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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No:117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act No. 108 of 1996).	
Nature of business and principal activities	Richmond Local Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No. 108 of 1996).	
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996)	
	Local Government: Municipal Finance Management Act (Act no.56 of2 003)	
	Local Government: Municipal Systems Act (Act 32 of 2000)	
	Local Government: Municipal Structures Act (Act 117 of 1998)	
	Municipal Property Rates Act (Act of 6 2004)	
	Division of Revenue Act (Act 1 of 2007)	
Municipal Category	Category B municipality	
Accounting Officer	B.E. Mswane	
Chief Finance Officer (CFO)	M. Ngcobo	
Mayoral Committee	Executive Mayor	Cllr. M.K. Ngcongo
	Deputy Mayor	Cllr. B. Mbanjwa
	Speaker	Cllr. K.E. Mkize
	Member of the Executive Committee	Cllr. M.K. Ngcongo
	Member of the Executive Committee	Cllr.B. Mbanjwa
	Member of the Executive Committee	Cllr. S.L. Kunene
	MPAC Chairperson	Cllr. V. Maphumulo
	Councillor:	S.T.G. Mkhize
	Councillor:	M. Dlamini
	Councillor:	L. Ngubo
	Councillor:	S.L. Latha
	Councillor:	F.Z. Zondi
	Councillor:	B. Mahlangeni
	Councillor:	S.S. Ngubo
	Councillor:	T.P. Vezi
	Councillor:	Z. F. Mkhize
Registered office	57 Shepstone Street Richmond 3610	
Bankers	First National Bank	
Auditors	Auditor General of South of Africa (AGSA)	

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MIG	Municipal Infrastructure Grant
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
INEP	Integrated National Electrification Programme Grant
CoGTA	Department of Cooperative Governance and Traditional Affairs
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
PAYE	Pay As You Earn
SMME	Small, Medium and Micro Enterprises
CPI	Consumer Price Index
SETA	Sector Education and Training Authority
IT	Information Technology
SCM	Supply Chain Management
SARS	South African Revenue Services

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 will be given unrestricted access to all financial records and related data.

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

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

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

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

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

The 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 certifies that the salaries, allowances and benefits of councillors as disclosed in note 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2025:

Accounting Officer
BE Mswane

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	20,629,793	11,870,958
Receivables from exchange transactions	4	2,191,570	1,827,725
Receivables from non-exchange transactions	5	6,598,883	6,551,680
Statutory receivable VAT	6	370,087	2,724,818
		29,790,333	**22,975,181**
Non-Current Assets			
Heritage assets	7	212,767	212,767
Investment property	8	1,185,899	1,185,899
Intangible assets	9	934,045	797,084
Property, plant and equipment	10	375,334,239	368,756,205
Non-current investment		266	266
		377,667,216	**370,952,221**
Total Assets		**407,457,549**	**393,927,402**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	11,216,352	10,154,171
Payables from non-exchange transactions	12	1,368,346	1,592,068
Unspent conditional grants and receipts	13	5,841,354	5,071,123
Operating lease liability	14	716,322	672,062
Finance lease obligation	15	-	268,148
Employee benefit obligation	16	777,000	621,000
Provisions	17	876,004	739,862
		20,795,378	**19,118,434**
Non-Current Liabilities			
Employee benefit obligation	16	11,215,000	10,064,000
Provisions	17	9,265,514	6,146,420
		20,480,514	**16,210,420**
Total Liabilities		**41,275,892**	**35,328,854**
Net Assets		**366,181,657**	**358,598,548**
Accumulated surplus		366,181,657	358,598,548
Total Net Assets		**366,181,657**	**358,598,548**

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	987,064	1,023,421
Construction contracts revenue	19	-	6,956,521
Rental of facilities and equipment	20	1,256,512	1,098,477
Interest earned - outstanding debtors	21	465,948	429,550
Other income	22	1,239,615	1,110,065
Interest received - investment	23	2,872,934	2,939,260
Total revenue from exchange transactions		**6,822,073**	**13,557,294**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	29,400,118	28,870,518
Property rates - penalties imposed	24	3,145,486	2,925,073
Licences and permits	25	2,805,350	2,377,885
Transfer revenue			
Government grants & subsidies	26	129,770,217	122,081,077
Fines, penalties and forfeits	27	680,207	400,042
Total revenue from non-exchange transactions		**165,801,378**	**156,654,595**
Total revenue		**172,623,451**	**170,211,889**
Expenditure			
Employee related costs	28	(79,357,411)	(69,694,476)
Remuneration of councillors	29	(6,522,107)	(6,549,465)
Depreciation and amortisation	30	(15,473,046)	(16,477,591)
Finance costs	31	(752,043)	(850,613)
Operating lease rentals	32	(2,905,981)	(2,873,539)
Construction contract cost	34	-	(6,956,241)
Contracted services	33	(32,132,231)	(31,950,890)
Inventory consumed	35	(3,678,322)	(4,694,196)
Operational cost	36	(18,811,488)	(22,589,329)
Total expenditure		**(159,632,629)**	**(162,636,340)**
Operating surplus		**12,990,822**	**7,575,549**
Gain/(Loss) on disposal of assets		750,983	(123,885)
Gain on remeasurement of landfill provision	39	-	407,378
Actuarial gains/(losses)	16	56,000	(83,000)
Impairment loss	37	(5,222,215)	(5,799,415)
Irrecoverable debts written off	38	(992,495)	(1,713,068)
		(5,407,727)	**(7,311,990)**
Surplus for the year		**7,583,095**	**263,559**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	358,114,505	358,114,505
Adjustments		
Prior year adjustments 45	220,484	220,484
Balance at July 1, 2023 as restated*	**358,334,989**	**358,334,989**
Changes in net assets		
Surplus for the year	263,559	263,559
Total changes	263,559	263,559
Restated* Balance at July 1, 2024	**358,598,562**	**358,598,562**
Changes in net assets		
Surplus for the year	7,583,095	7,583,095
Total changes	7,583,095	7,583,095
Balance at June 30, 2025	**366,181,657**	**366,181,657**

Note(s)

* See Note 45

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates and other receipts from non-exchange transactions		32,508,197	28,255,666
Services charges and other receipts from exchange transactions		3,268,293	2,485,242
Transfers and subsidies and public contributions		131,494,114	130,413,693
Interest received		2,872,934	2,939,260
		170,143,538	164,093,861
Payments			
Employees and councillors		(84,093,880)	(77,133,320)
Suppliers, service providers and other		(56,628,667)	(71,440,388)
		(140,722,547)	(148,573,708)
Net cash flows from operating activities	41	**29,420,991**	**15,520,153**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(21,417,632)	(21,870,957)
Proceeds from sale of property, plant and equipment	10	1,422,974	360,064
Purchase of other intangible assets	9	(387,181)	(600,000)
Net cash flows from investing activities		**(20,381,839)**	**(22,110,893)**
Cash flows from financing activities			
Finance lease payments		(268,148)	(246,987)
Finance cost – Finance Leases		(12,181)	(33,299)
Net cash flows from financing activities		**(280,329)**	**(280,286)**
Net increase/(decrease) in cash and cash equivalents		**8,758,823**	**(6,871,026)**
Cash and cash equivalents at the beginning of the year		11,870,958	18,741,989
Cash and cash equivalents at the end of the year	3	**20,629,781**	**11,870,963**

The accounting policies on pages 13 to 48 and the notes on pages 49 to 93 form an integral part of the annual financial statements.

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,079,000	-	**1,079,000**	987,064	**(91,936)**	9%
Sale of goods and rendering of services	3,571,000	(3,069,000)	**502,000**	503,302	**1,302**	0%
Rental of facilities and equipment	910,000	99,000	**1,009,000**	1,256,512	**247,512**	25%
Interest received - trading	443,000	68,000	**511,000**	465,948	**(45,052)**	9%
Other revenue	945,000	266,000	**1,211,000**	736,310	**(474,690)**	39%
Interest received - investment	3,602,000	(83,000)	**3,519,000**	2,872,934	**(646,066)**	18%
Total revenue from exchange transactions	**10,550,000**	**(2,719,000)**	**7,831,000**	**6,822,070**	**(1,008,930)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28,889,000	-	**28,889,000**	29,400,118	**511,118**	2%
Fines, penalties and forfeits	2,376,000	(2,346,000)	**30,000**	680,207	**650,207**	2167%
Licences and permits (non-exchange)	2,736,000	30,000	**2,766,000**	2,805,350	**39,350**	1%
Interest	-	2,629,000	**2,629,000**	3,145,486	**516,486**	20%
Transfer revenue						
Government grants & subsidies	106,214,000	1,861,000	**108,075,000**	106,714,591	**(1,360,409)**	-1%
Total revenue from non-exchange transactions	**140,215,000**	**2,174,000**	**142,389,000**	**142,745,752**	**356,752**	
Total revenue	**150,765,000**	**(545,000)**	**150,220,000**	**149,567,822**	**(652,178)**	
Expenditure						
Employee related costs	(73,130,000)	(5,591,000)	**(78,721,000)**	(79,357,411)	**(636,411)**	-1%
Remuneration of councillors	(7,219,000)	500,000	**(6,719,000)**	(6,522,107)	**196,893**	3%
Depreciation and asset impairment	(20,456,000)	-	**(20,456,000)**	(15,473,046)	**4,982,954**	24%
Debt impairment / Irrecoverable debts written off	(6,782,000)	(118,000)	**(6,900,000)**	(6,214,710)	**685,290**	10%
Finance costs	(421,000)	(689,000)	**(1,110,000)**	(752,043)	**357,957**	32%
Contracted services	(35,552,000)	1,196,000	**(34,356,000)**	(32,132,231)	**2,223,769**	6%
Inventory consumed	(3,704,000)	(783,000)	**(4,487,000)**	(3,678,322)	**808,678**	18%
General expenses	(25,718,000)	2,566,000	**(23,152,000)**	(21,717,469)	**1,434,531**	6 %
Total expenditure	**(172,982,000)**	**(2,919,000)**	**(175,901,000)**	**(165,847,339)**	**10,053,661**	
Operating deficit	**(22,217,000)**	**(3,464,000)**	**(25,681,000)**	**(16,279,517)**	**9,401,483**	
Transfers & Subsidies - Capital	22,125,000	1,100,000	**23,225,000**	23,055,626	**(169,374)**	2%
Gains and losses including disposal of assets	-	-	**-**	806,983	**806,983**	100%
	22,125,000	**1,100,000**	**23,225,000**	**23,862,609**	**637,609**	
Surplus for the year	**(92,000)**	**(2,364,000)**	**(2,456,000)**	**7,583,092**	**10,039,092**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(92,000)**	**(2,364,000)**	**(2,456,000)**	**7,583,092**	**10,039,092**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	1,025,000	(536,000)	**489,000**	2,191,570	**1,702,570**	
Receivables from non-exchange transactions	7,192,000	(185,000)	**7,007,000**	6,598,883	**(408,117)**	
Statutory receivable VAT	3,379,000	2,373,000	**5,752,000**	370,087	**(5,381,913)**	
Cash and cash equivalents	25,626,000	(10,875,000)	**14,751,000**	20,629,793	**5,878,793**	
	37,222,000	**(9,223,000)**	**27,999,000**	**29,790,333**	**1,791,333**	
Non-Current Assets						
Investment property	1,186,000	-	**1,186,000**	1,185,899	**(101)**	
Property, plant and equipment	374,961,000	17,252,000	**392,213,000**	375,334,239	**(16,878,761)**	
Intangible assets	1,160,000	455,000	**1,615,000**	934,045	**(680,955)**	
Heritage assets	393,000	(180,000)	**213,000**	212,767	**(233)**	
Non-current investment	-	-	**-**	266	**266**	
	377,700,000	**17,527,000**	**395,227,000**	**377,667,216**	**(17,559,784)**	
Total Assets	**414,922,000**	**8,304,000**	**423,226,000**	**407,457,549**	**(15,768,451)**	
Liabilities						
Current Liabilities						
Finance lease obligation	452,000	488,000	**940,000**	-	**(940,000)**	
Operating lease liability	-	-	**-**	716,322	**716,322**	
Payables from exchange transactions	13,796,000	(1,585,000)	**12,211,000**	11,216,352	**(994,648)**	
Payables from non-exchange transactions	-	-	**-**	1,368,346	**1,368,346**	
Consumer deposits	-	13,000	**13,000**	-	**(13,000)**	
Employee benefit obligation	-	3,066,000	**3,066,000**	777,000	**(2,289,000)**	
Unspent conditional grants and receipts	4,527,000	2,215,000	**6,742,000**	5,841,354	**(900,646)**	
Provisions	514,000	847,000	**1,361,000**	876,004	**(484,996)**	
	19,289,000	**5,044,000**	**24,333,000**	**20,795,378**	**(3,537,622)**	
Non-Current Liabilities						
Financial liabilities - Borrowings	691,000	17,611,000	**18,302,000**	-	**(18,302,000)**	
Provisions	15,972,000	238,000	**16,210,000**	9,265,514	**(6,944,486)**	
Employee benefit obligation	6,767,000	406,000	**7,173,000**	11,215,000	**4,042,000**	
	23,430,000	**18,255,000**	**41,685,000**	**20,480,514**	**(21,204,486)**	
Total Liabilities	**42,719,000**	**23,299,000**	**66,018,000**	**41,275,892**	**(24,742,108)**	
Net Assets	**372,203,000**	**(14,995,000)**	**357,208,000**	**366,181,657**	**8,973,657**	
Net Assets						
Accumulated surplus	372,203,000	(14,995,000)	**357,208,000**	366,181,657	**8,973,657**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	26,549,000	(2,345,000)	**24,204,000**	32,506,966	**8,302,966**	
Service charges	969,000	-	**969,000**	3,219,134	**2,250,134**	
Government - Operating & Capital Grants	131,646,000	1,741,000	**133,387,000**	131,494,114	**(1,892,886)**	
Other income	11,443,000	325,000	**11,768,000**	-	**(11,768,000)**	
Interest income	3,602,000	(83,000)	**3,519,000**	2,872,934	**(646,066)**	
	174,209,000	**(362,000)**	**173,847,000**	**170,093,148**	**(3,753,852)**	
Payments						
Employee costs and Suppliers	(164,474,000)	(3,357,000)	**(167,831,000)**	(140,672,152)	**27,158,848**	
Finance costs	(421,000)	(689,000)	**(1,110,000)**	-	**1,110,000**	
	(164,895,000)	**(4,046,000)**	**(168,941,000)**	**(140,672,152)**	**28,268,848**	
Net cash flows from operating activities	**9,314,000**	**(4,408,000)**	**4,906,000**	**29,420,996**	**24,514,996**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(24,309,000)	(2,338,000)	**(26,647,000)**	(21,417,632)	**5,229,368**	
Proceeds from sale of property, plant and equipment	-	-	**-**	1,422,913	**1,422,913**	
Purchase of other intangible assets	-	-	**-**	(387,181)	**(387,181)**	
Net cash flows from investing activities	**(24,309,000)**	**(2,338,000)**	**(26,647,000)**	**(20,381,900)**	**6,265,100**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(268,148)	**(268,148)**	
Finance cost – Finance Leases	-	-	**-**	(12,181)	**(12,181)**	
Net cash flows from financing activities	**-**	**-**	**-**	**(280,329)**	**(280,329)**	
Net increase/(decrease) in cash and cash equivalents	(14,995,000)	(6,746,000)	**(21,741,000)**	8,758,767	**30,499,767**	
Cash and cash equivalents at the beginning of the year	21,594,000	(9,723,000)	**11,871,000**	11,870,958	**(42)**	
Cash and cash equivalents at the end of the year	**6,599,000**	**(16,469,000)**	**(9,870,000)**	**20,629,725**	**30,499,725**	

Variance explanations for the Statement of Comparison of Budget and Actual Amounts. (Variance exceeding 10%)

Rental of facilities and equipment: The improved revenue performance is attributed to an escalation in the rental charges, effected following the successful conclussion of long-term lease negotiations with Fairvest.

Other income: The variance is due to the municipality receiving a lower amount from insurance claims related to damaged or lost municipal assets than initially anticipated.
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Interest on investments: The shortfall in investment income is due to the municipality not receiving additional grant fallocations for the MIG and the Library Grant, as was initially anticipated during the budgeting phase.

Property rates - Interest and penalties imposed : The favourable variance arises from the non-implementation of a debt relief incentive scheme in the current financial year, which in previous years resulted in reduced penalties and interest charges on overdue accounts.

Fines, penalties and forfeits: The improved variance is as a result of trafic fines raised and the recycling of unallocated deposit to revenue due to prescription period.

Finance cost: The savings on finances costs are due to delays in the finalisation of a finance lease agreement relating to the acquisition of municipal vehicles. As a result initerest bearing liabilities were not incurred as anticipated.

Depreciation and asset impairment: The variance can be attributed to over-budgeting for this item to circumvent unauthorised expenditure in non-cash items.

Debt impairment / Irrecoverable debts written off: The favourable variance is attributed to improved revenue collections efforts, particularly towards year end. The municipality achieved a collection rate of 90%, reducing the requirement for debt impairtment provisions.

Inventory consumed: The cost savings are a result of stringent cost containment meaures implemented by the municipality while still ensuring that critical service delivery obligations were prioritised.

Gains on disposal of assets: The positive variance is due to profit realised on the disposal of municipal asset through a public auction held shortly before year end.

Additional comments:
GRAP 24.30 - The standard requires that the actual amounts should be presented on a comparable basis to the budget in comparison of actual and budget amounts. It must be noted that the municipal budget is a legal document through which the municipality is held accountable as such the actual amounts in the financial statements are adjusted to align with the budget

Employee related costs: The municipality has aligned the amount incurred for skills and development levy to employee related cost however, the actual budget amount remained under operational cost, this has caused a variance in the employee related cost line item. The total budget for the SDL is R 741 090.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Significant accounting polices

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

1.1 Basis of preparation

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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. 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.

Included in management’s assessment of the municipality’s going-concern status are:
- key financial metrics;
- the general economic conditions and forecast;
- approved medium-term budgets; and
- the municipality’s dependency on grants from National Government and the KwaZulu Natal Provincial Government.

Based on all of the above, management has concluded that the going-concern assumption used in the compiling of its financial statements, is appropriate.

Significant Accounting Policies

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.

In preparing the annual financial statements, materiality has been considered in:
- deciding what to report in the annual financial statements and how to present it; and
- assessing the effect of omissions, misstatements and errors on the annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof, have been developed. These thresholds are used to make decisions about the reporting of information (i.e.how to recognise, measure, present and disclose items, transactions and events) and serve as a margin of error or framework within which to assess misstatements and errors.

Threshold for budget information

Variances between budget and actual amounts are regarded as material when the variance is 10% or greater in the statement of financial position, the statement of financial performance, and the cash flow. All material differences are explained in the financial statements.

Qualitative thresholds

The nature of an item, transaction or event is determined by its inherent characteristics, or the circumstances in which it was undertaken. Items, transactions or events may be considered material:
- if they relate to legal or regulatory requirements, e.g. specific disclosures required by legislation, restrictions on certain transactions or activities imposed by legislation, or breaches of legislation.
- if they constitute related-party transactions;
- depending on their regularity or frequency, e.g. a once-off transfer of funds to another entity in terms of legislation, or a ministerial directive;
- if they result in the reversal of a trend, e.g. changing a surplus to a deficit, or vice versa;
- if they are likely to result in a change in accounting policy;
- if they involve the commencement of a new function, or the reduction or discontinuation of an existing one;
- depending on the degree of estimation or judgement required to determine their value; and
- if they affect the going-concern assumption of the municipality.

The relative importance of these qualitative factors in determining materiality is a matter of professional judgement.

Quantitative thresholds

Quantitative materiality refers to the monetary value of items, transactions or events that are likely to influence users’ decisions. The quantitative materiality per transaction class for the year is as follows:

Class of transactions	Level of materiality
Revenue	R 1 700 788.78
Expenditure	R 1 626 363.39
Non-current Assets	R 1 854 761.30
Current assets	R 1 094 788.87
Current liabilities	R 919 626.25
Non-current liabilities	R 810 521.00

The materiality calculation is based on the last year's audited financial statements as at June 2024 for all classes of transactions and balances.

Based on professional judgement, the overall quantitative value of materiality for the 2024/25 financial year is set at R 1,5 million.

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:

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

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

The impairment for trade receivables is first for individually significant receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For trade receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to thelower of cost or net realisable value is subsequently provided.

Management has made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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 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.

Value in use of cash-generating assets

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

Significant Accounting Policies

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 17 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement and long-term obligations 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 and long-term 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 post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for long maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality uses the prime interest rate to discount other future cash flows.This interest rate is adjusted for risk where appropriate.

Allowance for doubtful debts

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

1.6 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.

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

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

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

Significant Accounting Policies

1.6 Investment property (continued)

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

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

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:

Property - land	indefinite
Property - buildings	30 years

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal. Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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.

The nature OR type of properties classified as held for strategic purposes.

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of investment property; the carrying value of investment property that is taking a significantly longer period of time to complete than expected; and the carrying value of investment property where construction or development has been halted.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

Subsequent to initial measurement; 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	Indefinte
Buildings - Building improvements	Straight-line	10 - 30 years
Community -Community facilities & Recreatonal facilities	Straight-line	15 - 30 years
Plant and Equipment	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 10 years
Motor vehicles	Straight-line	7 - 15 years
Office equipment	Straight-line	5 - 15 years
Computer equipment	Straight-line	5 - 10 years
Emergency Equipment	Straight-line	5 - 10 years
Other assets	Straight-line	25 - 30 years
Bins and containers	Straight-line	5 -15 years
Specialised vehicles	Straight-line	10 - 20 years

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

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

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

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.7 Property, plant and equipment (continued)

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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.

If 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 recognised 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 recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as an intangible asset.

An asset is identifiable if it either:

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

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

1.9 Intangible assets (continued)

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

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

Intangible assets are initially measured at cost.

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

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

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

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

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

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

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

1.10 Heritage assets

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.

Recognition

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

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the note for Heritage assets.

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.

1.10 Heritage assets (continued)

Subsequent measurement

Subsequent to initial measurement, classes of heritage assets are carried at cost less any accumulated impairment losses .

Impairment

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

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

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

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 recognised financial asset or financial liability from a 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.

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

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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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 municipality 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 a municipality 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

1.11 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

Significant Accounting Policies

1.11 Financial instruments (continued)

Classification

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

Class	Category
Non-current investments	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Call Deposits	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Bank	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Cash	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Significant Accounting Policies

1.11 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Gain and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

1.11 Financial instruments (continued)
Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets.The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

Significant Accounting Policies

1.11 Financial instruments (continued)

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.12 Value Added Tax

Revenue, expenses and assets are recognized net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The municipality accounts for value-added tax (VAT) on the accrual basis, declarations to SARS are made on payments basis.

1.13 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

1.13 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

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

1.14 Inventories (continued)

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

1.15 Construction contracts and receivables

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

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

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

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

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

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

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

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

1.16 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.

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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

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

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

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

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

The municipality assesses and defines cash-generating assets as all assets held by the municipality with the primary objective to generate commercial return, and non-cash generating assets as those assets other than cash generating assets.

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.

1.16 Impairment of cash-generating assets (continued)

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 recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Reversal of impairment loss

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

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

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

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

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

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

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.

1.17 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.

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

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

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

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

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

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

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

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

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

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

The municipality assesses and defines cash-generating assets as all assets held by the municipality with the primary objective
to generate commercial return, and non-cash generating assets as those assets other than cash generating assets.

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.

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

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.

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.

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Significant Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

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.

1.18 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 municipality, unless either:

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment 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 a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

1.18 Employee benefits (continued)

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 a municipality 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.

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality 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 municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 municipality'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 municipality'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.

1.18 Employee benefits (continued)

The amount determined as a defined benefit liability may be negative (an asset). The municipality 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 municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- 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 municipality 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, a municipality 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, a municipality 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 municipality recognises 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 municipality 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 municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

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.

1.18 Employee benefits (continued)

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

1.19 Provisions and contingencies

A provision is a liability of uncertain timing or amount

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

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.

1.19 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.17.

If the related asset is measured using the revaluation model:

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

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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:

1.20 Commitments (continued)

- 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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 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 recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Significant Accounting Policies

1.21 Revenue from exchange transactions (continued)

Interest income

Revenue arising from the use by others of municipal 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.

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

Significant Accounting Policies

1.22 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.

1.22 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.

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.

Prescribed unallocated deposits

The municipality recognise revenue in respect of prescribed unallocated depoisits when the unallocated deposits no longer meets the definition of a liability or satisfies the criteria for recognition as a liability or when they are deemed to have prescribed in terms of the Prescription Act, Act 68 of 1969.

Revenue arising from prescribed unallocated deposit is measured at the carrying amount of the unallocated deposit that has prescribed.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.23 Investment income

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

1.24 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.

1.25 Accounting by principals and agents

Identification

1.25 Accounting by principals and agents (continued)

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.

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.

1.26 Comparative figures

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

1.27 Segment information

A segment is an activity of a municipality:

1.27 Segment information (continued)

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same municipality);
- 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.

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.

1.28 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on the unauthorised expenditure, refer to note 49- unauthorised expenditure

1.29 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 50 - Fruitless and wasteful expenditure.

1.30 Irregular expenditure

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

1.30 Irregular expenditure (continued)

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).

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Amount disclosed under irregular expenditure are VAT inclusive.

1.31 Related parties

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

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

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

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

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

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

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

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

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

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

Significant Accounting Policies

1.33 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2024 to 6/30/2025.

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

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

1.34 Construction contracts

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

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

The municipality assessed all of the contracts in place and found that those contacts pertaining to the Integrated National electrification programme (INEP) where the Municipality is not licensed would meet the definition in terms of construction contracts Construction Contracts.

All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

Notes to the Annual Financial Statements

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 July 1, 2025 or later periods:

GRAP 2023 Improvements to the Standards of GRAP 2023

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

GRAP 103 (as revised): Heritage Assets

GRAP 104 (as revised): Financial Instruments

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2025	2024
Bank balance	2,601,604	498,122
Short-term deposits	18,028,189	11,372,836
	20,629,793	**11,870,958**

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
Call Account:- First National Bank - Account number 61356002695	172	21	101,252	172	21	101,252
Housing Operating Account:- First National Bank - Account number 62134473280	609,976	947,461	829,041	609,976	947,461	829,041
First National Bank - Account number 62810019217	2,776,837	2,587,607	2,399,511	2,776,837	2,587,607	2,399,511
First National Bank - Account number 53565322104	2,601,305	497,822	489,355	2,601,305	497,822	489,355
Patheni Housing Account:- First National Bank -Account number 62117170407	-	177,176	174,130	-	177,176	174,130
Siyathuthuka Phase II Account:- First National Bank-Account number 62176174383	-	334,229	327,956	-	334,229	327,956
Zwelethu Housing Account:- First National Bank - Account 62155682844	-	394,036	387,183	-	394,036	387,183
Small Town Account:- First National Bank - Account 62833571385	1,992	1,856	-	1,992	1,856	-
ABSA -Account number 00268791155	10,946,512	-	-	10,946,512	-	-
First National Bank - Library Account number 62833569900	14,878	1,910	965	14,878	1,910	965
First National Bank - Account number - 63003024063	898,240	1,201	418,266	898,240	1,201	418,266
First National Bank - Richmond Branch - Account number - 63003663506	17,516	16,322	50,527	17,516	16,322	50,527
First National Bank - High-overAccount number - 3024683319	2,146,796	214,152	2,768,733	2,146,796	214,152	2,768,733
Nedbank account - 03/7165013946	-	6,343,950	10,794,773	-	6,343,950	10,794,773
Fist National Bank - Informal Economy Infr - Account number 63138299341	359,064	-	-	359,064	-	-
First National Bank - Nelson Street Account number - 63107196932	256,201	352,907	-	256,201	352,907	-
Total	**20,629,489**	**11,870,650**	**18,741,692**	**20,629,489**	**11,870,650**	**18,741,692**

Restricted cash balances

	2025	2024
Conditional Grants Unspent operational and capital grants	5,841,354	5,071,123

Amounts comprise of various operational and capital grants subject to conditions as set out in the Division of Revenue Act and other grant agreements and may only be utilised for the purposes stipulated therein. Unspent amounts must be returned to the respective funder unless approval for retention is obtained

Figures in Rand	2025	2024

4. Receivables from exchange transactions

Refuse	4,200,426	3,814,521
Property rentals	2,169,804	2,317,294
Deposits	786,755	59,947
Prepaid expenses	307,282	372,695
VAT Input accrual	745,692	558,162
Provision for impairment	(6,018,389)	(5,294,894)
	2,191,570	**1,827,725**

Gross balances:		
Refuse	4,200,426	3,814,521
Property rentals	2,169,804	2,317,294
Deposits	786,755	59,947
Prepaid expenses	307,282	372,695
VAT Input accrual	745,692	558,162
	8,209,959	**7,122,619**

Less: Provision for impairment		
Refuse	(3,968,428)	(3,575,163)
Property rentals	(2,049,961)	(1,719,731)
	(6,018,389)	**(5,294,894)**

Refuse	231,998	239,357
Property rentals	119,843	597,564
Deposits	786,755	59,947
Prepaid expenses	307,282	372,695
VAT Input accrual	745,692	558,162
Net receivables from exchange transactions	**2,191,570**	**1,827,725**

Receivables from exchange transactions

Receivables from exchange transactions are billed monthly, latest end of month. No interest is charged on receivables until the end of the following month, thereafter interest is charged at 15% as determined by council on the outstanding balance. Therefore, the interest was charged at 15% in the 2025 and 2024 financial years.

The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables.

No receivables from exchange transactions were pledged as as collateral for liabilities or contingent liabilities.

Ageing of receivables from exchange transactions

As at 30 June 2025		**Current**	**Past Due**		
Refuse	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Gross Balances	265,322	90,145	86,540	3,758,418	4,200,425
Subtotal	265,322	90,145	86,540	3,758,418	4,200,425
Less: Allowance for impairment	(250,667)	(85,166)	(81,760)	(3,550,832)	(3,968,425)
	14,655	**4,979**	**4,780**	**207,586**	**232,000**

Property rentals	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Gross Balances	249,734	44,438	67,361	1,808,271	2,169,804
Subtotal	249,734	44,438	67,361	1,808,271	2,169,804
Less: Allowance for impairment	(235,940)	(41,984)	(63,640)	(1,708,397)	(2,049,961)
	13,794	**2,454**	**3,721**	**99,874**	**119,843**

4. Receivables from exchange transactions (continued)

As at 30 June 2024

	Current		Past Due		
Refuse	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Gross Balances	274,397	94,785	84,216	3,361,123	3,814,521
Subtotal	274,397	94,785	84,216	3,361,123	3,814,521
Less: Allowance for impairment	(257,179)	(88,837)	(78,931)	(3,150,216)	(3,575,163)
	17,218	**5,948**	**5,285**	**210,907**	**239,358**

Property rentals	0 - 30 days	31-60 days	61 - 90 Days	+ 90 Days	Total
Gross Balances	719,469	29,584	30,009	1,538,234	2,317,296
Subtotal	719,469	29,584	30,009	1,538,234	2,317,296
Less: Allowance for impairment	(222,166)	(27,727)	(28,127)	(1,441,711)	(1,719,731)
	497,303	**1,857**	**1,882**	**96,523**	**597,565**

As at 30 June 2025

Refuse	Residential	Commercial	Government	Other	Total
0 - 30 Days	121,041	57,449	17,435	69,395	265,320
31-60 Days	40,671	20,374	1,968	27,132	90,145
61-90 Days	38,316	18,909	2,651	26,664	86,540
+ 90 Days	1,433,356	380,247	979,378	965,439	3,758,420
Subtotal	1,633,384	476,979	1,001,432	1,088,630	4,200,425
Less: Allowance for impairment	(1,543,174)	(450,633)	(946,116)	(1,028,502)	(3,968,425)
	90,210	**26,346**	**55,316**	**60,128**	**232,000**

Credit quality of trade and other receivables

The credit quality of trade and other receivables 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: The creation and release of provision for impaired receivables have been included in the surplus/ deficit for the year. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Receivables from exchange transactions past due but not impaired

Analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired:

	2025	2024
Current (0 -30 days)	78,667	156,671
31 - 60 days	13,253	12,546
61 - 90 days	5,280	2,436
Over 90 days	401	479

Receivables from exchange transactions impaired

Analysis of financial assets that are determined to be impaired as at the end of the reporting period:

	2025	2024
Current (0 -30 days)	436,388	354,766
31 - 60 days	121,331	111,822
61 - 90 days	148,621	111,789
Over 90 days	5,566,288	4,898,878

Financial assets are assessed individually for impairment with reference to their payment behavior and financial assets with outstanding balances exceeding 90 days are regarded as impaired. Collective assessment: Average collection rate and collection period is determined for Receivables not impaired under individual assessment. In addition, the collection rate per debtor is considered and debtors with a balance over 90 days but with a collection rate of 95% and above are assessed as not impaired.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of receivables from exchange transactions

	2025	2024
Opening balance	5,294,894	4,558,667
Provision for impairment	723,493	736,227
	6,018,387	**5,294,894**

5. Receivables from non-exchange transactions

	2025	2024
Rates	47,460,051	45,331,472
Fines	2,456,458	2,319,076
Sundry debtors	2,261,936	2,270,446
Accrued income	181,941	40,433
Provision for impairment	(45,761,503)	(43,409,747)
	6,598,883	**6,551,680**

	2025	2024
Receivables from non-exchange transactions		
Rates	47,460,051	45,331,471
Fines	2,456,458	2,319,076
Sundry debtors	2,261,936	2,270,446
Accrued income	181,941	40,433
	52,360,386	**49,961,426**

	2025	2024
Less: Provision for impairment		
Rates	(44,838,721)	(42,486,964)
Fines	(922,782)	(922,782)
	(45,761,503)	**(43,409,746)**

	2025	2024
Net Balance		
Rates	2,621,330	2,844,507
Fines	1,533,675	1,396,293
Sundry debtors	2,261,936	2,270,448
Accrued income	181,941	40,432
	6,598,882	**6,551,680**

Ageing of receivables from non-exchange transactions

As at 30 June 2025		**Current**	**Past Due**		
Assessment Rates	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	1,662,690	822,630	817,150	44,157,579	47,460,049
Subtotal	1,662,690	822,630	817,150	44,157,579	47,460,049
Less: Provision for impairment	(1,570,856)	(777,194)	(772,017)	(41,718,652)	(44,838,719)
	91,834	**45,436**	**45,133**	**2,438,927**	**2,621,330**

5. Receivables from non-exchange transactions (continued)

Accrued Income	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	23,252	-	158,690	181,942
Subtotal	-	23,252	-	158,690	181,942
	-	**23,252**	**-**	**158,690**	**181,942**

Traffic Fines	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	27,100	15,000	32,500	2,381,858	2,456,458
Subtotal	27,100	15,000	32,500	2,381,858	2,456,458
Less: Provision for impairment	-	-	-	(922,782)	(922,782)
	27,100	**15,000**	**32,500**	**1,459,076**	**1,533,676**

Sundry Debtors	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	-	-	-	2,261,936	2,261,936
Subtotal	-	-	-	2,261,936	2,261,936
	-	**-**	**-**	**2,261,936**	**2,261,936**

As at 30 June 2024 Current Past Due

Assessment Rates	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	1,696,824	932,700	802,227	41,899,718	45,331,469
Subtotal	1,696,824	932,700	802,227	41,899,718	45,331,469
Less: Provision for impairment	(1,590,349)	(874,174)	(751,888)	(39,270,550)	(42,486,961)
	106,475	**58,526**	**50,339**	**2,629,168**	**2,844,508**

Accrued Income	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	23,252	-	-	17,181	40,433
Subtotal	23,252	-	-	17,181	40,433
Less: Provision for impairment	-	-	-	-	-
	23,252	**-**	**-**	**17,181**	**40,433**

Traffic Fines	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	8,600	35,300	27,300	2,247,876	2,319,076
Subtotal	8,600	35,300	27,300	2,247,876	2,319,076
Less: Provision for impairment	-	-	-	(922,782)	(922,782)
	8,600	**35,300**	**27,300**	**1,325,094**	**1,396,294**

Sundry Debtors	0 -30 Days	31- 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balance	568,238	342,409	-	1,359,798	2,270,445
Subtotal	568,238	342,409	-	1,359,798	2,270,445
	568,238	**342,409**	**-**	**1,359,798**	**2,270,445**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Summary of assessment rates debtors customer classification:

As at 30 June 2025	Residential	Commercial	Government	Other	Total
0 - 30 Days	750,795	370,074	93,430	448,390	1,662,689
31- 60 Days	371,152	185,929	17,955	247,592	822,628
61- 90 Days	361,790	178,553	25,031	251,774	817,148
+ 90 Day	15,325,610	3,975,999	14,166,733	10,689,236	44,157,578
Gross Balance	16,809,347	4,710,555	14,303,149	11,636,992	47,460,043
	16,809,347	**4,710,555**	**14,303,149**	**11,636,992**	**47,460,043**

As at 30 June 2024	Residential	Commercial	Government	Other	Total
0 - 30 Days	748,847	345,955	37,604	564,416	1,696,822
31- 60 Days	406,678	181,194	27,003	317,823	932,698
61- 90 Days	368,687	157,674	25,020	250,845	802,226
+ 90 Days	13,413,312	2,805,539	15,572,353	10,108,513	41,899,717
Gross Balance	14,937,524	3,490,362	15,661,980	11,241,597	45,331,463
	14,937,524	**3,490,362**	**15,661,980**	**11,241,597**	**45,331,463**

Receivables from non-exchange transactions impairement

Receivables are assessed individually for impairment with reference to their payment behavior and financial assets with outstanding balances exceeding 90 days are regarded as impaired. Collective assessment: Average collection rate and collection period is determined for Receivables not impaired under individual assessment. In addition, the collection rate per debtor is considered and debtors with a balance over 90 days but with a collection rate of 95% and above are assessed as not impaired.

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

	2025	2024
Opening balance	(42,486,962)	(38,577,657)
Provision for impairment	(2,351,758)	(3,909,305)
	(44,838,720)	**(42,486,962)**

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates

Property rates are levied in terms of the Local Government: Municipal Property Rates Act No 6 of 2004, hence this is therefore recognised as a Statutory receivable. The receivable is calculated by the Council Approved rates randages against the valuation of the individual properties within the Municipality's jurisdiction. Council Approved rebates and exemptions are further applied to reduce the receivables.

Fines

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a Statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law.

Determination of transaction amount

Property Rates

Property rates are levied by applying the Council Approved rates randages against the valuation of the individual properties within the Municipality's jurisdiction.

Traffic Fines

Schedule 3 of the AARTO Regulations 2008 for charge codes and descriptions, penalties and their discounts, and demerit points.

Interest or other charges levied/charged

The Municipality charges interest on all outstanding debtor balances older than 30 days in respect of the property rates account at 15%.

No interest is charged on outstanding fines, and any additions are further applied by the court is paid by the offender to the court directly, and therefore not considered to be revenue for the municipality

Basis used to assess and test whether a statutory receivable is impaired

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. 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. When the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced. The amount of loss is recognised in the surplus or deficit.

Discount rate applied to the estimated future cash flows

The discount rate used by the municipality is the rate as determined in the government gazette which is: 11.75%. The discount rate is divided by 365 in order to get a daily rate.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Statutory receivables past due but not impaired

Property rates

Analysis of the age of stautory receivables that are past due as at the end of the reporting period but not impaired

Current (0 -30 days)	271,033	302,374
31 - 60 days	81,008	94,091
61 - 90 days	28,037	17,111
Over 90 days	2,490	4,028

Analysis of statutory receivables that are determined to be impaired as at the end of the reporting period

Current (0 -30 days)	1,391,657	1,394,449
31 - 60 days	741,621	838,608
61 - 90 days	789,113	785,116
Over 90 days	44,155,088	41,895,690

Reconciliation of provision for impairment for statutory receivables

Opening balance	43,409,746	39,552,424
Provision for impairment	2,351,757	3,909,306
Unused amounts reversed	-	(51,984)
	45,761,503	**43,409,746**

6. Statutory receivables VAT

VAT receivables from SARS	370,087	2,724,818

Statutory receivables general information:

VAT is governed by Value Added Tax Act No. 89 of 1991.

Transactions arising from statute:

The municipality is required to levy or pay VAT at a rate of 15% as per requirements of section 7 of the No. 89 of 1991. VAT amount is based on the supply of good or service by the municipality in the company enterprises conducted by the municipality

Determination of the transaction amount:

The amount due from SARS is determined based on the VAT returns that are submitted to SARS on a monthly basis. A receivable arises when VAT input paid is more than output amount received from customers

Basis used to assess and test whether statutory receivables is impaired:

SARS is required by the Act to refund the municipality unless if there is an assessment. This guarantees recoverability of the amount claimed from SARS and not impairment has been provided for.

Discount rate applied to estimate future cash flows:

No discounting applied as this amount claimed from SARS represents the present value of the future received from SARS.

7. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	212,767	-	212,767	212,767	-	212,767

Reconciliation of heritage assets - 2025

	Opening balance	Total
Heritage assets	212,767	212,767

Reconciliation of heritage assets - 2024

	Opening balance	Total
Heritage assets	212,767	212,767

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,185,899	-	1,185,899	1,185,899	-	1,185,899

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Investment property (continued)

Reconciliation of investment property - 2025

	Opening balance	Total
Investment property	1,185,899	1,185,899

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	1,185,899	1,185,899

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.

Amounts recognised in surplus or deficit

	2025	2024
Rental revenue from Investment property	453,668	420,063

The municipality entered into a lease agreement with Fairvest Property Holdings Ltd (lessee) for the use of land identified as ERF 824, which has since been developed into a commercial shopping centre. In terms of this agreement, the municipality generates rental income as part of its investment property portfolio. This arrangement reflects the municipality’s strategy of leveraging its immovable property assets to generate sustainable revenue streams that support service delivery and financial sustainability. The lease agreement is structured to provide long-term financial benefits, with Fairvest assuming responsibility for the development and operational management of the shopping centre, while the municipality continues to benefit from stable and recurring rental income.

In terms of the signed lease agreement the lessee is responsible for all operational expenses including the repairs and maintenance, therefore no costs were incurred by the municipality.

Figures in Rand

9. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,179,037	(2,244,992)	934,045	2,791,856	(1,994,772)	797,084

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	797,084	387,181	(250,220)	934,045

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	353,145	600,000	(156,061)	797,084

10. 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	67,380,835	-	67,380,835	67,380,835	-	67,380,835
Landfill asset - Solid waste**	7,238,488	(4,724,262)	2,514,226	4,723,114	(4,723,114)	-
Leased assets	742,617	(605,030)	137,587	742,617	(495,078)	247,539
Plant and machinery	4,448,322	(2,586,124)	1,862,198	6,003,572	(3,887,160)	2,116,412
Furniture and fixtures	3,085,134	(1,819,585)	1,265,549	2,689,109	(1,855,195)	833,914
Motor vehicles	7,060,077	(4,473,519)	2,586,558	13,043,615	(9,218,334)	3,825,281
Office equipment	8,587,052	(5,035,835)	3,551,217	7,921,217	(4,600,834)	3,320,383
Infrastructure	366,952,431	(177,236,912)	189,715,519	366,952,432	(166,460,584)	200,491,848
Community	93,495,061	(38,885,680)	54,609,381	91,151,333	(36,092,712)	55,058,621
Buildings	39,312,990	(20,334,547)	18,978,443	39,312,990	(18,890,355)	20,422,635
Work in progress	34,274,277	(1,541,551)	32,732,726	16,600,288	(1,541,551)	15,058,737
Total	**632,577,284**	**(257,243,045)**	**375,334,239**	**616,521,122**	**(247,764,917)**	**368,756,205**

Note**
In line with IGRAP 2, par 5(c), the changes in the measurement of the provision for decomissioning and restoration of the landfill site has resulted in an addition to the cost of the asset. The municipality has considered whether this is an indication that the new carrying amount of the asset may not be fully recoverable and concluded that at year end the carrying amount of the asset would be recoved through use over the remaining useful life of the landfil site.

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	IGRAP 2, par 5(c) Adjustment	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	67,380,835	-	-	-	-	-	-	-	67,380,835
Leased Office Equipment	247,539	-	-	-	-	-	(109,952)	-	137,587
Plant and machinery	2,116,412	243,143	-	(85,761)	-	-	(411,596)	-	1,862,198
Furniture and fixtures	833,914	658,753	-	(21,235)	-	-	(203,527)	(2,356)	1,265,549
Motor vehicles	3,825,281	-	-	(536,125)	-	-	(702,598)	-	2,586,558
Office equipment	3,320,383	1,184,829	-	(28,870)	-	-	(856,889)	(68,236)	3,551,217
Infrastructure	200,491,848	-	-	-	-	-	(9,880,828)	(895,501)	189,715,519
Community	55,058,621	-	-	-	-	2,343,728	(2,326,550)	(466,418)	54,609,381
Buildings	20,422,635	-	-	-	-	-	(729,738)	(714,454)	18,978,443
Work in progress	15,058,737	20,017,716	-	-	(2,343,727)	-	-	-	32,732,726
Landfill asset - Solid waste	-	-	2,515,374	-	-	-	(1,148)	-	2,514,226
	368,756,205	**22,104,441**	**2,515,374**	**(671,991)**	**(2,343,727)**	**2,343,728**	**(15,222,826)**	**(2,146,965)**	**375,334,239**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	67,380,835	-	-	-	-	-	-	67,380,835
Leased assets	495,078	-	-	-	-	(247,539)	-	247,539
Plant and machinery	1,864,769	992,109	-	-	-	(495,723)	(244,743)	2,116,412
Furniture and fixtures	865,399	145,393	-	-	-	(164,717)	(12,161)	833,914
Motor vehicles	4,566,592	734,170	(483,287)	-	-	(820,343)	(171,851)	3,825,281
Office equipment	3,299,515	908,985	-	-	-	(848,640)	(39,477)	3,320,383
Infrastructure	199,314,110	-	(662)	12,518,773	-	(10,432,605)	(907,768)	200,491,848
Community	49,650,057	-	-	8,122,149	-	(2,476,535)	(237,050)	55,058,621
Buildings	21,610,323	-	-	-	-	(835,428)	(352,260)	20,422,635
Work in progress	17,142,832	18,556,827	-	-	(20,640,922)	-	-	15,058,737
	366,189,510	**21,337,484**	**(483,949)**	**20,640,922**	**(20,640,922)**	**(16,321,530)**	**(1,965,310)**	**368,756,205**

Halted projects

- Kwabulawayo Sportfield	6,166,205	6,166,205

The project is taking longer than expected due to lack of funding. As at 30 June 2025, no additional work has been performed. An amount of R 1 541 551 was recognised as impairment in the 2021 financial year resulting to a carrying amount of R 6 166 205. The project has been assessed for impairment in the current financial year and there was no indication of further impairment.

- Completion of the Richmond Testing Ground	2,419,025	2,419,025

The project is taking longer than expected due to lack of funding. As at 30 June 2025, no additional work has been performed. The project was assessed for impairment in the current financial year and there was no indication of impairment or impairment recognized.

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 2025

	Included within Infrastructure	Included within Community	Included within Community assets	Total
Opening balance	6,559,364	2,205,114	6,294,301	15,058,779
Additions/capital expenditure	17,802,084	-	2,215,631	20,017,715
Transferred to completed items	-	-	(2,343,728)	(2,343,728)
	24,361,448	**2,205,114**	**6,166,204**	**32,732,766**

Reconciliation of Work-in-Progress - 2024

	Included within Infrastructure	Included within buildings	Included within Community assets	Total
Opening balance	8,025,488	2,205,114	6,912,272	17,142,874
Additions/capital expenditure	11,052,648	-	7,504,178	18,556,826
Transferred to completed items	(12,518,772)	-	(8,122,149)	(20,640,921)
	6,559,364	**2,205,114**	**6,294,301**	**15,058,779**

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

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2025	2024
Maintenance of buildings and facilities	2,551,421	3,853,384
Maintenance of equipment	3,502,659	3,808,936
Maintenance of unspecified assets	2,616,220	3,307,333
	8,670,300	**10,969,653**

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.

11. Payables from exchange transactions

	2025	2024
Trade payables	270,269	265,682
Retentions	4,701,564	4,014,755
Accrued leave pay	3,461,423	3,177,378
Accrued bonus	2,162,045	2,023,452
Deposits received	13,800	13,000
Output Vat Accrual	701,620	671,479
Output VAT provision - Debt impairment	(94,369)	(11,575)
	11,216,352	**10,154,171**

12. Payables from non-exchange transactions

	2025	2024
Payments received in advance	1,366,946	1,406,971
Unallocated receipts	1,400	185,097
	1,368,346	**1,592,068**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Human Settlement Grant	3,386,814	4,440,512
High-over Game Reserve	2,095,540	211,922
Nelson Street SMME Rehabilitation	-	352,689
LGSETA Grant	-	66,000
Informal Economy Infrastructure	359,000	-
	5,841,354	**5,071,123**

14. Operating lease asset (liability)

Current liabilities	716,322	672,062

Richmond Local Municipality entered into two operating lease agreements with Ingonyama Trust Board for the use of land portions in Smozomeni (1.97 ha) and Magoda Hall (0.72 ha) over a period of 40 years. Lease payments under these agreements are recognized as an expense on a straight-line basis over the lease term. Lease payments include fixed annual escalations, which are accounted for as part of the lease smoothing calculation.

15. Finance lease obligation

Minimum lease payments due		
- within one year	-	280,280
	-	280,280
less: future finance charges	-	(12,133)
Present value of minimum lease payments	**-**	**268,147**

Present value of minimum lease payments due		
- within one year	-	268,147

The municipality leased multiple photocopying machine in July 2022 for a period of 3 years which expired in June 2025. Lease instalments are payable monthly at the beginning of the month. Interest rate was charged at 8,25% per annum. No restrictions are imposed by lease arrangements. The lease agreements do not provide for contingent lease payments. It is municipality policy to lease certain photocopying machine under finance leases.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations

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

Carrying value		
Post-retirement medical obligation	(8,332,000)	(7,436,000)
Long service awards	(3,660,000)	(3,249,000)
	(11,992,000)	**(10,685,000)**

Non-current liabilities	(11,215,000)	(10,064,000)
Current liabilities	(777,000)	(621,000)
	(11,992,000)	**(10,685,000)**

Post-retirement health care benefits liability.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by ARCH Actuarial Consulting a fellow 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.

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

Opening balance	7,436,000	6,582,000
Net expense recognised in the statement of financial performance	896,000	854,000
	8,332,000	**7,436,000**

Net expense recognised in the statement of financial performance		
Current service cost	398,000	342,000
Subsidy (benefit) payments	(263,000)	(238,000)
Interest cost	902,000	812,000
Actuarial (gains) losses	(141,000)	(62,000)
	896,000	**854,000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(141,000)	(62,000)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Key assumptions used

The following summarizes the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year:

Discount rates used	11.40 %	12.34 %
Health care cost inflation rate	7.10 %	7.81 %
Net effective discount rate	4.00 %	4.20 %
Maximum subsidy inflation rate	4.70 %	5.48 %
Actual return on reimbursement rights	6.40 %	6.50 %

Key Demographic Assumptions

Assumption	**Value**
Average retirement age	62
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010
Proportion with a spouse dependent at retirement	60%
Continuation of membership at retirement	75%
Proportion of in-service non-members joining a scheme by Retirement and continuing with the subsidy at retirement	15%

History of Liabilities, Assets and Experience Adjustments

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.

Net Defined Benefit Liability History	2025	2024	2023	2022	2021
Defined benefit obligation	(8,332,000)	(7,436,000)	(6,582,000)	(6,990,811)	(6,269,000)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Other long-term employee benefits

Long Services Award

Employee benefit obligation relates to long service award extended to municipal staff who served on the payroll of the municipality for each five-year interval completed as an employee. The most recent actuarial valuations of present value of the defined benefit obligation was carried out as at 30 June 2025 by ARCH Actuarial Consulting a fellow of the Actuarial Society of South Africa an expert who is a member of the Actuarial society of South Africa. The present value of the defined benefit obligation and the related current cost and past service costs were measured using the projected Unit Credit Method. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 301 as issued by ASSA, and is consistent with the requirements of GRAP25. The municipality is under no obligation to cover any unfunded benefits.

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

	2025	2024
Opening balance	3,249,000	2,875,000
Net expense recognised in the statement of financial performance	411,000	374,000
	3,660,000	**3,249,000**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	333,000	295,000
Subsidy (benefit) payments	(358,000)	(376,000)
Interest cost	351,000	310,000
Actuarial (gains) losses	85,000	145,000
	411,000	**374,000**

Calculation of actuarial gains and losses

	2025	2024
Actuarial (gains) losses – Obligation	85,000	145,000

Net Defined Benefit Liability History	2025	2024	2023	2022	2021
Accrued liability	(3,660,000)	(3,249,000)	(2,875,000)	(2,834,354)	(2,326,000)

Assumption	30 June 2025	30 June 2024
Discount rate	10.00 %	11.43 %
CPI	4.00 %	5.53 %
General earnings inflation rate	5.00 %	6.53 %
Net Discount Rate	4.80 %	4.60 %
	- %	**- %**

Key Demographic Assumptions

Assumption	Value
Average retirement age	62
Mortality during employment	SA 85-90

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest cost	Change inprovision ofobligation	Total
Environmental rehabilitation	6,886,282	739,862	2,515,374	10,141,518

Reconciliation of provisions - 2024

	Opening Balance	Interest cost	Change inprovision ofobligation	Total
Environmental rehabilitation	6,476,345	817,315	(407,378)	6,886,282

	2025	2024
Non-current liabilities	9,265,514	6,146,420
Current liabilities	876,004	739,862
	10,141,518	**6,886,282**

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R10 141 518 as at 30 June 2025 to restore the sites at the end of its useful life. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

18. Service charges

	2025	2024
Refuse removal	987,064	1,023,421

Refuse removal charges are levied for services rendered in the following areas:
Ward 1: Residential and business properties
Ward 2 (partial): Residential properties
Ward 4 (partial): Residential properties
Charges are based on the council-approved municipal tariffs applicable to each financial year and are levied for the removal of both domestic and commercial refuse.

19. Construction contracts revenue

	2025	2024
Construction contracts revenue	-	6,956,521

The municipality received a schedule 5B grant to undertake electrification projects. The municipality is undertaking construction activities as a primary contractor on behalf of Department of Mineral Resources and Energy and ESKOM. The municipality has accounted for this transaction according to GRAP 11, Construction contract. To measure reliably the work performed, the completion of a contract is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs and the completion of a physical proportion of the contract work. A Construction contract revenue to the value of R 6 956 521 in 2024 financial year was raised based the completion of the physical work of the contract.

20. Rental of facilities and equipment

	2025	2024
Facilities and equipment		
Rental of facilities	1,256,512	1,098,477

The municipality generates revenue from the leasing of various properties and facilities. These include, but are not limited to, shop rentals, Small Medium and Micro Enterprise (SMME) units, office space, land and hall hire. Such rental income forms part of the municipality’s ongoing revenue streams and contributes towards supporting its operational and service delivery objectives.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Interest earned - Outstanding debtors

Interest on service charges	465,948	429,550

22. Other income

Insurance Refund	-	283,397
Sundry income	705,418	408,471
Town planning and building fees	145,487	99,299
Tender documents	107,481	84,490
Cementery fees	140,856	126,406
Photocopy charges & printing	5,255	2,488
SETA Refunds	135,118	105,514
	1,239,615	**1,110,065**

23. Interest received - investment

Interest revenue		
Bank	162,608	495,163
Interest received - other	2,710,326	2,444,097
	2,872,934	**2,939,260**

During the financial year, the municipality earned interest income from both its primary bank account and short-term investment accounts.

Interest earned on the municipality’s primary bank account amounted to R162,608. This represents interest received on the daily balances maintained in the operational account. In addition, interest earned on call accounts and short-term investment deposits amounted to R2,710,326. This interest income is regenerated on municipal funds invested in line with the municipality’s cash management and investment policy, which is designed to optimise returns on surplus cash while ensuring liquidity and safeguarding public funds.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Property rates

Rates recognised

Business and Commercial Rates	5,202,985	4,974,792
Public Service Property (PSP) Rates	13,791,614	13,154,396
Agricultural Rates	5,840,581	5,537,953
Residential developed rates	4,043,519	4,026,132
Vacant Land Rates	521,419	1,177,245
	29,400,118	28,870,518
Property rates - penalties imposed	3,145,486	2,925,073
	32,545,604	**31,795,591**

Valuations

Residential	619,962,500	619,012,500
Commercial	282,788,000	283,768,000
Agricultural	2,570,149,000	2,570,149,000
Municipal	134,452,000	133,472,000
Place of worship	15,179,000	15,179,000
Protected Area	22,049,000	22,049,000
Public Benefit Organisation	291,327,500	291,327,500
Public Service Infrastructure	4,023,000	4,023,000
Public Service Property	739,389,000	739,389,000
Vacant land	45,065,500	44,795,500
Rural Communal	64,613,000	64,613,000
	4,788,997,500	**4,787,777,500**

25. Licences and permits (non-exchange)

Trading	1,120,201	919,812
Road and Transport	1,685,149	1,458,073
	2,805,350	**2,377,885**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies

Operating grants		
Equitable share	97,995,000	92,919,000
Finance Management Grant	1,900,000	1,950,000
Human Settlement Grant	483,371	-
Expanded Public Works Programme	1,410,000	1,125,000
Library Grant	3,859,992	3,200,000
Nelson Street SMME Rehabilitation	-	147,311
LGSETA Grant	495,165	-
Municipal Infrastructure Grant	571,067	518,098
	106,714,595	**99,859,409**
Capital grants		
Municipal Infrastructure Grant	20,402,933	21,812,902
Small Town Grant	-	408,766
Nelson Street SMME Rehabilitation	2,652,689	-
	23,055,622	**22,221,668**
	129,770,217	**122,081,077**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	31,775,217	29,162,077
Unconditional grants received	97,995,000	92,919,000
	129,770,217	**122,081,077**

Equitable share

Current-year receipts	97,995,000	92,919,000
Conditions met - transferred to revenue	(97,995,000)	(92,919,000)
	-	**-**

The purpose of the grant is to supplement the municipality's revenue to enable it to provide basic services and perform its functions as mandated by the Constitution. The equitable share is an unconditional grant and is intended to ensure that municipalities are able to sustain service delivery to communities, particularly for free basic services to indigent households. The grant was utilised in accordance with the requirements of the Division of Revenue Act

Human Settlement

Balance unspent at beginning of year	4,440,512	4,117,820
Interested capitalized	266,957	322,692
Conditions met - transferred to revenue	(483,371)	-
Grant repaid	(837,284)	-
	3,386,814	**4,440,512**

The purpose of the grant is to support municipalities in the delivery of housing projects in line with the national human settlements programme. The grant funds may be utilised for the construction of housing units, related bulk services, and other initiatives that enhance sustainable human settlements. An amount of R 3 386 814 remained unspent at year-end. The municipality has requested approval from the transferring department to retain and apply the unspent balance towards housing-related projects. The grant is accounted for as a conditional grant in accordance with the requirements of the Division of Revenue Act.

Library Grant

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

Current-year receipts	3,860,000	3,200,000
Conditions met - transferred to revenue	(3,860,000)	(3,200,000)
	-	-

The purpose of the grant is to support the transformation and upgrading of community library services by funding the improvement of infrastructure, provision of ICT resources, staff capacity development, and the promotion of access to information and a culture of reading, particularly in previously disadvantaged communities. The grant was spent in accordance with the applicable framework and conditions prescribed in the Division of Revenue Act.

Expanded Public Works Programme Grant

Current-year receipts	1,410,000	1,125,000
Conditions met - transferred to revenue	(1,410,000)	(1,125,000)
	-	-

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in identified focus areas, in line with the Expanded Public Works Programme Guidelines. The grant was fully implemented during the year, and the conditions of the grant were met in full in accordance with the Division of Revenue Act.

Integrated National Electrification Programme Grant

Current-year receipts	-	8,000,000
Conditions met - construction contract revenue	-	(8,000,000)
	-	-

The purpose of the grant is to provide capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings. The municipality is implementing the projects as the primary contractor on behalf of the Department of Mineral Resources and Energy (DMRE) and Eskom.

Financial Management Grant

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

The purpose of the grant is to promote and support financial management reforms and to build capacity within municipalities for the effective implementation of the MFMA. The Financial Management Grant is a national conditional grant allocated in terms of the Division of Revenue Act. The grant was fully implemented during the year, and the conditions of the grant were met in full.

Municipal Infrastructure Grant

Current-year receipts	20,974,000	22,331,000
Conditions met - transferred to revenue	(20,974,000)	(22,331,000)
	-	-

The purpose of the grant is to provide capital finance for the eradication of basic municipal infrastructure backlogs for poor households, micro-enterprises, and social institutions serving poor communities. The Municipal Infrastructure Grant is a national conditional grant allocated in terms of the Division of Revenue Act. The grant was fully implemented during the year, and the conditions of the grant were met in full.

High-Over Grant

Balance unspent at beginning of year	211,922	2,752,851
Current-year receipts	2,000,000	-

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

Conditions met - transferred to revenue	(116,382)	(2,540,929)
	2,095,540	**211,922**

The purpose of the grant to facilitate the the implementation of Highover Wildlife Sanctuary. The municipality received a grant allocation of R2 000 000 from the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs (EDTEA) for the implementation of the High-over Wildlife Sanctuary project. As at 30 June 2025, a total amount of R116 382 had been spent, with an unspent balance of R 2 095 540 remaining at year-end. The unspent portion has been recognised as a conditional grant liability.

Nelson Street SMME Rehabilitation

Balance unspent at beginning of year	352,689	-
Current-year receipts	2,300,000	500,000
Conditions met - transferred to revenue	(2,652,689)	(147,311)
	-	**352,689**

The purpose of the grant is to change the current trading conditions of local SMME and create a value chain of business opportunities. The Richmond Local Municipality has under the Economic Development, Tourism and Environmental Affairs received a grant amount of R 2 300 000 for the rehabilitation of Nelson Street SMME Unit stalls. The grant was 100% implemented and the conditions of the grants were met in full.

LGSETA Grant

Balance unspent at beginning of year	66,000	-
Current-year receipts	429,165	66,000
Conditions met - transferred to revenue	(495,165)	-
	-	**66,000**

The purpose of the grant is to strengthen skills development within the local government sector through funding initiatives such as bursaries, learnerships, internships, skills programmes, and candidacy schemes. During the financial year ended 30 June 2025, a total amount of R495 165 was spent on accredited skills programmes.

Informal Economy Infrastructure

Current-year receipts	359,000	-
Conditions met - transferred to revenue	-	-
	359,000	**-**

The purpose of the grant is to support municipalities, NGOs, and training organisations in uplifting local informal businesses, consistent with the KZN Informal Economy Masterplan and related provincial initiatives. These programmes are aimed at strengthening township and rural enterprises, improving competitiveness, creating sustainable jobs, and promoting inclusive economic participation.

During the 2025 financial year, an amount of R359 000 was received as the first tranche of the allocation. The grant is recognised as a conditional grant in accordance with the Division of Revenue Act, and unspent balances at year-end are disclosed as liabilities until formally approved for utilisation.

27. Fines, Penalties and Forfeits

Law Enforcement Fines	870	-
Pound Fees Fines	6,194	8,892
Municipal Traffic Fines	488,050	391,150
Prescribed deposits - unallocated receipts	185,093	-
	680,207	**400,042**

Figures in Rand	2025	2024

28. Employee related costs

Basic	49,392,889	45,254,344
Bonus	3,728,019	3,360,819
Medical aid - company contributions	2,698,309	2,414,736
Unemployment Insurance	395,171	377,582
Post-retirement Benefits	725,511	579,241
Post-employment medical aid contributions	902,000	812,000
Allowances	7,644,320	3,963,120
Pension	7,038,019	6,389,360
Other company contributions	676,237	616,150
	73,200,475	**63,767,352**

Remuneration of Municipal Manager

Annual Remuneration	1,104,050	1,065,788
Car Allowance	180,000	180,000
Leave Payout	34,444	-
Contributions to UIF, Medical and Pension Funds	2,268	2,262
Other Allowance	130,973	127,145
	1,451,735	**1,375,195**

Remuneration of Chief Finance Officer

Annual Remuneration	906,079	874,665
Car Allowance	156,000	156,000
Leave Payout	84,841	-
Contributions to UIF, Medical and Pension Funds	2,445	2,262
Other Allowance	112,395	108,033
	1,261,760	**1,140,960**

The Chief Financial Officer’s contract ended on 28 February 2025. He was subsequently appointed as Acting Chief Financial Officer from 1 March 2025 until 30 June 2025.

Remuneration of Strategic Manager : Community Services

Annual Remuneration	759,752	874,665
Car Allowance	130,000	156,000
Leave Payout	28,280	-
Contributions to UIF, Medical and Pension Funds	1,890	2,262
Other Allowance	114,993	108,033
	1,034,915	**1,140,960**

The Strategic Manager: Community Services resigned with effect from 30 April 2025. An acting incumbent was appointed with effect from June 2025.

Remuneration of Strategic Manager : Technical Services

Annual Remuneration	906,079	874,665
Car Allowance	156,000	156,000
Leave Payout	28,280	-
Contributions to UIF, Medical and Pension Funds	2,262	2,262
Other Allowance	111,183	108,033
	1,203,804	**1,140,960**

Remuneration of Strategic Manager: Corporate Services

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Employee related costs (continued)

Annual Remuneration	906,079	868,460
Car Allowance	156,000	156,000
Leave Payout	28,280	-
Contributions to UIF, Medical and Pension Funds	2,262	2,262
Other Allowance	112,101	102,327
	1,204,722	**1,129,049**

29. Remuneration of councillors

Executive Mayor	1,018,064	984,939
Deputy Executive Mayor	822,731	812,141
Mayoral Committee Members	454,729	450,162
Speaker	856,832	813,402
Councillors	3,369,751	3,488,822
	6,522,107	**6,549,466**

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.

30. Depreciation and amortisation

Property, plant and equipment	15,222,826	16,321,530
Intangible assets	250,220	156,061
	15,473,046	**16,477,591**

31. Finance costs

Finance cost	12,181	33,298
Interest charge - Provision for landfill site closure	739,862	817,315
	752,043	**850,613**

32. Operating lease rentals

Premises		
Contractual amounts	44,260	44,260
Motor vehicles		
Contractual amounts	2,785,883	2,761,159
Plant and equipment		
Contractual amounts	75,838	68,120
	2,905,981	**2,873,539**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Contracted services

Outsourced Services		
Business and Advisory	468,935	377,455
Catering Services	1,177,524	895,692
Cleaning Services	40,684	-
Hygiene Services	43,125	22,855
Medical Health Services & Support	44,900	100,770
Professional Staff	502,901	348,299
Security Services	13,698,009	13,165,829
Drivers Licence Cards**	271,681	289,377
Consultants and Professional Services		
Business and Advisory**	1,457,198	1,915,830
Legal Cost	1,732,972	1,062,011
Contractors		
Artists and Performers	184,174	-
Building	553,058	83,846
Interior Decorator	9,500	14,700
Maintenance of Buildings and Facilities	2,551,421	3,853,384
Maintenance of Equipment	3,502,659	3,808,936
Maintenance of Unspecified Assets	2,616,220	3,307,333
Pest Control and Fumigation	7,826	18,560
Prepaid Electricity Vendors	1,898,265	1,622,837
Tracing Agents and Debt Collectors	387,082	496,876
Sports and Recreation	-	5,450
Prepaid Water Vendors	984,097	560,850
	32,132,231	**31,950,890**

The Business Advisory** line item under Consultants and Professional Services was reduced by an amount of R 289 377 in the prior year while line item for Drivers License Cards was increased by the same amount. The adjustment was effected to ensure alignment with the mSCOA requirements.

34. Construction contract cost

Construction contract cost	-	6,956,241

The municipality received a Schedule 5B grant from the Department of Mineral Resources and Energy (DMRE) to undertake electrification projects. The municipality is implementing these projects as the primary contractor on behalf of the DMRE and Eskom.

In accordance with GRAP 11: Construction Contracts, the municipality has accounted for the transaction as a construction contract. The stage of completion of the contract is measured reliably using both (a) the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, and (b) the physical completion of the contract work.

During the 2024 financial year, a construction contract cost of R6 956 521 was recognised, based on the completion of the physical portion of the contract work performed.

35. Inventory consumed

Consumables	927,530	2,114,039
Materials and supplies	2,750,792	2,580,157
	3,678,322	**4,694,196**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Operational cost

Advertising	812,437	824,721
Auditors remuneration	2,043,600	2,020,527
Bank charges	205,559	189,511
Bursaries (employees)	607,023	398,796
Conferences and seminars	510,349	1,048,547
Signage	82,800	-
Fuel and oil	3,286,453	4,828,637
Groceries for indigent relief	97,500	148,500
Hire	1,990,724	3,181,090
IT expenses	27,495	171,036
Insurance	1,362,363	1,559,225
License and registration	116,651	55,022
Postage and courier	55,992	50,365
Prepaid electricity - indigent relief	543,106	522,775
Printing and stationery	212,563	314,693
Protective clothing	1,032,438	1,158,223
Remuneration of ward committees	1,011,899	1,063,400
Subscriptions and membership fees	832,470	815,879
Telephone and fax	1,100,156	1,127,132
Transport and freight	339,900	320,130
Travel - local	2,035,911	2,309,225
Vehicle tracking	30,168	12,807
Workmans compensation	473,931	469,088
	18,811,488	**22,589,329**

37. Impairment loss

Impairments		
Property, plant and equipment	2,146,965	1,965,310
Trade and other receivables	723,493	736,227
Other receivables from non-exchange revenue	2,351,757	3,909,306
	5,222,215	**6,610,843**
Reversal of impairments		
Other receivables from non-exchange revenue	-	(811,428)
Total impairment losses (recognised) reversed	**5,222,215**	**5,799,415**

Property, plant and equipment

A conditional assessment was performed for all property plant and equipment items. Based on the assessment results, assets assessed to have a very poor condition and not in use were impaired to nil value. Conditions considered during this assessment includes amongst others, the functionality of the assets as well as its physical status. Some infrastructure and community assets as well as office buildings have been impaired during the year

38. Irrecoverable debts written off

Property rates	(467,365)	(670,442)
Refuse and other	(63,697)	(29,378)
Sundry debtors	(461,431)	(1,013,248)
	(992,493)	**(1,713,068)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Gain on remeasurement of landfill provision

Designated at fair value		
Landfill site asset - solid waste	-	407,378

40. Auditors' remuneration

Fees	2,043,600	2,020,527

41. Cash generated from operations

Surplus	7,583,095	263,559
Adjustments for:		
Depreciation and amortisation	15,473,046	16,477,591
Disposal of Fixed and Intangible Assets	(750,983)	123,885
Fair Value Adjustments (incl. Actuarial gains/losses)	(56,000)	(324,378)
Irrecoverable debts written off	992,495	1,713,068
Finance costs	12,132	33,299
Impairment loss	5,222,215	6,610,843
Reversal of Impairment Loss	-	(811,428)
Leave pay accrual	284,045	-
Movements in operating lease assets and accruals	44,260	44,260
Movements in retirement benefit assets and liabilities	1,363,000	1,145,000
Movements in provisions	739,911	817,314
Accrued bonus	138,593	254,593
Changes in working capital:		
Receivables from exchange transactions	(360,532)	(1,885,812)
Consumer debtors	(726,808)	(59,947)
Other receivables from non-exchange transactions	(2,398,960)	(3,767,936)
Bad Debts Written-off	(992,495)	(1,713,068)
VAT Receivable/(payable)	2,354,733	1,512,860
Consumer deposits	800	2,000
Payables from exchange transactions	837,659	(2,986,115)
Leave pay accrual	(284,045)	-
Accrued bonus	(138,593)	(254,593)
Transfers and subsidies unspent & grants received in advance	770,232	(2,208,312)
Movement in payables relating to acquisition of assets - Retentions	(686,809)	533,470
	29,420,991	**15,520,153**

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Roads Infrastructure	4,250,542	17,854,573
• Community Asset	6,729	132,688
• Electrification	2,678,097	3,058,220
	6,935,368	**21,045,481**

Total capital commitments		
Already contracted for but not provided for	6,935,368	21,045,481

Total commitments

Authorised capital expenditure	6,935,368	21,045,481

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Contingencies

Case 1 : Zibonele Funeka vs Richmond Municipality

Municipality employee filed a claim for damages against the Municipality based on defamation of character. The action is based on vicarious liability. During the 2025 financial year there was no movement since the plaintiff’s attorney is not further prosecuting the matter.

Case 2 : G&R Raunbeheimer vs Richmond Municipality

One of the municipal vehicles with registration number NK 3856 was involved in an accident and a claimant filed a claim against the municipality for damages. As at 30 June 2025 the matter was still pending in Court.

Case 3 Phumelela B Madonda vs Richmond Municipality

One of the municipal vehicles with registration number NK 2680 had a mechanical fault and was towed to a repair centre however, it later transpired that no authority was given to send the vehicle to repair center. The vehicle has since remained in the repair Centre and the owner of the repair centre has filed a claim against the municipality for storage costs. The municipality has engaged legal attorneys to the handle matter. As at 30 June 2025, the case was still pending.

Case 4 : Vox communications vs Richmond Municipality

The municipality terminated the services of a telecommunications service provider previously responsible for telephone lines in the municipality however, the service provider filed a claim for early termination citing outstanding contractual fees The municipality is defending the claim, as at 30 June 2025.

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality:

Summary of contingent liabilities		
Case 1	1,000,000	1,000,000
Case 2	300,000	300,000
Case 3	100,000	100,000
Case 4	200,000	200,000
	1,600,000	**1,600,000**

44. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Councillors	Refer to note 29
Members of key management	Refer to note 28

There were no balances due to / from related parties as at the end of the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Prior-year adjustments

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

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		364,627	253,566	618,193
VAT receivable		4,270,751	(33,073)	4,237,677
Accumulated surplus		(358,114,506)	(220,493)	(358,334,998)
		(353,479,128)	**-**	**(353,479,128)**

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions		6,984,321	-	(432,641)	6,551,680
Receivables from exchange transactions		354,495	1,040,591	432,641	1,827,727
VAT receivable		2,686,000	(2,686,000)	-	-
Unspent grant		(5,005,123)	(66,000)	-	(5,071,123)
Statutory receivable VAT		-	2,724,816	-	2,724,816
Payables from exchange transactions		(9,494,267)	(659,905)	-	(10,154,172)
Accumulated surplus		(358,245,055)	(353,502)	-	(358,598,557)
		(362,719,629)	**-**	**-**	**(362,719,629)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Rental of facilities and equipment		899,466	199,011	1,098,477
Other income		1,176,065	(66,000)	1,110,065
Surplus for the year		**2,075,531**	**133,011**	**2,208,542**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Property rates and other receipts from non-exchange transactions		27,848,510	407,159	28,255,666
Services charges and other receipts from exchange transactions		3,153,767	(668,521)	2,485,242
Transfers and Subsidies and Public contributions		130,347,692	66,000	130,413,693
Suppliers, Service Providers and othe		(71,635,752)	195,362	(71,440,392)
		89,714,217	**-**	**89,714,209**

45. Prior-year adjustments (continued)

Prior-year adjustments

The following correction of errors occurred:

Reclassification of receivables

In the previous financial year, the municipality incorrectly classified certain receivables specifically prepayments and security deposits under receivables from non-exchange transactions. Upon review of the nature of these items during the current financial year, it was determined that these balances should be presented as receivables from exchange transactions.

Correction of VAT receivables

In the previous financial year, the municipality did not accurately present and disclose the VAT receivable from SARS. Upon review of VAT transactions and balances, it was determined that the presentation required correction. The VAT input accrual has been reclassified to Receivables from Exchange Transactions, while the VAT output accrual has been reclassified to Payables from Exchange Transactions.

Furthermore, in line with the requirements of GRAP 108: Statutory Receivables, the VAT receivable from SARS is now presented separately under statutory receivables. This reclassification ensures fair presentation and compliance with the Standards of GRAP. Comparative figures have been restated accordingly.

The error has been corrected retrospectively and comparative figures restated. This adjustment ensures proper recognition of rental income in accordance with lease agreements and the applicable Standards of GRAP.

Correction of rental revenue escalation

In previous financial years, the municipality did not implement contractual rental escalations on certain property rental agreements. This resulted in an understatement of both rental revenue and receivables from exchange transactions.

The error has been corrected retrospectively and comparative figures restated. This adjustment ensures proper recognition of rental income in accordance with lease agreements and the applicable Standards of GRAP.

Correction of conditional grant recognition

In the prior financial year, a conditional grant allocation received from the LGSETA was incorrectly recognised as revenue. Upon review during the current financial year, management determined that the grant should have been treated as an unspent conditional grant at year-end, in line with GRAP 23 (Revenue from Non-exchange Transactions).

The error has been corrected retrospectively and the comparative figures restated. The adjustment ensures accurate presentation of unspent conditional grants and compliance with the applicable Standards of GRAP.

Restatement of the cash flow statement

The prior-year errors described above also required retrospective corrections to the Cash Flow Statement. These adjustments did not affect the overall movement in cash and cash equivalents for the period but resulted in changes to the classification of cash flows within operating activities

The reclassification of certain receivables required an adjustment between receipts from exchange and non-exchange transactions.

The correction of rental revenue escalation affected receipts from exchange transactions to properly reflect contractual rental income.

The correction of the conditional grant recognition resulted in an adjustment between government grants received and unspent conditional grants carried forward.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Prior-year adjustments (continued)

These adjustments ensure that the Cash Flow Statement accurately reflects the nature of receipts and payments in line with GRAP 2 (Cash Flow Statements).

46. Risk management

Financial risk management

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances

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 board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial instruments exposed to liquidity and credit risk at year end were as follows:

Financial instrument	2025	2024
Cash and cash equivalents	20,629,794	11,870,958
Other financial assets	266	266
Receivables from exchange transactions	2,191,570	1,827,725
Payables from exchange transactions	(11,215,000)	(10,064,000)

Market risk

46. Risk management (continued)

Interest rate risk

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Going concern

We draw attention to the fact that at June 30, 2025, the municipality had an accumulated surplus of R 366,181,657 and that the municipality's total assets exceed its liabilities by R 366,181,657.

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 sound financial management will remain in force for so long as it takes to maintain the solvency of the municipality.

Consideration was given to the following key financial indicators when assess whether the municipality will continue as a going concern:

Financial position assessment:

Current ratio - The municipality has a current ratio of 1.2:1 which indicate that the municipality can be able to honour its obligations as they fall due.

Cash coverage ratio - The municipality has a cash coverage ratio of 1 month which indicate that the municipality could operate for a period of a month with it current available resources. This ratio is within the stipulated norm of 1-3 months.

Collection rate - The municipality maintained a collection rate of 90% which is below the recommended rate of 95%. The municipality continues to implement aggressive collection strategies with an aim to improve collection on prior years old debt.

Creditor payment period - The municipality maintained a payment period of 25 days which is in line with the legislated payment period of 30 days.

Sources of funding

Per the Division of Revenue Act (DORA) allocations, the municipality is projected to receive the following:
- Equitable share
- FMG Grant
- Library Grant
- MIG Grant
- EPWP Grant
- SMME Rehabilitation Grant
- INEP Grant and
- Informal Economy Infrastructure Grant

The total allocation for the next financial year R 133 892 600 and such funding is expected in the 2 outer years.

Other considerations:

As at the date of approval of the annual financial statements, there were no material uncertainties related to events or conditions which may cast significant doubt upon the municipality’s ability to continue as a going concern.

Taking the above into account, there were no factors identified that would cast significant doubt on the Municipality's ability to continue as a going concern. Therefore, the Annual Financial Statements were on a going concern basis.

48. Events after the reporting date

No event that should be disclosed has come to the municipality's attention after the reporting date that existed at the reporting.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Unauthorised expenditure

Opening balance as previously reported	-	-
Add: Unauthorised expenditure - current	-	-
Closing balance	**-**	**-**

The municipality did not incur any unauthorised expensditure in the current financial year.

50. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure identified - current	-	498,295
Less: Amount transferred to debtor for recovery	-	(498,295)
Closing balance	**-**	**-**

Payment made to the Department of Transport for outstanding motor licence revenue that could not be supported by bank deposit slips.

51. Irregular expenditure

Opening balance as previously reported	-	-
Add: Irregular expenditure - current	-	-
Closing balance	**-**	**-**

The municipality did not incur any irregular expenditure in the current year.

52. Deviation from supply chain management regulations

There are no deviations from the supply chain management regulations to report in the current financial year.

53. Segment information

General information

Identification of segments

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

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

Aggregated segments

The municipality is organised and operates in three key reportable functions throughout the seven wards under Richmond dermacations. Segments were aggregated on the basis of service delivery as management considered that the economic characteristics of the segments throughout Richmond were sufficiently similar to warrant aggregation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Community and Public safety	Community and social services
Economic and Enviromental	Planning and development
Trading services	Provision of refuse services, solid waste disposal - Landfill Sites
Governance and administration - not a segment***	Provision of support services - finance, corporate, municipal managers office

Information about geographical areas

The municipality has seven wards which it currently service and operate on, however there is no avaiable reportable information on the following :
- Revenues from non-exchange transactions and external revenues from exchange transactions attributed to the wards
- Total expenditure attributed to the wards
- Non-current assets for wards

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Revenue from non-exchange transactions	Revenue from exchange transactions	Revenue interest investments	Total Segment revenue	Salaries and wages	Depreciation, amortisation and impairment loss	Other expenses (excluding finance cost	Total Segment expenditure (excluding finance cost)	Total segment (deficit) surplus
Revenue									
Community and Public safety	4,344,233	300,509	-	4,644,742	(14,582,847)	(2,649,496)	(12,977,196)	(30,209,539)	(25,564,797)
Economic and Enviromental	26,926,283	832,954	-	27,759,237	(26,071,924)	(12,820,213)	(14,646,462)	(53,538,599)	(25,779,362)
Trading services	-	1,386,222	-	1,386,222	(3,206,030)	(475,258)	(3,180,335)	(6,861,623)	(5,475,401)
Governance and administration - not a segment***	134,530,860	1,429,449	2,872,933	138,833,242	(42,018,714)	(4,750,287)	(26,724,024)	(73,493,025)	65,340,217
	-	-	-	-	-	-	-	-	-
Total	**165,801,376**	**3,949,134**	**2,872,933**	**172,623,443**	**(85,879,515)**	**(20,695,254)**	**(57,528,017)**	**(164,102,786)**	**8,520,657**

Other reconciling items	
Finance cost	(752,043)
Profit on disposal of assets	750,983
Gain on remeasurement of landfill provision	-
Actuarial gains/losses	56,000
Irrecoverable debts written off	(992,495)
Entity's Surplus (deficit) for the period	**7,583,102**

Governance and administration - not a reportable segment***

The governance and administration is not a reportable segment as defined however, the information pertaining to this function is presented to reconcile the; municipality's segment deficit / surplus with the amount reported in the statement of financial performance and the municipality's segment assets and liabilties with the balances in the statement of financial position.

53. Segment information (continued)

2024

	Revenue from non-exchange transactions	Revenue from exchange transactions	Revenue interest investments	Total Segment revenue	Salaries and wages	Depreciation, amortisation and impairment loss	Other expenses (excluding finance cost	Total Segment expenditure (excluding finance cost)	Total segment (deficit) surplus
Revenue									
Community and Public safety	3,200,000	190,459	-	3,390,459	(13,141,354)	(803)	(13,617,021)	(26,759,178)	(23,368,719)
Economic and Enviromental	25,652,975	7,507,203	-	33,160,178	(24,314,869)	(18,336,112)	(24,827,696)	(67,478,677)	(34,318,499)
Trading services	-	1,095,144	-	1,095,144	(2,937,424)	-	(4,432,109)	(7,369,533)	(6,274,389)
Governance and administration - not a segment***	127,801,620	1,825,228	2,939,260	132,566,108	(35,850,294)	(3,940,091)	(26,187,369)	(65,977,754)	66,588,354
	-	-	-	-	-	-	-	-	-
Total	**156,654,595**	**10,618,034**	**2,939,260**	**170,211,889**	**(76,243,941)**	**(22,277,006)**	**(69,064,195)**	**(167,585,142)**	**2,626,747**

Other reconciling items	
Finance cost	(850,613)
Loss on disposal of assets	(123,885)
Gain on remeasurement of landfill provision	407,378
Actuarial gains/losses	(83,000)
Irrecoverable debts written off	(1,713,068)
Entity's Surplus (deficit) for the period	**263,559**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment assets and liabilities

2025

	Total capital expenditure	Total assets	Total liabilities
Community and Public safety	156,995	318,175,453	(368,527)
Economic and Enviromental	20,387,214	38,184,793	(6,729,092)
Trading services	2,515,374	6,927,082	(9,200,090)
Governance and administration - not a segment***	1,947,411	44,170,221	(24,978,183)
	-	-	-
Total for entity	**25,006,994**	**407,457,549**	**(41,275,892)**

2024

	Total capital expenditure	Total assets	Total liabilities
Community and Public safety	32,010	326,633,423	(2,519,341)
Economic and Enviromental	19,235,842	40,201,328	(7,791,817)
Trading services	-	5,787,629	(5,108,168)
Governance and administration - not a segment***	2,669,630	21,305,022	(19,909,528)
	-	-	-
Total for entity	**21,937,482**	**393,927,402**	**(35,328,854)**

The prior year segment information on assets and liabilities was updated.

Notes to the Annual Financial Statements

Figures in Rand

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government		
Current year subscription / fee	800,236	773,271
Amount paid - current year	(800,236)	(773,271)
	-	-

Audit fees		
Current year fees	2,043,600	2,020,527
Amount paid-current year	(2,043,600)	(2,020,527)
	-	-

PAYE and UIF		
Current year subscription/fee	12,743,042	11,348,422
Amount paid-current year	(12,743,042)	(11,348,422)
	-	-

Pension and Medical aid deductions		
Current year subscription/fee	15,694,050	14,197,203
Amount paid-current year	(15,694,050)	(14,197,203)
	-	-

Councillor's Municipal Accounts in Arrears

There are no councillor's with outstanding or arrear municipal accounts as at 30 June 2025.

55. Agency services

Vehicle Registration	1,066,045	905,004

The municipality is a Registering Authority and in terms of the Agreement between the Department of Transport and Richmond Municipality, the municipality is regarded as an Agency. The municipality currently earns an 8.62% agency fee which is based on the revenue generated from the collection of motor vehicle registration and licensing fees.

56. Change in estimate

Property, plant and equipment

The municipality performed conditional assessment of municipal assets during the financial year under review. The remaining useful life of property plant and equipment items has been revised to match with the expected future economic benefits as per conditional assessment results. The effect of this revision has decreased the depreciation charges for the current financial year by R 1,609 108. The change in estimate has been applied prospectively. Below is the detailed breakdown of the change in estimate.

Assets affected	Depreciation prior reasse ssment	Depreciation after reasses sment	Impact of change in the current year	Impact on future periods
Building	802,431	729,729	(72,701)	72,701
Community	2,719,567	2,326,547	(393,019)	393,019
Computer Softwares	345,901	250,220	(95,681)	95,681
Furniture and fittings	208,819	193,219	(15,599)	15,599
Infrastructure	10,464,320	9,880,840	(583,479)	583,479
Office equipment	1,238,980	977,160	(261,819)	261,819
Motor vehicles	824,253	702,597	(121,656)	121,656
Plant and equipment	476,749	411,595	(65,154)	65,154
	17,081,020	**15,471,907**	**(1,609,108)**	**1,609,108**

57. Accounting by principals and agents

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

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

Arrangement with the Department of Economic Development, Tourism and Environmental Affairs

The Richmond Local Municipality is party to a principal-agent arrangement with the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The Department provides the municipality with a grant for the implementation of High-over Wildlife Sanctuary. The focus area of implementation is the High-over lodge within the Sanctuary. No agency fees are charged for this principal-agent arrangement.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Accounting by principals and agents (continued)

Entity as agent

Additional information

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

Reconciliation of the carrying amount of payables

High-Over		
Opening balance	211,922	2,752,851
Receipt from principal	2,000,000	-
Expenses incurred on behalf of the principal	(116,382)	(2,540,929)
	2,095,540	**211,922**

The municipality currently holds an amount of R 2 095 540 that belongs to the Department of Economic Development, Tourism and Environmental Affairs that was transferred to the municipality during the current financial year and was not utilised. The municipality will apply for a Grant Rollover of the remaining amount so that it is not returned to the principle but utilised for the completion of the project in the next financial year.

All categories		
Opening balance	211,922	2,752,851
Receipt from principal	2,000,000	-
Expenses incurred on behalf of the principal	(116,382)	(2,540,929)
	2,095,540	**211,922**