**11 344 068**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	249 480 944	6 524 751	**256 005 695**	252 989 345	**(3 016 350)**	
Service Charges	216 242 084	(13 018 463)	**203 223 621**	145 241 624	**(57 981 997)**	
Transfers and Subsidies	115 580 070	(1 149 607)	**114 430 463**	112 856 000	**(1 574 463)**	
Interest income	3 178 000	1 331 083	**4 509 083**	6 003 222	**1 494 139**	
Other revenue	81 352 877	4 710 124	**86 063 001**	2 140 740	**(83 922 261)**	
Transfers and Subsidies - Capital	48 540 930	540 607	**49 081 537**	49 556 000	**474 463**	
	714 374 905	**(1 061 505)**	**713 313 400**	**568 786 931**	**(144 526 469)**	
Payments						
Employee costs	(617 103 283)	3 869 476	**(613 233 807)**	(489 463 565)	**123 770 242**	
Finance costs	(63 471)	9 768	**(53 703)**	(52 020)	**1 683**	
Transfers and Grants	(1 392 000)	50 000	**(1 342 000)**	(1 598 044)	**(256 044)**	
	(618 558 754)	**3 929 244**	**(614 629 510)**	**(491 113 629)**	**123 515 881**	
Total receipts	714 374 905	(1 061 505)	**713 313 400**	568 786 931	**(144 526 469)**	
Total payments	(618 558 754)	3 929 244	**(614 629 510)**	(491 113 629)	**123 515 881**	
Net cash flows from operating activities	**95 816 151**	**2 867 739**	**98 683 890**	**77 673 302**	**(21 010 588)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(91 782 100)	(17 657 416)	**(109 439 516)**	(82 273 100)	**27 166 416**	
Proceeds from sale of property, plant and equipment	331 379	7 508 621	**7 840 000**	-	**(7 840 000)**	
Net cash flows from investing activities	**(91 450 721)**	**(10 148 795)**	**(101 599 516)**	**(82 273 100)**	**19 326 416**	
Net increase/(decrease) in cash and cash equivalents	4 365 430	(7 281 056)	**(2 915 626)**	(4 599 798)	**(1 684 172)**	
Cash and Cash equivalents at the beginning of the year	18 351 990	15 700 616	**34 052 606**	34 052 606	**-**	
Cash and cash equivalents at the end of the year	**22 717 420**	**8 419 560**	**31 136 980**	**29 452 808**	**(1 684 172)**	

The accounting policies on page s 15 to 50 and the notes on page s 51 to 103 form an integral part of the annual financial statements.

Accounting Policies

	Note(s)	2025	2024

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Receivables from exchange and non- exchange transactions
The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit. the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from financial asset.
The Impairment for trade and other receivables is calculated on an individual and group portfolio basis, based on historical collection levels and other indicators present at the reporting date that correlate with relevant portfolio.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

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

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgments made and assumptions applied to conclude that it controls such land, are as follow;
Whether the municipality can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries
Whether the municipality can exchange, dispose of, or transfer the land; and/or
Whether the municipality can use the land in any other way to generate future economic benefits or service potential

Where the municipality uses the land to provide future economic benefits or service potential while another entity has the right to exchange, dispose of transfer the land, the municipality shall assess its ability to exercise the right to exchange, dispose of, or transfer the land to determine if it is able to direct or restrict or deny access to the land.
When a municipality directs the use of the land to provide services to beneficiaries, either itself or through directing another entity to provide specific services, the municipality will conclude that it has the right to direct access to land and to restrict or deny access of others to land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgments made and assumptions applied to conclude that it does not control such land, are as follows:
Whether another entity can direct the use of the land's future economic benefits or services potential to provide services to beneficiaries
Whether another entity can exchange, dispose of, or transfer the land; and/or
Whether another entity can use the land in any other way to generate future economic benefits or service potential

A Municipality may be granted a right to use the land for a period of time. Control of the land will be demonstrated, if the entity has substantive rights to the land that enable it to direct access to the land, or to restrict or deny the access of others to land. For the entity to demonstrate control, the right of use needs to be for an unlimited period of time and the entity should have other substantive rights that enable it to direct access to the land, or to restrict or deny the access of others to the land.
In the absence of the municipality demonstrating that it has granted the right to direct access to and restrict or deny access of others to the land to another entity, the legal owner controls the land as it retains the right to direct access to land and to restrict or deny the access of others to land.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognized arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognized is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrectly, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognized, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognized, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.6 Investment property (continued)

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

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

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

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

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

Cost model

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

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

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).

1.7 Property, plant and equipment

Initial Recognition

Cost Model- measures the asset after its acquisition at its cost, less any accumulated depreciation at its cost less any accumulated depreciation and accumulated impairment loss

Subsequent- Measurement

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

Initial Recognition and Measurement

Property, plant and equipment is initially measured at cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	15 - 30 years
Landfill site	Straight-line	02 - 30 years
Plant and machinery	Straight-line	02 - 30 years
Furniture and fixtures	Straight-line	04 - 10 years
Motor vehicles	Straight-line	03 - 15 years
Office equipment	Straight-line	03 years
IT equipment	Straight-line	03 - 05 years
Infrastructure - roads and paving	Straight-line	05 - 80 years
Infrastructure - roads and stormwater	Straight-line	20 - 60 years
Infrastructure - electricity	Straight-line	15 - 50 years

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4.

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognized in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Derecognition:

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

1.8 Site restoration and dismantling cost (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 recognised in the Statement of Financial Performance:

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1.9 Heritage assets

Historical Cost

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

Subsequent Measurement

Carrying amount is the amount at which an asset is recognized 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.

Initial Measurement

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

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.

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Recognition

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

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

Derecognition is the removal of a previously recognized financial asset or financial liability from municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

Classification

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

Class	Category
Cash and Cash Equivalents	Financial asset measured at amortised cost
Receivables from Exchange transactions excluding Statutory Receivables	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent Conditional Grants and receipts	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognizes 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

1.11 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognized 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 derecognized.

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 recognized 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.

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

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

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

1.11 Statutory receivables (continued)

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

Derecognition

The municipality derecognizes 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:
  - derecognize the receivable; and
  - recognize 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 derecognized and, those amounts recognized, are recognized in surplus or deficit in the period of the transfer.

1.12 Tax

Value Added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:

- it is charged at each stage of the production and distribution process;

- the taxable person (vendor) may deduct the tax paid during the preceding stages; and

- the burden of the tax is on the final consumer.

The municipality renders goods and services to consumers; it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.

The municipality is registered to declare VAT transactions on the cash basis to SARS.

The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality.

VAT Receivable due/from SARS:

✍ In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act.

✍ Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction

VAT Accrual

In accordance with GRAP, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.

Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.

The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature and therefore do not meet the definition of a statutory arrangement. As there is no transaction to “settle” with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

1.13 Leases

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

Accounting Policies

1.13 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

-Cash-generating assets are assets used with the primary objective of gnerating a commercial return. Commercial return means that the municipality is anticipated to receive revenue from the asset and the positive cash flows are expected to be significantly higher than the cost of the asset.
-Non-cash-generating assets are assets other than cash-generating assets. A municipality shall designate an asset as non-cash-generating when its primary objective is not use to the asset to generate a commercial return but to deliver services
-All administrative assets, for example, vehicles, office equipment and furniture, plant and machinery, computer equipment and administrative land and buildings are held for the purpose of delivering services and therefore do not generate a commercial return.
-When it is not clear whether the objectives is to use the asset to generate a commercial return, the municipality shall designate the asset as a non-cash generating asset.

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.14 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.

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

-Cash-generating assets are assets used with the primary objective of generating a commercial return. Commercial return means that the municipality is anticipated to recieve revenue from the asset and the positive cash flows are expected to be significantly higher than the cost of the asset.
-Non-cash generating assets are assets other than cash-generating assets. An entity shall designate an asset as non-cash generating when its primary objective is not to use the asset to generate a commercial return but to deliver services.
-All administrative assets for example, vehicles, office equipment and furniture, plant and machinery, computer equipment and administrative land and buildings are held for the purpose of delivering services and therefore do not generate a commercial return.
-Roads and stormwater infrastructure assets do not generate any direct commercial return and is therefore categorised as non-cash generating commercial return.
-When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality shall designate the asset as a non cash generating asset

Designation

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognized immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

After a reversal of an impairment loss is recognized, 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.

Accounting Policies

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

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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

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

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

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

1.16 Employee benefits (continued)

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

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by a entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.16 Employee benefits (continued)

The entity recognizes the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

The entity recognizes termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognized for future operating surplus .

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

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in note 45.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognizes the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

The related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

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

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

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

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

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

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

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

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

Accounting Policies

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

Taxes

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

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Material and supplies

Materials and supplies refer to consumable items utilised in the provision of municipal services. These include materials utilised for repairs and maintenance, as well as the day-to-day operations of the municipality. Materials and supplies are recognised as an expense when they are consumed in the operations of the municipality.

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

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.

1.24 Accounting by principals and agents (continued)

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

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

1.25 Contracted Services

Contracted services refer to services provided by external entities or individuals that are engaged to perform specific tasks or functions on behalf of municipality.

Contracted services are measured at the actual cost incurred. This includes direct payments to contractors and any directly attributable costs associated with the provision of contracted services.

1.26 Operational expenditure

Operational costs refer to the ongoing expense incurred by municipality in the daily functioning of its services and programs. This relates to the provision of goods and services to the municipality, rather than performing specific tasks or functions on behalf of the municipality.

Operational expenditure is measured at the actual cost incurred , and is recognised as expenses in the period in which the services are rendered.

1.27 Bulk purchases

Bulk Purchases refer to electricity purchased from Eskom as well as alternative service providers. It is measured at the actual cost incurred and are recognised as expenses in the period in which the services are rendered.

1.28 Comparative figures

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

1.29 Unauthorised expenditure

In accordance with Section 1 of the MFMA, unauthorised expenditure, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section15 or 11 (3) of the MFMA, and includes:
(a) overspending of the total amount appropriated in the municipality's approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

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

1.30 Fruitless and wasteful expenditure

In accordance with Section 1 of the MFMA, fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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

1.31 Irregular expenditure

In accordance with Section 1 of the MFMA, irregular expenditure, in relation to a municipality, means;
(a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) Expenditure incurred by a municipality in contravention of or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain policy of the municipality or entity, or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
but excluded expenditure by a municipality which falls within the definition of "unauthorised expenditure"

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

1.32 Segment information

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

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

Measurement

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

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

1.33 Budget information

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

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

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

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

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

1.34 Related parties

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

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

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

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

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

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

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

1.35 Events after reporting date

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

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

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

Notes to the Annual Financial Statements

	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 107 Mergers	**To be determined**	**Unlikely there will be a material impact**
GRAP 106 Transfer of Functions Between Entities Not Under Common Control	**To be determined**	**Unlikely there will be a material impact**
GRAP 2023 Improvements to the Standards of GRAP 2023	**To be determined**	**Unlikely there will be a material impact**
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	**To be determined**	**Unlikely there will be a material impact**
GRAP 103 (as revised): Heritage Assets	**To be determined**	**Unlikely there will be a material impact**
iGRAP 22 Foreign Currency Transactions and Advance Consideration	**01 July 2025**	**Unlikely there will be a material impact**
GRAP 104 (as revised): Financial Instruments	**01 July 2025**	**The impact is currently being assessed**

3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 486 087	(3 984 097)	19 501 990	23 006 087	(3 784 227)	19 221 860

Reconciliation of investment property - Corrections of errors on Disclosure Notes

	Opening balance	Transfers received	Transfers	Depreciation	Total
Investment property	19 221 860	480 000	(96 046)	(103 824)	19 501 990

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	19 313 968	(92 108)	19 221 860

All of the municipality's investments properties are held under freehold interest and none had been pledged as security for any liabilities of the Municipality. There are no restrictions on the realisability of investment property or remittance of revenue. There are no contractual obligations on investment property. There were no repairs and maintenance expensed on non-rental generating investment 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.

	2025	2024

3. Investment property (continued)

Maintenance of investment property

The following maintenance costs were incurred:		
Preventative Maintenance incurred on		
Revenue generating investment property	1 626 208	1 626 669
Corrective Maintenance incurred on		
Direct Operating Expenses (Excluding Repairs and Maintenance)	(223 283)	(220 304)
Repairs and Maintenance	(461 415)	(217 577)
	941 510	**1 188 788**

4. 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	202 923 599	(1 435 410)	201 488 189	202 968 075	(1 435 410)	201 532 665
Buildings	323 469 029	(150 563 947)	172 905 082	321 028 123	(138 881 895)	182 146 228
Plant and machinery	17 389 735	(9 890 196)	7 499 539	14 955 809	(8 737 068)	6 218 741
Furniture and fixtures	7 008 268	(5 517 462)	1 490 806	6 309 090	(5 267 927)	1 041 163
Motor vehicles	48 610 352	(20 042 001)	28 568 351	44 934 417	(15 683 073)	29 251 344
IT equipment	10 725 939	(6 666 038)	4 059 901	9 205 028	(5 513 388)	3 691 640
Electricity Infrastructure	187 041 998	(57 424 218)	129 617 780	170 366 244	(52 027 893)	118 338 351
Roads and stormwater infrastructure	854 334 204	(386 566 151)	467 768 053	809 757 915	(360 738 587)	449 019 328
Landfill Site	64 997 450	(42 308 778)	22 688 672	90 628 326	(35 479 341)	55 148 985
Total	**1 716 500 574**	**(680 414 201)**	**1 036 086 373**	**1 670 153 027**	**(623 764 582)**	**1 046 388 445**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Corrections of errors on Disclosure Notes

	Opening balance	Additions	Disposals	Transfers /LandFill site restoration	Depreciation	Impairment loss	Total
Land	201 532 665	-	(44 476)	-	-	-	201 488 189
Buildings	182 146 228	6 429 900	(61 208)	(3 862 004)	(11 747 834)	-	172 905 082
Plant and machinery	6 218 741	2 433 925	-	-	(1 119 072)	(34 055)	7 499 539
Furniture and fixtures	1 041 163	794 061	(1 664)	-	(298 846)	(43 908)	1 490 806
Motor vehicles	29 251 344	5 317 682	(287 897)	-	(5 683 132)	(29 646)	28 568 351
IT equipment	3 691 640	1 715 013	(20 174)	-	(1 233 964)	(92 614)	4 059 901
Electricity Infrastructure	118 338 351	16 675 754	-	-	(5 038 389)	(357 936)	129 617 780
Roads and stormwater infrastructure	449 019 328	49 367 183	(2 595 145)	-	(28 023 313)	-	467 768 053
Landfill Site	55 148 985	-	-	(25 630 876)	(6 829 437)	-	22 688 672
	1 046 388 445	**82 733 518**	**(3 010 564)**	**(29 492 880)**	**(59 973 987)**	**(558 159)**	**1 036 086 373**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Landfill Site Restoration	Depreciation	Impairment loss	Total
Land	201 532 665	-	-	-	-	-	201 532 665
Buildings	191 799 248	1 717 434	(5 714)	181 355	(11 223 078)	(323 017)	182 146 228
Plant and machinery	5 471 133	1 714 060	(53 988)	-	(912 464)	-	6 218 741
Furniture and fixtures	1 261 534	107 548	(1 783)	-	(326 136)	-	1 041 163
Motor vehicles	23 276 641	9 244 385	(78 972)	-	(3 190 710)	-	29 251 344
IT equipment	2 965 205	1 757 397	(94 961)	-	(936 001)	-	3 691 640
Electricity Infrastructure	101 227 146	22 998 044	(376 484)	(181 355)	(5 329 000)	-	118 338 351
Roads and stormwater infrastructure	412 871 787	43 942 329	(4 158 113)	-	(24 669 221)	21 032 546	449 019 328
Landfill Site	48 614 161	7 163 531	-	1 226 864	(5 608 826)	3 753 255	55 148 985
	989 019 520	**88 644 728**	**(4 770 015)**	**1 226 864**	**(52 195 436)**	**24 462 784**	**1 046 388 445**

	2025	2024

4. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

Projects Taking A Significant Amount of Time To Be Completed and Haulted Projects

	2025	2024
Mpempe Retailing Wall - Project Taking a Significant Amount of time to be Completed		
Terms and conditions		
Capital Expenditure	17 194	-

	2025	2024
Khayelisha and Stormwater rising Main and Pump - Haulted Project		
Terms and conditions		
-Capital Expenditure	13 798 948	13 798 948
- Impairment	(8 503 388)	(8 503 388)
	5 295 560	**5 295 560**

There were no projects identified to be taking significantly longer time to complete than expected .One project has been halted during the prior years

construction of Mpempe Retailing Wall has delayed due to financial constraints in 2024/2025 financial year, however the municipality is committed to complete the project in 2025/2026 financial year.

Construction of Khayelisha and stormwater Rising Main & Pump was halted due to Budgeting and financial Constrains

Reconciliation of work in Progress 2025

	Included within buildings	Included within Roads & Stormwater	Included within Electrical	Total
Opening balance	-	14 650 900	42 123 463	56 774 363
Additions/capital expenditure	6 429 900	49 367 184	16 675 755	72 472 839
Transferred to completed items	(3 982 334)	(43 903 010)	(6 059 220)	(53 944 564)
	2 447 566	**20 115 074**	**52 739 998**	**75 302 638**

Reconciliation of work in Progress 2024	Included within Solid Waste	Included within Buildings	Included with Roads & Stormwater	Included within Electrical	Total
Opening balance	-	-	6 929 689	23 585 218	30 514 907
Additions	1 901 431	1 717 416	43 942 329	22 998 046	70 559 222
Transferred to completed items	(1 901 431)	(1 717 416)	(36 221 118)	(4 459 800)	(44 299 765)
	-	**-**	**14 650 900**	**42 123 464**	**56 774 364**

Reconciliation of Work-in-Progress 2024

4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - Corrections of errors on Disclosure Notes

	Preventative Maintenance	Corrective Maintenance		
	Total	Planned	Total	Total
Electrical	-	11 302 053	11 302 053	11 302 053
Roads and Stormwater	-	13 019 632	13 019 632	13 019 632
Other Equipment	-	97 484	97 484	97 484
Buildings	-	3 088 867	3 088 867	3 088 867
Motor vehicles	-	4 572 318	4 572 318	4 572 318
	-	**32 080 354**	**32 080 354**	**32 080 354**

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance	Corrective Maintenance		
	Total	Planned	Total	Total
Electrical	-	7 409 563	7 409 563	7 409 563
Roads and Stormwater	-	6 727 746	6 727 746	6 727 746
Other Equipment	-	13 410	13 410	13 410
Buildings	-	690 844	690 844	690 844
Motor vehicles	-	3 840 015	3 840 015	3 840 015
	-	**18 681 578**	**18 681 578**	**18 681 578**

5. Heritage Assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2 830 619	-	2 830 619	2 830 619	-	2 830 619
Historical buildings	490 000	-	490 000	490 000	-	490 000
Stamp collections, military insignia, medals, coin	60 000	-	60 000	60 000	-	60 000
Total	**3 380 619**	**-**	**3 380 619**	**3 380 619**	**-**	**3 380 619**

Reconciliation of heritage assets Corrections of errors on Disclosure Notes

	Opening balance	Total
Historical monuments	2 830 619	2 830 619
Historical buildings	490 000	490 000
Stamp collections, military insignia, medals, coin	60 000	60 000
	3 380 619	**3 380 619**

Reconciliation of heritage assets 2024

	Opening balance	Total
Historical monuments	2 830 619	2 830 619
Historical buildings	490 000	490 000
Stamp collections, military insignia, medals, coin	60 000	60 000
	3 380 619	**3 380 619**

	2025	2024

6. Payables from exchange transactions

Trade Payables and Accruals	64 017 988	44 806 412
Payments received in advance	19 213 856	18 071 789
Leave Accruals	16 059 113	14 418 399
Retention	9 144 408	5 818 257
Unidentified deposits	12 015 167	11 287 761
Output Tax Accrual	3 876 786	3 169 634
Output VAT Accrual-Provision for Doubtful debt Impairment	(1 534 310)	(2 300 774)
Salary Creditors	740 761	306 264
	123 533 769	**95 577 742**

7. Consumer deposits

Electricity	2 459 673	2 528 198
Housing rental	2 103 101	2 103 554
	4 562 774	**4 631 752**

8. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(42 913 000)	(37 549 000)
Present value of the defined benefit obligation-partly or wholly funded	(2 199 000)	(2 338 000)
	(45 112 000)	**(39 887 000)**

Non-current liabilities	(42 913 000)	(37 549 000)
Current liabilities	(2 199 000)	(2 338 000)
	(45 112 000)	**(39 887 000)**

Less: Transfer to Current Provisions		
Post Employment Health Care Liability		
Post Employment Health Care Benefit Liability	35 150 000	31 150 000
Less: Transfer to Current Provisions	(1 575 000)	(1 597 000)

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

Opening balance	11 280 000	8 870 000
Net expense recognised in the statement of financial performance	4 143 000	2 410 000
	15 423 000	**11 280 000**

Net expense recognised in the statement of financial performance

Current service cost	1 080 000	1 029 000
Interest cost	3 907 000	3 695 000
Actuarial (gains) losses	753 000	(961 000)
Curtailment	(1 597 000)	(1 353 000)
	4 143 000	**2 410 000**

	2025	2024

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	11,20 %	12,22 %
Expected rate of return on assets	5,20 %	6,20 %
Expected rate of return on reimbursement rights	3,90 %	4,20 %
Actual return on reimbursement rights	6,30 %	6,50 %

Other assumptions

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

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

	2025	2024	2023	2022	2021
Defined benefit obligation	36 890 000	32 747 000	30 337 000	28 402 000	26 843 000

	2025	2024

8. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

	2025	2024
Net expense recognised in statement of financial performance	4 143 000	2 410 000

Sensitivity analysis on defined benefit obligation	**Change**	**Eligible employees**	**Continuation Members**	**Total DBO**	**% Change**
Central Assumption		22 230	14 660	36 890	- %
	+1	24 351	15 441	39 792	8 %
	-1	19 708	13 831	33 539	(9)%
Discount rate	+1	19 075	13 605	32 680	(11)%
	-1	26 167	15 879	42 046	14 %
Post -employment mortality	+1 yr	21 730	14 196	35 926	(3)%
	-1 yr	22 717	15 124	37 841	3 %
Average retirement age	-1 yr	24 462	14 660	39 122	6 %
Membership continuation	-10%	19 266	14 660	33 926	(8)%

Sensitivity Analysis on current service and interest cost	**Change**	**Current Service Cost**	**Interest Cost**	**Total Cost**	**% Change**
Central Assumption		1 080 000	3 907 000	4 987 000	- %
Medical aid contribution inflation rate	+1	1 199 000	4 236 000	5 435 000	9 %
	-1	937 000	3 535 000	4 472 000	(10)%
Discount rate	+1	913 000	3 748 000	4 661 000	(7)%
	-1	1 293 000	4 084 000	5 377 000	8 %
Post -employment mortality	+1 yr	1 058 000	3 802 000	4 860 000	(3)%
	-1 yr	1 104 000	4 011 000	5 115 000	3 %
Average retirement age	-1 yr	1 155 000	4 139 000	5 294 000	6 %
Membership continuation	-10%	937 000	3 602 000	4 539 000	9 %

Long Service Award

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2025 by Arch Actuarial Consultants, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality

The Long Service Awards plans are defined benefit plans. As at year end, 301 employees were eligible for Long Service Awards

The future service cost for the ensuing year is estimated to be R 683,000 whereas the interest-cost for the next year is estimated to be R 760,000

Long service awards	2025	2024
Provision for Long service awards	7 598 000	6 399 000
Less : Transfer of current provision	(624 000)	(741 000)
	6 974 000	**5 658 000**

The principal assumptions used for the purpose of the actuarial valuations were as follows :	2025	2024
Discount rate used	10,0 %	11,2 %
Expected rate of return on assets	4,0 %	5,4 %
Expected rate of return on reimbursement rights	5,0 %	6,4 %
Actual return on reimbursement rights	4,8 %	4,6 %

The amount recognised in the Statement of Financial Positions are as follows :

	2025	2024

8. Employee benefit obligations (continued)

	2025	2024
Present value of fund obligation	7 598 000	6 399 000

Net expense recognised in the Statement of Financial Performance

	2025	2024
Current service cost	683 000	628 000
Interest cost	760 000	766 000
Remeasurement - Actuarial (Gain) / Loss	380 000	(199 000)
Curtailment	(741 000)	(1 744 000)
	1 082 000	**(549 000)**

The movement in the Long service over the year is as follows :

	2025	2024
Balance at begining of year	7 140 000	7 689 000
Service cost	683 000	628 000
Interest cost	760 000	766 000
Benefits paid	(741 000)	(1 744 000)
Remeasurement - Actuarial (Gain)/Loss	380 000	(199 000)
	8 222 000	**7 140 000**

	2025	2024
Defined benefit obligation	8 220 000	7 140 000
Average Defined benefit obligation per employee	27 316	27 462

The history of experienced adjustments are as follows :	**2025**	**2024**	**2023**	**2022**	**2021**
	8 222 000	7 140 000	7 689 000	7 596 000	7 529 000

Sensitivity analysis on defined benefit obligation	**Change**	**Defined benefit obligation**	**% Change**
Central Assumption	-	8 222 000	-
General earnings inflation	+1%	8 660 000	5 %
	-1%	7 820 000	(5)%
Discount rate	+1%	7 811 000	(5)%
	-1%	8 677 000	6 %
Average retirement age	+2 yrs	8 853 000	8 %
	-2 yrs	7 567 000	(8)%
Rates of termination of serive	x2	7 266 000	(12)%
	x0.5	8 838 000	7 %
	-	**73 714 000**	**(4)**

Assumption	**Change**	**Current Service Cost**	**Interest Cost**	**Total**	**% Change**
Central Assumption	-	683 000	760 000	1 443 000	-
General earnings inflation rate	+1%	735 000	805 000	1 540 000	7 %
	-1%	636 000	718 000	1 354 000	(6)%
Discount rate	+1%	641 000	782 000	1 432 000	(1)%
	-1%	729 000	735 000	1 464 000	1 %
Average retirement age	+2 yrs	726 000	829 000	1 555 000	8 %
	-2 yrs	633 000	684 000	1 317 000	(9)%
Rates of termination of service	x2	538 000	658 000	1 196 000	(17)%
	x0.5	784 000	826 000	1 610 000	12 %

9. Receivables from exchange transactions

	2025	2024
Electricity Deposit to Eskom	7 849 484	7 427 476

	2025	2024

10. Receivables from Exchange Transactions

	2025	2024
Gross balances		
Electricity	18 350 792	30 540 107
Input Tax Accrual	8 751 370	6 246 892
VAT receivable - Due from SARS	2 143 917	2 505 748
Accrued Income	11 334 609	1 793 152
Refuse	14 623 336	13 034 625
Business service levies	784 236	784 236
Sundry Debtors	954 993	1 381 617
Housing rental	2 400 267	1 413 349
	59 343 520	**57 699 726**
Less: Allowance for impairment		
Electricity	(2 103 357)	(9 195 772)
Refuse	(7 192 856)	(6 893 197)
Regional services levies	(551 460)	(548 997)
Housing rental	(1 915 367)	(1 001 301)
	(11 763 040)	**(17 639 267)**
Net balance		
Electricity	16 247 435	21 344 335
Input Tax Accrual	8 751 370	6 246 892
Vat Recievable - Due from SARS	2 143 917	2 505 748
Accrued Income	11 334 609	1 793 152
Refuse	7 430 480	6 141 428
Business service levies	784 236	784 236
Sundry Debtors	403 533	832 620
Housing rental	484 900	412 048
	47 580 480	**40 060 459**
Electricity		
Current (0 -30 days)	11 338 483	8 379 303
31 - 60 days	388 674	1 727 671
61 - 90 days	303 603	384 259
91 - 120 days	217 134	350 112
121 and above	6 018 380	19 698 762
	18 266 274	**30 540 107**
Input VAT Accrual		
Current (0 -30 days)	8 751 370	6 246 892
VAT Receivable - Due from SARS		
Current (0 -30 days)	2 143 917	2 505 748
Refuse		
Current (0 -30 days)	2 128 402	1 036 841
31 - 60 days	552 663	556 769
61 - 90 days	528 366	432 380
91 - 120 days	511 747	397 119
121 and above	10 901 551	10 611 516
	14 622 729	**13 034 625**

	2025	2024

10. Receivables from Exchange Transactions (continued)

Sundry Debtors		
Current (0 -30 days)	108 318	426 870
31 - 60 days	18 067	58 471
61 - 90 days	6 928	10 639
91 - 120 days	13 245	5 821
121 and above	808 411	681 338
	954 969	**1 183 139**

Housing rental		
Current (0 -30 days)	205 427	96 702
31 - 60 days	53 381	56 857
61 - 90 days	52 524	49 931
91 - 120 days	44 811	78 323
121 and above	2 044 124	1 131 536
	2 400 267	**1 413 349**

	2025	2024

10. Receivables from Exchange Transactions (continued)

Statutory Receivables – 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

Transaction(s) 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 or other charges levied/charged

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 assess and test whether a statutory receivable is impaired

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.

Discount rate applied to the 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.

Receivables past due but not impaired

Relating to Contractual and Statutory Receivables

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

	2025	2024
Receivables from exchange transaction past due and not impaired	34 041 046	27 522 499

Contractual receivables that are past due but are not impaired and included in receivables from exchange transactions:

	2025	2024
Total Debt	57 440 796	54 995 500
Less: Debt below 30 days not considered past due as per aging	(13 780 630)	(12 339 482)
less: Debt recognised as past due and impaired	(11 763 039)	(17 639 267)
	31 897 127	**25 016 751**

Statutory receivables that are past due but are not impaired and included in receivables from exchange transactions:

Notes to the Annual Financial Statements

	2025	2024

10. Receivables from Exchange Transactions (continued)

Total Debt	2 143 917	2 505 748

Credit quality for receivables that are neither past due not impaired

The Municipality deems outstanding debt less than 30 days to be receivables that are not considered for impairment, on the following basis:

- The Municipality has a stringent customer care, credit control and debt collection policy which is actively implemented by the Municipality

- This includes monitoring of debtors accounts, implementation of physical disconnections where necessary.

- Therefore the Municipality views debt outstanding for less than 30 days being a fair reflection of the credit quality.

Basis used to access and test whether a receivable is impaired

Management considered receivables individually that may be impaired as well as groups of similar receivables that may be impaired.

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

The impairment calculations are based on the individual assessment criteria as well as group collection rate in accordance with customer care, credit control and debt collection policy.

The group impairment percentage is determined taking into account the average collection rate based on a five year trend as a minimum by class of financial asset.

11. Receivables from Non-Exchange Transaction

	2025	2024
Gross balances		
Receivables from Non-Exchange Transactions - Rates	220 989 177	208 278 440
Receivables from Non-Exchange Transactions - Traffic Fines	21 023 517	19 278 116
	242 012 694	**227 556 556**
Less: Allowance for impairment		
Receivables from Non-Exchange - Rates	(118 128 542)	(145 090 908)
Receivables from Non-Exchange - Traffic Fines	(20 972 294)	(18 651 694)
	(139 100 836)	**(163 742 602)**
Net balance		
Receivables from non-exchange - Rates	102 860 635	63 187 532
Receivables from non-exchange - Traffic Fines	51 223	626 422
	102 911 858	**63 813 954**

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

	2025	2024
Traffic Fines	21 023 517	19 278 116
Property rates - Vacant Land	18 724 549	19 842 731
Property rates - Public Service Infrastructure	4 411 576	3 752 794
Property rates - State Owned Properties	2 132 754	1 802 057
Property rates-Public Service Purpose Properties	759 685	629 741
Property rates- Mining and Quary	2 576 325	2 633 246
Property rates- Rural Agricultural	16 623 882	14 912 474
Property rates- Business and Commercial	38 936 843	36 445 761
Property rates- Industrial	8 910 848	7 491 568
Property rates- Residential	127 859 010	120 724 076
	241 958 989	**227 512 564**

	2025	2024

11. Receivables from Non-Exchange Transaction (continued)

	2025	2024
Statutory receivables that are past due and impaired included in receivables from non-exchange transactions are as follows:		
Traffic Fines	20 972 294	18 651 694
Property rates- Vacant Land	12 443 743	13 557 040
Property rates- Public Service Infrastructure	3 663 258	3 208 018
Property rates- State Owned Properties	1 285 030	1 392 123
Property rates- Mining and Quary	2 289 447	2 273 358
Property rates- Public and Service Purposes	225 557	304 735
Property rates- Rural Agricultural	8 524 939	9 842 711
Property rates- Business and Commercial	23 098 462	27 431 014
Property rates- Industrial	3 914 119	5 373 307
Property rates- Residential	62 639 201	81 664 610
	139 056 050	**163 698 610**

	2025	2024
Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:		
Traffic Fines	51 223	626 422
Property rates- Vacant Land	6 280 806	6 285 691
Property rates- Public Service Infrastructure	748 318	544 775
Property rates- State Owned Properties	847 724	409 933
Property rates- Mining and Quary	286 878	359 887
Property rates- Public and Service Purposes	534 128	325 005
Property rates- Rural Agricultural	8 098 943	5 069 767
Property rates- Business and Commercial	15 838 381	9 014 749
Property rates- Industrial	4 996 729	2 118 259
Property rates- Residential	65 219 809	39 059 465
	102 902 939	**63 813 953**

Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:

	2025	2024
Total debts - Property Rates	220 935 472	208 234 448
Less: Debt Below 30 days not considered past due as per aging	(27 860 444)	(27 390 237)
Less: Debt recognised as past due and impaired	(118 083 756)	(145 046 917)
	74 991 272	**35 797 294**

Statutory receivables that are past due but are not impaired and included in receivables from non-exchange transactions:

	2025	2024
Total debts - Traffic Fines	21 023 517	19 278 116
Less: Debt recognised as past due and impaired	(20 972 294)	(18 651 694)
	51 223	**626 422**

	2025	2024
Total consumer debtors	102 911 858	63 813 954

Rates

	2025	2024
Current (0 -30 days)	27 860 444	19 529 621
31 - 60 days	4 522 005	7 860 616
61 - 90 days	3 706 235	5 561 618
91 - 120 days	3 390 101	5 813 766
121 and older	181 456 687	169 468 828
	220 935 472	**208 234 449**

	2025	2024

11. Receivables from Non-Exchange Transaction (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Statutory receivables that are past due and have not been impaired and included in receivables from non-exchange transactions.

As of 30 June 2025, the following statutory receivables were considered to be past due and not impaired. This was determined by taking into account the debt that is outstanding for a period of more than 30 days which have not been subjected to impairment

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	37	37
Bank balances	15 269 248	15 057 879
Short-term deposits	14 183 523	18 994 690
	29 452 808	**34 052 606**

	2025	2024

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB Bank- Primary Account-63102742897	10 502 008	-	-	10 937 121	-	-
ABSA Bank-Call Account 4063796636	4 319 117	13 921 718	4 514 445	4 319 117	15 049 622	4 516 528
FNB Bank - Call Account-62547030875	6 358 177	149 358	1 108 008	6 358 177	149 358	1 108 008
FNB Bank - Call Account - 62821205425	149 334	138 881	128 529	149 334	138 881	128 529
ABSA Bank - Call Account-9312757198	190 916	204 732	68 961	190 916	204 732	68 961
ABSA Bank - Call Account-9244671585	25 378	7 473 553	59 315	25 378	7 473 553	59 315
Investec Bank- Call Account-1100503504501	2 911 499	4 074 113	-	2 911 499	4 074 113	-
ABSA Bank - Call Account-91549612908	37 345	439 437	109 032	37 345	439 437	109 032
ABSA Bank - Call Account-9312756980	344 929	322 919	300 942	344 929	322 919	300 942
Investec Bank- Call Account - 1100503504500	136 254	126 717	38 022	136 255	126 717	38 022
ABSA Bank - Call Account-2074952988	254 963	236 144	220 753	254 964	236 144	220 753
FNB Bank - Security Deposit - RU500475658	3 466 801	3 201 358	2 947 420	3 466 801	3 201 358	2 947 420
ABSA Bank- Traffic - 9264784869	13 009	8 259	2 091	13 009	8 259	2 091
FNB Bank - Call Account - 6302828361	307 926	2 627 476	2 752 418	307 926	2 627 476	2 752 418
Cash on hand	-	-	37	37	37	37
Total	**29 017 656**	**32 924 665**	**12 249 973**	**29 452 808**	**34 052 606**	**12 252 056**

13. Sale of goods and rendering of services

	2025	2024
Sale of goods	6 201 530	4 896 534

	2025	2024
Building Plan Fees	2 358 731	3 022 774
Traffic Control	30 900	-
Rates Clearance Certificates	653 886	680 794
Publications Maps	9 580	-
Entrance Fees	104 859	62 588
Application Fees for Land Usage	21 124	-
Cemetry and Burial Fees	102 245	86 857
Photocopies and Faxes	20 218	21 768
Town Planning and Servitudes	413 860	336 180
Domestic Fees	-	4 415
Objection and Appeals	50 412	17 622
Advertisements	60 554	67 433
Weighbridge Fees	2 375 161	596 103
	6 201 530	**4 896 534**

Notes to the Annual Financial Statements

	2025	2024

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Municipal Disaster Recovery Grant	1 692 647	3 732 013
Housing Grant	23 653	211 153
Municipal Employment Initiative Grant	-	1 000 000
Nodal Plan and Land Scheme Grant	-	104 051
Informal Trader Grant	927 018	1 400 000
MAP Synergestic Partnership	18 359	104 155
Massification Grant	135 116	135 116
Sports and Recreation Maintenance Grant	-	11 042
	2 796 793	**6 697 530**

Movement during the year

	2025	2024
Balance at the beginning of the year	6 697 530	623 987
Additions during the year	164 221 000	166 413 985
Income recognition during the year	(168 121 737)	(160 340 442)
	2 796 793	**6 697 530**

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

See note 32 for reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - Corrections of errors on Disclosure Notes

	Opening Balance	Decommissioning	Utilised during the year	Total
Environmental rehabilitation	97 955 589	(54 898 113)	9 653 523	52 710 999

Reconciliation of provisions - 2024

	Opening Balance	Decommissioning	Utilised during the year	Total
Environmental rehabilitation	87 537 307	1 226 865	9 191 417	97 955 589

The Provision is made in terms of the municipality's licensing stipulations for the rehabilitation of landfill sites.

The payment dates for the total closure and rehabilitation are uncertain

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified waste management specialist in order to determine the present value to rehabiltate the landfill site at the end of useful life.the total obligation at year end can be attributed to the following sites;Hilton landfill site and Curries Post Landfill site.In terms of the landfill refuse sites,the municipality will incur the following licensing and rehabilitation cost to restore the site at the end of its useful life, estimated to be in 2028.

The principal assumptions used for the purpose of the actuarial valuations were as follows ; A calculation of time value for money,based on the government bond rate for the current year was applied using the longest term fixed for 2024/2025 rate(9.85%). The decrease in landfill site estimate as per the Experts report.

Notes to the Annual Financial Statements

	2025	2024

16. Revenue

Sale of goods	6 201 530	4 896 534
Service charges	131 002 133	124 865 250
Rental of facilities and equipment	1 792 934	1 802 402
Interest received (trading)	2 844 297	3 502 673
Licences and permits	4 286 109	3 613 354
Miscellaneous other revenue	1 268 424	1 936 648
Fees earned	4 999	-
Staff and Council Recoveries	1 187 774	258 172
Interest received - investment	4 254 338	4 663 623
Property rates	275 079 420	261 026 917
Property rates - penalties imposed	12 720 263	12 219 173
Government grants & subsidies	166 312 737	159 716 457
Public contributions and donations	480 414	1 229 655
Fines, Penalties and Forfeits	1 911 414	349 386
	609 346 786	**580 080 244**

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

Sale of goods	6 201 530	4 896 534
Service charges	131 002 133	124 865 250
Rental of facilities and equipment	1 792 934	1 802 402
Interest received (trading)	2 844 297	3 502 673
Licences and permits	4 286 109	3 613 354
Miscellaneous other revenue	1 268 424	1 936 648
Fees earned	4 999	-
Staff and Council Recoveries	1 187 774	258 172
Interest received - investment	4 254 338	4 663 623
	152 842 538	**145 538 656**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	275 079 420	261 026 917
Property rates - penalties imposed	12 720 263	12 219 173
Transfer revenue		
Government grants & subsidies	166 312 737	159 716 457
Public contributions and donations	480 414	1 229 655
Fines, Penalties and Forfeits	1 911 414	349 386
	456 504 248	**434 541 588**

Sale of Prepaid Electricity

The Municipality utilises the service of an agent for the provision of supply,delivery,installation and commissioning of an online hosted prepayment electricity vending and revenue management system for uMngeni Municipality.

There is a binding arrangement where Contour Technology (Pty) Ltd (agent) undertakes transactions with 3rd parties, on behalf of , and for the benefit of, uMngeni Municipality.

Terms and conditions are as per the contract and no changes occurred during the reporting period.

No risks as the Municipality is able to access the Contour prepaid electricity and is able to reconcile monies paid to the municipality by the agent to the actual sales as per the reports for correctness.

	2025	2024

17. Materials and Supplies

Consumable Stores	785 977	833 224
Materials and Supplies	4 540 299	2 327 932
	5 326 276	**3 161 156**

18. Service charges

Sale of electricity	113 512 195	112 941 944
Refuse removal	17 489 938	11 923 306
	131 002 133	**124 865 250**

Electricity losses		
Units purchased - kWh	89 067 175	81 561 137
Units sold - kWh	(58 875 672)	(56 319 315)
	30 191 503	**25 241 822**

Electricity loss as a percentage	34 %	31 %
Costs per kWh in rand	1,52	1,35
Electricity losses in rand value	45 891 086	34 134 849

The significant electricity losses of 30 191 503 kWh occurred during the year under review, which resulted in material revenue losses to the municipality.

The increase of losses from previous financial year may be as a result of the following:

Non –Technical Losses

- Illegal connections.
- Metering inaccuracies (due to faulty meters).
- Unmetered energy (meter tempering or bypassing the meter at the customer meter).
- Revenue collection
- Unaudited billing/billed figures

Technical losses (these are inherent in the distribution networks and cannot be eliminated):

- Ageing infrastructure that results in increased power dissipation during transmission and distribution on lines, cables and transformers in the system.
- Overloading.

How are these non technical and technical losses being addressed.Strategies to minimize electricity losses has been developed and is being implemented in line with available resources.

19. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1 792 934	1 802 402
	-	-
	-	-
Facilities and equipment	1 792 934	1 802 402
	1 792 934	**1 802 402**

Notes to the Annual Financial Statements

	2025	2024

20. Fines, Penalties and Forfeits

Overdue Books Fines	6 459	5 499
Pound Fees Fines	52 890	-
Municipal Traffic Fines	1 839 155	329 320
Property Rates Penalties	11 710	14 567
Deposits Forfeits	1 200	-
	1 911 414	**349 386**

21. Loss on disposal of assets

Loss on disposal of assets	-	3 378 103

22. Licences and permits

Road and Transport	1 251 536	851 836
Market Porters	40 035	27 107
Taxi Rank Permits	66 649	31 661
Drivers Licences Application / Duplicate Drivers Licences	2 927 889	2 702 750
	4 286 109	**3 613 354**

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23. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	-	1 593 160
Equipment		
Contractual amounts	893 846	501 672
Lease rentals on operating lease - Other		
Contractual amounts	189 230	199 689
	1 083 076	**2 294 521**

24. Staff and Council Recoveries

Staff and Council Recoveries	1 187 774	258 172

25. Interest received - Bank and Investments

Interest revenue		
Interest Received - investments	4 254 338	4 663 623

	2025	2024

26. Property rates

Rates received

Residential Properties	200 125 718	191 386 309
Business and Commercial Properties	39 148 906	33 535 665
Public Service Purposes Properties	605 142	3 302 655
Agricultural Properties	20 773 091	19 008 813
Industrial Properties	9 941 297	8 443 800
Public Benefit Organisation Properties	2 319 390	2 144 733
Public Service Purposes Properties	2 027 309	3 101 361
Mining and Quary Properties	138 567	103 581
	275 079 420	261 026 917
Property rates - penalties imposed	12 720 263	12 219 173
	287 799 683	**273 246 090**

Valuations

Residential Properties	23 916 902 150	23 243 221 150
Business & Commercial Properties	3 527 707 000	3 363 407 000
Vacant Land	1 012 686 000	1 113 060 500
Municipal Properties	392 962 100	379 714 100
Public Service Infrastructure	231 219 000	230 919 000
Public Service Properties	1 956 307 000	1 909 187 000
Place of Worship	219 104 000	215 204 000
Agricultural	8 113 809 000	7 984 887 000
Mining and Quary	757 977 000	757 597 000
	40 128 673 250	**39 197 196 750**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being Interest at prime plus 1% per month (2025: 1%) and (2024: 1%), is levied on rates outstanding one months after due date.

The new general valuation was implemented on the 01 July 2022 with a fixed date of March 2022.

27. Grants and Subsidies Paid

Other subsidies		
Social Relief	24 468	-
Grants in Aid	93 992	173 000
Non-profit institutions: Tourism	687 584	777 630
SPCA	792 000	828 368
	1 598 044	**1 778 998**
Grants paid to ME's	-	-
Other subsidies	1 598 044	1 778 998

Notes to the Annual Financial Statements

	2025	2024

28. Government grants & subsidies

	2025	2024
Operating grants		
Equitable share	105 408 000	98 874 000
Expanded Public Works Programme Grant	1 336 000	2 199 000
Nodal Plan and Land Scheme Grant	104 051	-
Integrated National Electrification Grant	-	559 031
Library Staffing Costs	5 152 000	4 437 000
Finance Management Grant	1 800 000	1 573 759
Museum Grant	260 000	249 000
MAP Synergistic Partnership Grant	85 796	29 641
Energy Efficiency & Demand Side Management Grant	-	199 500
Housing Grant	187 500	28 829
Municipal Infrastructure Grant	474 463	364 494
Municipal Employment Initiative	1 000 000	-
Sports and Recreation Maintenance	11 042	-
	115 818 852	**108 514 254**

	2025	2024
Capital grants		
Municipal Infrastructure Grant	25 994 537	24 652 506
Integrated National Electrification Grant	14 620 000	18 916 969
Disaster Recovery Grant	8 365 366	3 685 987
Informal Trader Grant	1 513 982	-
Energy Demand Efficiency Grant	-	3 800 500
Financial Management Grant	-	146 241
	50 493 885	**51 202 203**
Total Operating Grants	115 818 852	108 514 254
Total Capital Grants	50 493 885	51 202 203
	166 312 737	**159 716 457**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2025	2024
Conditional grants received	62 001 250	60 842 457
Unconditional grants received	105 408 000	98 874 000
	167 409 250	**159 716 457**

Equitable Share

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

Expanded Public Works Program

	2025	2024
Current-year receipts	1 336 000	2 199 000
Conditions met - transferred to revenue	(1 336 000)	(2 199 000)
	-	-

Conditions have been met (see note 32).

Finance Management Grant

	2025	2024
Current-year receipts	1 800 000	1 720 000
Conditions met - transferred to revenue	(1 800 000)	(1 720 000)
	-	-

	2025	2024

28. Government grants & subsidies (continued)

Conditions have been met (see note 32).

Housing grant

Balance unspent at beginning of year	211 153	239 982
Conditions met - transferred to revenue	(187 500)	(28 829)
	23 653	**211 153**

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

Integrated National Electricity Programme Grant

Current-year receipts	14 620 000	19 476 000
Conditions met - transferred to revenue	(14 620 000)	(19 476 000)
	-	-

Conditions have been met (see note 32).

Museum Grant

Current-year receipts	260 000	249 000
Conditions met - transferred to revenue	(260 000)	(249 000)
	-	-

Conditions have been met (see note 32).

Municipal Infrastructure Grant

Current-year receipts	26 469 000	25 017 000
Conditions met - transferred to revenue	(26 469 000)	(25 017 000)
	-	-

Conditions have been met (see note 32).

Nodal Scheme Grant

Balance unspent at beginning of year	104 051	104 051
Conditions met - transferred to revenue	(104 051)	-
	-	**104 051**

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

Provincial Libraries

Current-year receipts	5 152 000	4 437 000
Conditions met - transferred to revenue	(5 152 000)	(4 437 000)
	-	-

Conditions have been met (see note 32) .

MAP Synergistic Grant

Balance unspent at beginning of year	104 156	133 796
Conditions met - transferred to revenue	(85 796)	(29 640)

Notes to the Annual Financial Statements

	2025	2024

28. Government grants & subsidies (continued)

	18 360	**104 156**

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

Massification Grant

Balance unspent at beginning of year	135 116	135 116

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

Sports and Recreation Maintenance Grant

Balance unspent at beginning of year	11 042	11 042
Conditions met - transferred to revenue	(11 042)	-
	-	**11 042**

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

Municipal Employment Initiative

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

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

Informal Trader Grant

Balance unspent at beginning of year	1 400 000	-
Current-year receipts	1 041 000	1 400 000
Conditions met - transferred to revenue	(1 513 982)	-
	927 018	**1 400 000**

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

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	3 732 013	-
Roll over withheld	(1 100 000)	7 418 000
Current-year receipts	7 426 000	(3 685 987)
Conditions met - transferred to revenue	(8 365 366)	-
	1 692 647	**3 732 013**

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

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29. Bad Debts Written Off

The council resolved to write-offs bad debts

Notes to the Annual Financial Statements

	2025	2024
29. Bad Debts Written Off (continued)		
Services		
Electricity	12 285 235	9 693 074
Property Rates	6 036 275	1 692 390
Refuse Removal	5 593 500	4 728 071
Sundry Debtors	796 243	2 657 310
	24 711 253	**18 770 845**

30. Public contributions and donations

	2025	2024
Public contributions and donations - Assets	460 414	1 229 655
Public contributions and donations - Cash Deposit	20 000	-
	480 414	**1 229 655**

Notes to the Annual Financial Statements

	2025	2024

31. Employee related costs

Basic	98 297 567	92 794 859
Bonus	6 637 367	6 342 416
Medical aid - company contributions	8 847 216	8 748 331
UIF	718 895	667 670
WCA	956 288	1 058 550
Leave pay provision charge	3 645 742	3 987 009
Defined contribution plans	17 302 515	14 690 155
Overtime payments	7 712 067	6 603 086
Long-service awards	587 528	1 498 998
Acting allowances	776 715	773 672
Car allowance	7 413 882	6 877 849
Housing benefits and allowances	430 282	423 633
Bargaining Council Levies	49 344	44 769
Cellphone Allowance	47 754	85 756
Standby Allowance	1 655 435	1 604 652
	155 078 597	**146 201 405**

Remuneration of municipal manager

Annual Remuneration	1 123 124	1 195 112
Car Allowance	374 372	384 810
	1 497 496	**1 579 922**

Remuneration of chief finance officer

Annual Remuneration	918 062	789 906
Car Allowance	306 021	238 738
	1 224 083	**1 028 644**

Remuneration of Director- Administrative Support Services

Annual Remuneration	918 062	1 154 699
Car Allowance	306 021	308 399
	1 224 083	**1 463 098**

Remuneration of Director- Community Services and Public Safety

Annual Remuneration	765 052	644 058
Car Allowance	255 017	174 215
Performance Bonuses	-	9 726
	1 020 069	**827 999**

Remuneration of Director- Economic Development, Planning & Human Settlement

Annual Remuneration	918 062	984 625
Car Allowance	306 021	314 649
	1 224 083	**1 299 274**

Remuneration of Director - Infrastructure Services and Public Works

Annual Remuneration	918 062	984 626
Car Allowance	306 021	314 649
	1 224 083	**1 299 275**

	2025	2024

32. Remuneration of councillors

Mayor	1 086 807	1 039 509
Deputy Mayor	878 852	842 262
Mayoral Committee Members	2 136 492	2 647 734
Speaker	878 852	842 262
Councillors	7 150 262	6 381 135
	12 131 265	**11 752 902**

In-kind benefits

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

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

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

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.

33. Depreciation and amortisation

Property, plant and equipment	59 973 987	52 195 435
Investment property	103 823	92 109
	60 077 810	**52 287 544**

34. Impairment of non-cash generating assets

Impairments		
Property, plant and equipment	558 159	323 017
Reversal of impairments		
Property, plant and equipment	-	(24 785 801)
There has been an improvement or renewal of Roads and Stormwater assets in 2023/2024 Financial Year.		

35. Finance costs

Landfill Sites Interest Cost	9 653 523	9 191 418
Medical Benefit Interest Cost	3 907 000	3 695 000
Long Service Award Interest Cost	760 000	766 000
Trade and other payables	52 020	30 983
Finance leases	-	7 977
	14 372 543	**13 691 378**

36. Auditors' remuneration

Fees	3 164 495	2 324 258

Notes to the Annual Financial Statements

	2025	2024

37. Debt impairment

Debt impairment	(29 752 323)	(16 968 968)
Services		
Fines	2 320 600	382 338
Refuse Removal	260 573	(2 188 949)
Electricity	(6 167 317)	(7 892 110)
Property Rates	(26 963 161)	(5 196 052)
Property Rental	796 982	(1 744 440)
Sundry Debtors	-	(329 755)
	(29 752 323)	**(16 968 968)**

38. Operational expenditure

Advertising	1 249 693	757 588
Assessment rates & municipal charges	1 773 295	1 540 707
Auditors remuneration	3 164 495	2 324 258
Bank charges	1 183 392	1 318 438
Discount allowed	1 646 700	1 593 818
Entertainment	44 715	51 428
Insurance	2 437 064	4 092 277
Conferences and seminars	1 121 356	530 422
Marketing	-	98 960
Levies	1 383 282	1 318 433
Fuel and oil	5 965 909	5 269 374
Protective clothing	1 341 354	280 618
Subscriptions and membership fees	247 756	999 778
Telephone and fax	2 526 516	262 782
Travel - local	623 414	762 923
Electricity and Water Utilities	17 384 122	13 171 214
Landfill Sites Decommissioning	(25 789 186)	-
Motor Vehicle Licenses and Registrations	300 354	336 289
Ward Committees	1 614 525	1 581 952
Other expenses	5 492 358	3 565 385
	23 711 114	**39 856 644**

39. Bulk purchases

Electricity - Eskom	213 844 892	182 055 909

Notes to the Annual Financial Statements

	2025	2024
40. Contracted services		
Outsourced Services		
Administrative and Support Staff	5 975 028	5 334 864
Animal Care	277 407	491 928
Business and Advisory	1 292 954	1 117 608
Catering Services	255 340	140 257
IT Expenses	5 824 150	7 703 358
Clearing and Grass Cutting Services	3 647 718	2 803 128
Fire Services	431 428	557 758
Hire Charges	1 350 866	1 593 718
Postage and Courier	44 434	103 809
Medical Services [Medical Health Services & Suppor	83 697	-
Connection/Dis-connection	693 252	2 577 884
Security Services	16 773 618	16 450 742
Transport Services	119 100	117 290
Consultants and Professional Services		
Business and Advisory	4 800 688	6 365 436
Infrastructure and Planning	2 988 302	2 522 953
Legal Cost	5 029 705	2 135 744
Contractors		
Catering Services	83 193	40 240
Employee Wellness	95 323	23 236
Event Promoters	413 267	-
First Aid	-	15 200
Graphic Designers	64 900	17 000
Maintenance of Buildings and Facilities	3 096 154	908 421
Maintenance of Equipment	101 276	13 410
Maintenance of Unspecified Assets	26 895 366	17 977 324
Pest Control and Fumigation	637 319	519 982
Prepaid Electricity Vendors	1 124 615	745 020
Presented previously	-	-
Outsourced Services	36 768 992	38 992 344
Consultants and Professional Services	12 818 695	11 024 133
Contractors	32 511 413	20 259 833
	82 099 100	**70 276 310**

41. Cash generated from operations

	2025	2024
Surplus	48 451 466	77 166 280
Adjustments for:		
Depreciation and amortisation	60 077 810	52 287 544
Discount allowed on debtors	1 646 700	1 593 818
Medical Benefit Interest Cost	3 907 000	3 695 000
Long Service Award Interest Cost	760 000	766 000
Discount received	(4 999)	-
Impairment loss (reversal)	558 159	(24 462 784)
Debt impairment	(29 752 323)	(16 968 968)
Bad debts written off	24 711 254	18 770 845
Actuarial Gains	1 133 000	(1 160 000)
Gain from disposal of assets	(5 077 486)	4 141 853
Landfill Site movement	(25 789 186)	-
Landfill site interest cost	9 653 523	9 191 417
Contribution to defined benefit obligations	(575 000)	(560 785)
Contribution to Staff Leave	1 640 714	326 085
Public contributions and donations	(460 414)	(1 229 655)
Changes in working capital:		
Receivables from exchange transactions	(15 065 895)	(21 250 799)
Receivables from Non Exchange Transaction	(20 491 619)	(26 732 969)
Unspent conditional grants and receipts	(3 900 737)	6 073 543
Consumer deposits	(68 978)	(118 070)
Payables from exchange	26 320 312	27 409 937
	77 673 301	**108 938 292**

	2025	2024

42. Fair value adjustments

43. Financial instruments disclosure

Categories of financial instruments

Corrections of errors on Disclosure Notes

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	45 436 563	45 436 563
Long term receivables from exchange transactions	7 849 484	7 849 484
Cash and cash equivalents	29 452 808	29 452 808
	82 738 855	**82 738 855**

Financial liabilities

	At amortised cost	Total
Consumer Deposits	4 562 774	4 562 774
Unspent conditional grants and receipts	2 796 793	2 796 793
Trade and other payables from exchange transactions	123 533 769	123 533 769
	130 893 336	**130 893 336**

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	37 556 736	37 556 736
Long term receivables from exchange transactions	7 427 476	7 427 476
Cash and cash equivalents	34 052 606	34 052 606
	79 036 818	**79 036 818**

Financial liabilities

	At amortised cost	Total
Consumer deposits	4 631 752	4 631 752
Unspent conditional grants and receipts	6 697 530	6 697 530
Trade and other payables from exchange transactions	95 577 742	95 577 742
	106 907 024	**106 907 024**

Notes to the Annual Financial Statements

	2025	2024

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Roads and Storm Water	3 459 738	5 502 939
• Electrical	38 676 539	13 169 219
• Buildings	5 243 275	-
	47 379 552	**18 672 158**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	4 253 600	11 421 949
• Landfill Site	4 002 400	2 100 000
• Electrical Assets	45 685 130	16 120 000
• Roads and Stormwater	45 821 410	44 778 574
• Community Assets	17 791 304	5 390 000
	117 553 844	**79 810 523**

Total capital commitments		
Already contracted for but not provided for	47 379 552	18 672 158
Not yet contracted for and authorised by accounting officer	117 553 844	79 810 523
	164 933 396	**98 482 681**

Total commitments

Total commitments		
Authorised capital expenditure	164 933 396	98 482 681

The above commitments expenditure will be funded by internal generated and Grants reveune, capital commitments are inclusive of vat

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	943 727	78 644
- in second to fifth year inclusive	1 808 811	2 752 538
	2 752 538	**2 831 182**

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

45. Contingencies

Contingent liabilities

Contingent Liabilities		
Other Matters	2 819 462	2 163 235
Pothole Claims	269 785	217 408
Damages	10 025 052	10 405 054
	13 114 299	**12 785 697**

2025

other Matters:-The municipality received three combined summons with amount of R 2 819 462 in the 2024/2025 financial year.

	2025	2024

Pothole Claims- The Municipality received three combined summons amounts to R 269 785 in the 2024/2025 financial year.

Damage claims: An amount of R 10 000 000 has claim for demages to the municipality the matter is proceeding in terms of High Court Rules Discovery Rule 35 and Buldozer accident at Landfill site amounts to R 25 052. that total to R 10 025 052 in the 2024/2025 Financial year

2024:

Other Matters: The municipality received two combined summons with amount of R 2 068 823 and R 94 413 in the 2023/2024 financial year.

Pothole Claims amounts to R 27 755 and R 189 653 received by the municipality in the 2023/2024 financial year.

Damage claims: An amount of R 10 000 000 has claim for damages to the municipality the matter is proceeding in terms of High Court Rules Discovery Rule 35, Buldozer accident at Landfill site amounts to R 25 052 and R 94 413 for traffic claim.

46. Related parties

Remuneration of management

46. Related parties (continued)

Management class: Councillors

2025

Name	Basic salary	Travel Allowance	Cellphone Allowance	Total
Mayoral Committees	2 963 047	933 083	235 020	4 131 150
Councillors	5 361 168	1 715 362	923 585	8 000 115
	8 324 215	**2 648 445**	**1 158 605**	**12 131 265**

2024

Name	Basic salary	Travel Allowance	Cellphone Allowance	Total
Mayoral Committee	3 729 650	1 243 217	398 889	5 371 756
Councillors	4 099 166	1 366 389	915 591	6 381 146
	7 828 816	**2 609 606**	**1 314 480**	**11 752 902**

Management class: Executive management

2025

Name	Basic salary	Travel Allowance	Total
Municipal Manager	1 123 124	374 372	1 497 496
Chief Financial Officer	918 062	306 021	1 224 083
Director: CS&PS	765 052	255 017	1 020 069
Director: EDP&HS	918 062	306 021	1 224 083
Director: DASS	918 062	306 021	1 224 083
Director:EPWP	918 062	306 021	1 224 083
	5 560 424	**1 853 473**	**7 413 897**

2024

Name	Basic salary	Cellphone Allowance	Travel Allowance	Leave Encashment	Total
Municipal Manager	1 195 112	-	384 810	-	1 579 922
Chief Financial Officer	731 469	-	238 738	58 437	1 028 644
Director: CS&PS	553 155	9 726	174 215	90 903	827 999
Director: EDP&HS	984 625	-	314 649	-	1 299 274
Director:DASS	964 252	-	308 399	190 447	1 463 098
Director: EPWP	984 626	-	314 649	-	1 299 275
	5 413 239	**9 726**	**1 735 460**	**339 787**	**7 498 212**

Notes to the Annual Financial Statements

	2025	2024

47. Change in estimate

Property, plant and equipment

The useful life of the asset classes were adjusted during 2024/25 to more accurately reflect the period of economic benefits or service potential derived from these assets.

The municipality has revised some of the remaining useful lives of the property, plant and equipment which had reached the end of their useful lives based on the asset condition in terms of GRAP 17 paragraph 56.

The effect of changing the remaining useful life of assets for the municipality during 2024/25 has decreased the depreciation charge for the current year by R 3 930 705 and future periods.

Depreciation	**Depreciation before**	**Depreciation after**	**Change in estimate**
Roads Infrastructure	(4 091 516)	(995 944)	3 095 572
Electricity infrastructure	(1 503 196)	(375 799)	1 127 397
Machinery and Equipment	(1 074)	(247)	(828)
Transport assets	(344 400)	(98 297)	(246 103)
Furniture and Office Equipment	(5 134)	(1 494)	(3 641)
Computer Equipment	(64 018)	(22 326)	(41 692)
	(6 009 338)	**(1 494 107)**	**3 930 705**

During the financial year ended 30 June 2025, the municipality revised the number of years used to calculate the average Collection rate used to determine the impairment assessment provision for the year.

Previously, the average collection rate of more than 5 years was applied to outstanding debtors.

Based on the Revised data, a 5 years average collection rate is now considered more appropriate.

This change has been accounted for as a change in accounting estimate in accordance with GRAP 3.

Receivables from Exchange Transactions	**Impairment provision Old Method**	**Impairment provision New method**	**Change in estimate**
Electricity	1 776 449	1 194 171	(582 278)
Refuse	8 441 381	674 585	(7 766 796)
Property rental	443 190	1 400 566	957 376
Sundry debtors	559 165	495 581	(63 584)
	11 220 185	**3 764 903**	**(7 455 282)**

Receivables from Non-exchange transactions	**Impairment provision Old Method**	**Impairment provision New method**	**Change in estimate**
Property rates	94 399 120	79 064 271	(15 334 849)
Fines	2 668 690	2 668 690	-
	97 067 810	**81 732 961**	**(15 334 849)**

48. Prior period errors

Correction of error narrations are as follows:

Current Assets: Revenue from non-exchange transactions: Traffic fines adjustment after reporting date amounts to R13 215 due to incorrectly revenue recognition in the previous financial period.

Current Assets: Revenue from exchange transactions: Service charges: Electricity: Prepaid- an amount of R81 202 was deposited on the 1st of July 2024 and incorrectly recognised in 2024/2025 financial year.

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

49. 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	Prior period that occured prior to 01 July 2023	Prior period errors restatinh the 2023/2024 movements	Re-classification	Restated
Trade and other receivables from non-exchange transactions		63 814 628	-	(674)	-	63 813 954
Trade and other receivables from exchange transactions		31 226 616	-	81 203	8 752 640	40 060 459
VAT Receivable		6 098 230	1 796 929	(11 379)	(7 883 780)	-
Cash and Cash Equivalent		34 052 606	-	-	-	34 052 606
Non- Current Assets		1 077 784 329	(1 365 929)	-	-	1 076 418 400
Payables from exchange Transactions		(94 777 470)	58 182	10 406	(868 860)	(95 577 742)
Other Current Liabilities		(13 667 282)	-	-	-	(13 667 282)
Non-current Liabilities		(135 504 589)	-	-	-	(135 504 589)
Accumulated Surplus		(969 027 068)	(489 182)	(79 556)	-	(969 595 806)
		-	-	-	-	-

Statement of financial performance

2024

	Note	As previously reported	Prior period that occured prior to 01 July 2023	Re-classification	Restated
Revenue from exchange transactions		147 381 204	81 202	(763 750)	146 698 656
Revenue from non-exchange transactions		434 552 618	(11 030)	-	434 541 588
Employee Related Cost		(150 662 405)	-	4 461 000	(146 201 405)
Finance Cost		(9 230 379)	-	(4 461 000)	(13 691 379)
Debt Impairment Reversal		16 958 612	9 384	-	16 967 996
Other Expenditure		(361 912 926)	-	-	(361 912 926)
Loss on disposal of assets		(4 141 853)	-	763 750	(3 378 103)
Surplus for the year		**72 944 871**	**79 556**	**-**	**73 024 427**

49. Prior-year adjustments (continued)

Corrections of errors on Disclosure Notes

	Note	As previously reported	Prior period that occured prior to 01 July 2023	Prior period errors restatinh the 2023/2024 movements	Re-classification	Restated
Financial Assets		-	-	-	-	-
Trade and other receivables from exchange transactions		31 226 616	1 796 929	3 662 308	868 859	37 554 712
Other receivables from non-exchange transactions		63 814 628	-	(63 814 628)	-	-
Cash and cash equivalents		34 052 606	-	-	-	34 052 606
VAT Receivables		5 966 878	(6 500 861)	533 983	-	-
Long term receivables from exchange transactions		-	-	7 427 476	-	7 427 476
Total		135 060 728	(4 703 932)	(52 190 861)	868 859	79 034 794

	Note	As previously reported	Prior period that occured prior to 01 July 2023	Prior period errors restatinh the 2023/2024 movements	Re-classification	Restated
Financial Liabilities		-	-	-	-	-
Other financial liabilities		6 969 752	-	(2 338 000)	(4 631 752)	-
Unspent conditional grants		6 697 530	-	-	-	6 697 530
Trade and other payables from exchange transactions		94 771 471	-	1 675 130	(868 859)	95 577 742
Consumer deposits		-	-	-	4 631 752	4 631 752
Total		108 444 753	-	(662 870)	(868 859)	106 907 024

Correction of errors on Disclosure Notes

Financial Assets

- The changes relate to the reclassification of the VAT disclosure as per the ASB fact sheet (FAQ4.12) issued on the classification of VAT receivable due to SARS as a statutory receivable. Therefore Input VAT accrual, Input VAT general and capital will form part of the trade and other receivables from exchange transactions and corrections for correct allocation of VAT items.

- In the previous financial years statutory receivables were disclosed as financial instruments .The receivable from non-exchange transactions was corrected and removed from the financial asset disclosure as statutory disclosures do not meet the definition of financial instruments.

Financial liabilities

- The changes relate to the reclassification of other financial assets to Consumer Deposits and removing the employee benefits as part of the financial instruments disclosure.

- The changes for the Trade and other payables from exchnage transactions relate to the reclassification of the VAT disclosure as per the ASB fact sheet (FAQ4.12) issued on the classification of VAT receivable due to SARS as a statutory receivable. Therefore output VAT accrual, Output VAT provision for debt impairment will form part of the Trade and other payables from exchange transactions and correction for correct allocation of the VAT items.

Electricity Losses

-Previously, the electricity losses reported in 2023/2024 financial year amouted to R55 318 253 has been revised to R34 134 84

-This change has been accounted for as a prior period error in accordance with GRAP 3 requirment

50. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing 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 customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Municipality. The utilisation of credit limits is regularly monitored.

51. 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 settlements of liabilities,contingent obligations and commitments will occur in the ordinary course of business.
We draw attention to the fact that on 30 June 2025, the Municipality had an surplus for the year of R48 451 466 therefore indicating that the Municipality's total assets exceeded its liabilities by R1 018 047 277. The annual financial statements have been prepared based on accounting policies applicable to a going concern, taking into account events or conditions that may cast significant doubt upon the municipality's ability to continue as a going concern, were identified.

The municipality's current assets exceeded its current liabilities by R 46 852 810 (2024: current liabilities exceeded its current assets by R5 516 366 The municipality has a net surplus of R 48 451 466 (2024: R77 166 280). The municipality's cash and cash equivalents were R 29 452 808 (2024: R 34 052 606) which is unsufficient to cover the current liabilities of the municipality. Unspent grants are cash backed.

Net Debtors days have improved slightly, however there is still a high risk that all outstanding debtors will not be collected. Over the next 12 months the municipality is still committed to ensure that expenditure is kept within the funded and approved budget.

Whilst the current ratio is 1:1 which is below the norm of 2:1, The ability of the municipality to continue as a going concern dependents on several factors, which includes the funding position of the municipality through grants allocations and ability to raise monthly rates and taxes ..

The most significant of these factors is the ability of the accounting office to continue procure funding for the ongoing operations for the municipality, particularly the funding that has been gazetted to the municipality in terms of the Division of Revenue Act, the provincial agreements that are in place for specific municipal initiatives and also collecting the budgeted revenue and applying credit control measures on arear debt. As at 30 June 2025, there is no planned intention for the municipality to be disestablished or any significant services rendered by the municipality to be discontinued.

The assumption is therefore that the municipality will be able to continue operating for a period that is sufficient to carry out its commitments, obligations and objectives.

Whilst the municipality has a cash coverage ratio of nil months, the legislative power to levy rates or taxes enables the municipality to operate for the next 12 months. The municipality's net debtors days for collection of revenue is 242 days, however measures are also actively being implemented by the municipality to collect historic debt and reduce the current debtors book by applying the credit control policy and the revenue enhancement strategies that are currently in place.

Notes to the Annual Financial Statements

	2025	2024

51. Going concern (continued)

As at 30 June 2025, The Municipality has incurred a net surplus of R 48 451 466 which has been the result of non-cash items being the provision for bad debt, depreciation, provisions related to employee obligations, contribution to the landfill site and the impairment for non- generating assets. These are provisional estimates of future costs, that have been set aside for future obligations, should these occur.

52. Events after the reporting date

The Director:Infrastructure and Public Works has immediate resigned on the 28th of July 2025.

The Municipality has concluded settlement agreement between uMngeni Municipality and two former employees following the SALGBC Arbitration proceedings held on the 24th of July 2025.In terms of the agreement reached during the abritration process, the Municipality has committed to pay each of the two employees an amount equivalent to two months salary, totalling R26 703,52 subject to applicable taxation.

The Municipality disposed off two Municipal Flats in June, the Municipality is in the process of transferring the property in compliance with Municipal Asset Transfer Regulations.

•

53. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

	2025	2024
Unauthorised expenditure	3 270 527	-
Irregular expenditure	1 730 286	31 131 345
Fruitless and wasteful expenditure	2 759	4 327
Closing balance	**5 003 572**	**31 135 672**

***Refer to reconciling notes in the annual report**

54. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	-	145 938 460
Less: Amount authorised - current	3 278 292	-
Less: Amount authorised - prior period	-	(145 938 460)
Closing balance	**3 278 292**	**-**

The municipality record the unauthorised expenditure in relation to a vote approved budget against the actual amounts exceed the amount appropriated for that vote.

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

	2025	2024
Non-cash	3 278 292	-

Unauthorised expenditure: Budget overspending – per municipal department:

	2025	2024
Community and social development: Waste Management	3 278 292	-

55. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	4 327	6 379 163
Add: Fruitless and wasteful expenditure identified - current	52 017	28 120
Less: Amount recovered - current	(3 016)	-
Less: Amount written off - current	(50 569)	(23 793)
Less: Amount written off - prior period	-	(6 379 163)
Closing balance	**2 759**	**4 327**

Notes to the Annual Financial Statements

	2025	2024

56. Irregular expenditure

	2025	2024
Opening balance as previously reported	31 131 345	71 479 317
Add: Irregular expenditure - current	1 730 286	1 614 937
Less: Amount written off- current	-	(1 402 122)
Less: Amount written off - Prior period	-	(40 560 787)
Closing balance	**32 861 631**	**31 131 345**

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	1 773 295	1 540 707
Current year subscription / fee	(1 773 295)	(1 540 707)
	-	-

Audit fees

	2025	2024
Current year subscription / fee	3 087 655	2 324 258
Amount paid - current year	(3 087 655)	(2 324 258)
	-	-

PAYE and UIF

	2025	2024
Current year subscription / fee	24 119 435	25 770 592
Amount paid - current year	(24 119 435)	(25 770 592)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	30 802 351	24 868 370
Amount paid - current year	(30 802 351)	(24 868 370)
	-	-

VAT

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

Supply chain management regulations

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

Incident	2025	2024
Advertisement	371 425	572 015
Less than three quotes	7 212 764	2 330 546
Travel and Accommodation	-	332 269
Emergency	120 173	338 343
Single Source	-	549 648
Other	-	201 468
	7 704 362	**4 324 289**

Notes to the Annual Financial Statements

	2025	2024

58. Segment information

Notes to the Annual Financial Statements

58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Corrections of errors on Disclosure Notes

	Community Facilities	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Revenue										
Fines, penalties and Forfeits	7 659	-	-	-	-	-	1 892 045	-	11 710	1 911 414
Government Grant and Subsidies	5 423 042	-	2 618 033	64 211 486	187 500	-	-	11 594 880	82 277 796	166 312 737
Public Contributions and Donations	460 414	-	-	-	-	-	-	-	20 000	480 414
Licenses and Permits	-	-	40 035	-	-	-	4 246 074	-	-	4 286 109
Property Rates	-	-	-	-	-	-	-	-	275 079 420	275 079 420
Property Rates Imposed	-	-	-	-	-	-	-	-	12 720 263	12 720 263
Rental Facilities	166 726	-	-	-	-	1 626 208	-	-	-	1 792 934
Sale of Goods and rendering of services	227 322	-	2 861 979	1 870	-	-	30 900	-	3 079 458	6 201 529
Operational Revenue	-	-	-	-	-	-	-	-	1 268 424	1 268 424
Discount Received	-	-	-	-	-	-	-	-	4 999	4 999
Interest on Investment	-	-	-	-	-	-	-	-	4 254 338	4 254 338
Interest Received Trading	-	-	-	1 325 422	-	-	-	1 518 876	-	2 844 298
Service Charges	-	-	-	113 512 195	-	-	-	17 489 938	-	131 002 133
Staff and Council Recoveries	-	-	-	-	-	-	-	-	1 187 774	1 187 774
Gain from disposal of Assets	-	-	-	-	-	-	-	-	8 088 050	8 088 050
Total segment revenue	**6 285 163**	**-**	**5 520 047**	**179 050 973**	**187 500**	**1 626 208**	**6 169 019**	**30 603 694**	**387 992 232**	**617 434 836**
Entity's revenue										**617 434 836**

Notes to the Annual Financial Statements

58. Segment information (continued)

	Community Facilities	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Expenditure										
Bulk Purchases	-	-	-	(213 844 892)	-	-	-	-	-	(213 844 892)
Contracted Services	(5 312 045)	-	(2 450 188)	(30 503 942)	(187 500)	(366 915)	(16 713 745)	(2 534 779)	(24 029 988)	(82 099 102)
Employee Costs	(22 678 653)	-	(12 398 309)	(9 656 873)	(842 946)	-	(20 709 528)	(12 341 608)	(76 450 680)	(155 078 597)
Finance Costs	-	-	-	-	-	-	-	-	(14 372 543)	(14 372 543)
Acturial Loss	-	-	-	-	-	-	-	-	(1 133 000)	(1 133 000)
Impairment reversal of Non-cash Generating Assets	-	-	-	6 167 317	-	(796 982)	(2 320 600)	(260 573)	26 963 160	29 752 322
Operational Cost	(2 225 380)	-	(605 297)	(9 860 275)	(16 631)	(34 053)	(563 922)	(606 160)	(9 799 395)	(23 711 113)
Transfers and Subsidies	(93 992)	-	(792 000)	(24 468)	-	-	-	(325 000)	(362 584)	(1 598 044)
Depreciation	-	-	-	-	-	-	-	-	(60 077 810)	(60 077 810)
Materials and Suppliers	(226 152)	(103 660)	(652 378)	(1 407 876)	(289 923)	-	(538 165)	(445 380)	(1 662 742)	(5 326 276)
Impairment of non-cash generating assets	-	-	-	-	-	-	-	-	(558 160)	(558 160)
Lease Rental on Operating	-	-	-	-	-	(189 229)	-	-	(893 846)	(1 083 075)
Bad debts written off	-	-	-	(12 285 235)	-	-	-	(5 593 500)	(6 832 517)	(24 711 252)
Loss on Disposal	-	-	-	-	-	-	-	-	(3 010 564)	(3 010 564)
Remuneration of Councillors	-	-	-	-	-	-	-	-	(12 131 264)	(12 131 264)
Total segment expenditure	**(30 536 222)**	**(103 660)**	**(16 898 172)**	**(271 416 244)**	**(1 337 000)**	**(1 387 179)**	**(40 845 960)**	**(22 107 000)**	**(184 351 933)**	**(568 983 370)**
Total segmental surplus/(deficit)	**(24 251 058)**	**(103 660)**	**(11 378 125)**	**(92 365 273)**	**(1 149 499)**	**239 029**	**(34 676 937)**	**8 496 699**	**203 640 298**	**48 451 474**

58. Segment information (continued)

	Community Facilities	Disaster Management	Economic Development, Planning and Tourism	Electricity and Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Capital Expenditure										
Buildings	6 429 900	-	-	-	-	-	-	-	-	6 429 900
Roads and stormwater	-	-	-	49 367 183	-	-	-	-	-	49 367 183
Electrical Assets	-	-	-	16 675 754	-	-	-	-	-	16 675 754
Other Assets	-	-	-	-	-	-	-	-	10 260 681	10 260 681
Total segment assets	**6 429 900**	**-**	**-**	**66 042 937**	**-**	**-**	**-**	**-**	**10 260 681**	**82 733 518**
Total assets as per Statement of financial Position										**82 733 518**
Liabilities										
Trade Payables	-	-	-	-	-	-	-	-	64 017 988	64 017 988
Payment Received in Advance	-	-	-	-	-	-	-	-	19 213 856	19 213 856
Retention	-	-	-	-	-	-	-	-	9 144 408	9 144 408
Unidentified Deposits	-	-	-	-	-	-	-	-	12 015 167	12 015 167
Leave Accruals	-	-	-	-	-	-	-	-	16 059 113	16 059 113
Output Vat	-	-	-	-	-	-	-	-	2 345 476	2 345 476
Salary Creditors	-	-	-	-	-	-	-	-	740 761	740 761
Consumer Deposits	-	-	-	2 459 673	2 103 101	-	-	-	-	4 562 774
Total segment liabilities	**-**	**-**	**-**	**2 459 673**	**2 103 101**	**-**	**-**	**-**	**123 536 769**	**128 099 543**
Total liabilities as per Statement of financial Position										**128 099 543**

In accordance with the Standard, parts of an entity would not meet the definition of the segment as these functions do not meet a service delivery or economic benefit directly, and therefore are administrative in nature, Administrative and Corporate Support, Human Resources,Executive and Council,Finance,IT,Internal Audit,Supply Chain Management and Municipal Managers office are considered administrative, and therefore have been disclosed as Unallocated.

58. Segment information (continued)

2024

	Community Services	Disaster Management	Economic Development, Planning and Tourism	Electricity, Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Revenue										
Fines, Penalties and Forfeits	5 499	-	-	-	-	-	340 350	-	14 567	360 416
Government Grant and Subsidies	4 686 000	-	-	66 021 347	28 829	-	-	10 876 140	78 104 141	159 716 457
Public Contributions and Donations	100 000	-	1 129 655	-	-	-	-	-	-	1 229 655
Licenses and Permits	-	-	27 107	-	-	-	3 586 247	-	-	3 613 354
Property Rates	-	-	-	-	-	-	-	-	261 026 917	261 026 917
Property Rates Imposed	-	-	-	-	-	-	-	-	12 219 173	12 219 173
Rental Facilities	175 733	-	-	-	-	1 626 669	-	-	-	1 802 402
Sale of Goods	113 249	-	3 390 701	-	-	-	-	-	1 392 584	4 896 534
Surcharges and Taxes	-	-	-	-	-	-	-	-	1 936 648	1 936 648
Discount	-	-	-	-	-	-	-	-	4 663 623	4 663 623
Interest Received Trading	-	-	-	1 945 125	-	-	-	1 557 548	70 172	3 572 845
Service Charges	-	-	-	112 860 742	-	-	-	11 923 306	-	124 784 048
Staff and Council Recoveries	-	-	-	-	-	-	-	-	258 172	258 172
Actuarial Gains	-	-	-	-	-	-	-	-	1 160 000	1 160 000
Gain from disposal of Assets	-	-	-	-	-	-	-	-	763 750	763 750
Total segment revenue	**5 080 481**	**-**	**4 547 463**	**180 827 214**	**28 829**	**1 626 669**	**3 926 597**	**24 356 994**	**361 609 747**	**582 003 994**
Entity's revenue										**582 003 994**

58. Segment information (continued)

	Community Services	Disaster Management	Economic Development, Planning and Tourism	Electricity, Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Expenditure										
Bulk Purchases	-	-	-	(182 055 909)	-	-	-	-	-	(182 055 909)
Contacted Services	(3 948 417)	-	(947 183)	(23 685 235)	(28 829)	(217 571)	(16 464 152)	(1 554 760)	(23 429 186)	(70 275 333)
Employee Costs	(22 640 644)	-	(15 026 062)	(8 821 658)	(1 413 306)	-	(16 473 687)	(11 459 029)	(74 828 020)	(150 662 406)
Finance Costs	-	-	-	-	-	-	-	(9 191 418)	(38 961)	(9 230 379)
Debt Impairment Reversal	-	-	-	7 892 110	-	-	1 681 501	2 188 949	5 205 436	16 967 996
5205436	(865 099)	-	(817 852)	(8 664 062)	(29 054)	(20 615)	(650 785)	(239 617)	(28 569 562)	(39 856 646)
Transfers and Subsidies	(173 000)	-	(828 368)	-	-	-	-	(555 000)	(222 630)	(1 778 998)
Depreciation	-	-	-	-	-	-	-	-	(52 287 544)	(52 287 544)
Materials and Suppliers	(213 809)	(258 600)	(46 666)	(496 640)	(118 229)	-	(227 032)	(785 796)	(1 014 385)	(3 161 157)
Write-off Impairment	-	-	-	-	-	-	-	3 753 255	20 709 529	24 462 784
Lease Rental on Operating	-	-	-	-	-	(199 689)	-	-	(2 094 835)	(2 294 524)
Bad debt written off	-	-	-	(9 693 074)	-	-	-	(4 728 070)	(4 349 699)	(18 770 843)
Loss on Disposal	-	-	-	-	-	-	-	-	(4 141 853)	(4 141 853)
Remuneration of Councillors	-	-	-	-	-	-	-	-	(11 752 902)	(11 752 902)
Total segment expenditure	**(27 840 969)**	**(258 600)**	**(17 666 131)**	**(225 524 468)**	**(1 589 418)**	**(437 875)**	**(32 134 155)**	**(22 571 486)**	**(176 814 612)**	**(504 837 714)**
Total segmental surplus/(deficit)	**(22 760 487)**	**(258 600)**	**(13 118 667)**	**(44 697 254)**	**(1 560 589)**	**1 188 794**	**(28 207 557)**	**1 785 508**	**184 795 134**	**77 166 282**
Capital Expenditure										
Landfill Site	-	-	-	-	-	-	-	7 163 531	-	7 163 531
Non-current Assets	-	1 717 434	-	-	-	-	-	-	11 109 328	12 826 762
Roads and Stormwater	-	-	-	22 998 046	-	-	-	-	-	22 998 046
Electrical Assets	-	-	-	43 942 329	-	-	-	-	-	43 942 329
Plant and Machinery	-	-	-	1 714 060	-	-	-	-	-	1 714 060
Total segment assets	**-**	**1 717 434**	**-**	**68 654 435**	**-**	**-**	**-**	**7 163 531**	**11 109 328**	**88 644 728**

58. Segment information (continued)

	Community Services	Disaster Management	Economic Development, Planning and Tourism	Electricity, Roads and Stormwater	Housing	Property Services	Public Safety	Refuse Removal and Street Cleaning	Unallocated	Total
Total assets as per Statement of financial Position										**88 644 728**
Liabilities										
Trade Payables and Accruals	-	-	-	-	-	-	-	-	44 806 412	44 806 412
Payment Received in Advance	-	-	-	-	-	-	-	-	18 071 789	18 071 789
Output Vat	-	-	-	-	-	-	-	-	868 860	868 860
Unidentified Deposits	-	-	-	-	-	-	-	-	11 287 761	11 287 761
Consumer Deposit	-	-	-	2 528 198	2 103 554	-	-	-	-	4 631 752
Total segment liabilities	**-**	**-**	**-**	**2 528 198**	**2 103 554**	**-**	**-**	**-**	**75 034 822**	**79 666 574**
Total liabilities as per Statement of financial Position										**79 666 574**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

59. Budget differences

Material differences between budget and actual amounts

The excess of actual revenue and expenditure over the final budget by 10% when comparing with the final adjustment budget appproved on the 30th of June 2025.

60.1 Sale of goods and rendering of sales- This is due to number of building plan applications received by the municipality in the 2024/2025 financial year.

	2025	2024

59. Budget differences (continued)

60.2 Service charges-Electricity- The main contributing factors for underperformance under this line item is the ongoing electricity theft and illegal connections by community members in the municipal juristiction.

60.3 Rental of facilities and equipment- This is due to continuously deparmental engagments held by Finance, Administration and Support Services, and the Economic Development, Planning and Human Settlement Departments to enforce internal controls, procedures and monitoring of the lease agreement applications and renewals.

60.4 Operational revenue- This resulted to the low insurance claims and skill develpment levy as projected.

60.5 Bad debts recovered this is due to the implementation of the credit control and debt collection policy.

60.6 Fines, penalties and forfeits- Law offenders conttinue with not paying for traffic fines issued to them.

60.7 Finance costs- this is a non-cash itemas resulted from interest costs for employee obligation benefits for medical, long service awards and Landfill site l

60.8 Debt impairment Reversal- This is due to the implementation of credit control and debt collection policy.,

60.9 Bad debts written off- This is due to an increase of indigent customers approved by the municipality and approved bad debts written off by the council in the 2024/2025 financial year

60.10 Transfer and subsidies- This is due to the delays in signing the memorandum of understanding with organisations supported by the municipality

60.11 Loss on asset disposal- this is due to the re-newal of existing assets by the municipality during the 2024/2025 financial year.

60.12 Inventory consumed -The implementation of cost containment measures by the management.

60.13 General expenses- The municipality had measures and internal controls on place to minimise outsourced services and entertainment costs.

60.14 Receivables from exchange transactions- This is due to the financial stability, customer payments delays and lengthening of the accounts receivable collection period.

60.15 VAT receivable- Refunds owed by SARS to the municipality for value added taxes received (output) and paid (input) by the municipality in June 2024

60.16 Property, plant and equipment- compliance with the SCM procurment regulation and cost containment measures.

60.17 Payables from exchange transactions- The number of accrued invoices received for goods received and service rendered to the municipality by 30 June 2025

60.18 Provisions- Implementaion of GRAP 17 and 19 for Landfill site provisison resulted to report provided by the expert in 2024/2025 financial year.

60.19 VAT payable-net refunds owed by SARS to the municipality for value added taxes received (output) and paid (input) by the municipality in June 2024

60.20 Unspent conditional grants-failure to meet terms and conditions of conditinal grants by the 30th of June 2025.

60.21 Employee benefit obligation- Implementaion of GRAP 25 for Employee obligation resulted to the report provided by the expert in 2024/2025 financial year.

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

In accordance with GRAP 109, the municipality is an agent for the KZN Department of Transport, and the Department is the Principal in this arrangement.

Details of the arrangement are as follows:

The Department is responsible for the registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation and for providing access to clients throughout the Province, transferring specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.

The Department and the Municipality entered into an agreement on 1 October 2019 for transferring registration and licensing of motor vehicles and driving licence testing functions.

The municipality will be entitled to a fee for the collection of 10% (ten percent) including VAT for all fees collected in terms of clause 7.2 for motor vehicle registration and licensing fees, as specified in the relevant schedules contained in applicable national and provincial road traffic legislations.

No significant terms and conditions of the arrangement and no changes occurred during the reporting period.

Entity as agent

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

No resources are expected to be paid over to the principal.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R4 286 109 (2024: R3 613 354,).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end.

No corresponding rights of reimbursement that have been recognised at year end.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements.

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The municipality is required to return all the equipment and stock supplied by the department should the agreement be terminated.
In the event the Agent fails to return all equipment to the Department, the Department shall be entitled to institute legal action against the Agent and recover all fees and costs on an attorney-client scale.

Prepaid Electricity

The municipality utilises the service of an agent for provision of supply, delivery, installation and commissioning of an online hosted prepayment electricity vending and revenue management system for the uMngeni Local Municipality.

There is a binding arrangement where Contour Technology (Pty) Ltd (agent) undertakes transactions with 3rd parties, on behalf of, and for benefit of, uMngeni Local Municipality (principal).

Notes to the Annual Financial Statements

	2025	2024

60. Accounting by principals and agents (continued)

Terms and conditions are as per the contract and no changes occurred during the reporting period

No risks as the Municipality is able to access the Contour prepaid electricity and is able to reconcile monies paid to the municipality by the agent to the actual sales as per the reports for correctness.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

There are no municipal resources under the custodianship of the agent.

Fees Paid and Revenue Received

Fee paid as compensation to the agent -Prepaid electricity 2025 Financial year amounts to R1 124 615 (R745 020)

The revenue generated from Prepaid electricity for 2025 Financial year amounts to R28 389 109,85 (2024:R18 641 280,73)

61. Operational revenue

Administration Handling Fees	81 286	111 324
Incidental Cash Surplus	4 951	8 218
Skills Development Levy Refund	946 962	1 594 482
Insurance Refund	235 225	222 624
	1 268 424	**1 936 648**

62. Discount received

Fees earned	4 999	-

63. Remeasurements on employee benefits

Actuarial (gains) / Loss for Medical Aid Benefit	753 000	(961 000)
Actuarial (gains)/ Loss for Long Service Award Benefit	380 000	(199 000)
	1 133 000	**(1 160 000)**

64. Gains on disposal of assets

Gains on disposal of assets	5 077 486	-