OKHAHLAMBA

LOCAL MUNICIPALITY • UMKHANDLU WENDAWO

**Home of Heritage and Tourism**

Okhahlamba Local Municipality

(Registration number KZN 235)

Annual Financial Statements

for the year ended 30 June 2025

## General Information

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|---|---|
| **Legal form of entity** | Local Municipality |
| **Municipal demarcation code** | KZN 235 |
| **Capacity** | Low |
| **Nature of business and principal activities** | Service Delivery: Rates, Waste Management and General services.<br>Main business operations: Local government activities, planning and promotion of the integrated development plan, land, economic and environmental development.<br>The mandate of the municipality is in terms of section 152 of the Constitution of South Africa. |
| **Accounting Officer** | Mr SN Malinga Pr. Techn Eng(Civil) |
| **Councillors** | Mayor - Cllr. V. R. Mlotshwa<br>Deputy Mayor - Cllr. N. E. Shabalala<br>Speaker - Cllr. S. Z. Khumalo<br>Member of the Executive Committee - Cllr. M. A. Mavundla<br>Member of the Executive Committee - Cllr. S. M. Buthelezi<br>Member of the Executive Committee - Cllr. M. G. Ndlangisa |
| | Cllr. M. N. Dlamini<br>Cllr.S .P. Sehlako<br>Cllr. P. N. Zwane<br>Cllr. B. Z. Mchunu<br>Cllr. D.R. Hlongwane<br>Cllr. L. K. Letsoalo<br>Cllr. B. A. Coka<br>Cllr. V. W. Mazibuko<br>Cllr. S. P Khoza<br>Cllr. T. J. Dladla<br>Cllr. K.O. Hadebe<br>Cllr. R. T. Khoza<br>Cllr. V. P. Mvula<br>Cllr. P. W. Hlongwane<br>Cllr. P.A.M. Mfuphi<br>Cllr. MM Zakwe |
| | Cllr. N.A. Mdakane<br>Cllr. D.S. Ndaba<br>Cllr. D.T. Sibeko<br>Cllr. N.P. Khumalo<br>Cllr. K.A. Hlongwane<br>Cllr. R.S. Ngwenya |

## General Information

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|---|---|
| **Registered office** | 259 Kingsway Road<br>Bergville<br>Tel: 036 448 8000<br>communications@okhahlamba.gov.za |
| **Postal address** | P. O. Box 71<br>Bergville<br>3350 |
| **Chief Finance Officer (CFO)** | Mr. S.S. Dlamini |
| **Bankers** | First National Bank, ABSA and Nedbank. |
| **Auditors** | Auditor General of South Africa |
| **Preparer** | The annual financial statements were internally compiled by:<br>Manager: Finance, reviewed by Chief Financial Officer, Internal Audit. |
| **Legislation governing the Municipality's operations:** | Constitution of the Republic of South Africa (Act No. 108 of 1998)<br>Local Government: Municipal Finance Management Act (Act No. 56 of 2003)<br>Local Government: Municipal Systems Act (Act No. 32 of 2000)<br>Local Government: Municipal Structures Act (Act No. 117 of 1998)<br>Municipal Property Rates Act (Act No. 6 of 2004)<br>Division of Revenue Act (Act No. 1 of 2007) |

## Index



Abbreviations

| | |
|---|---|
| VAT | Value Added Tax |
| LGSETA | Local Government Sectorial Education and Training Authority |
| INEP | Integrated National Electrification Programme |
| PPE | Property, Plant and Equipment |
| WCF | Workman's Compensation Fund |
| COGTA | Co-operative Governance and Traditional Affairs |
| SETA WIL | Sectorial Education and Training Authority Work Integrated Learning |
| MFMA | Municipal Finance Management Act 56 of 2003 |
| MIG | Municipal Infrastructure Grant |
| SDL | Skills Development Levy |
| UIF | Unemployment Insurance Fund |
| SARS | South African Revenue Services |
| GRAP | Generally Recognised Accounting Practice |
| IGRAP | Interpretation of Generally Recognised Accounting Practice |
| DORA | Division of Revenue Act |

# Approval of Annual Financial Statements

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August, 2025 and were signed on its behalf by:

**Mr SN Malinga Pr. Techn Eng(Civil)
ND Civil Eng ,B Tech Civil Eng.,B Tech in Mngt.,Master in Public Admin.**

**Date of Signature**

**Friday, 29 August 2025**

## Statement of Financial Position as at 30 June 2025

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Operating lease receivable | 7 | 158 829 | 105 456 |
| Receivables from exchange transactions | 8 | 8 416 576 | 9 619 857 |
| Receivables from non-exchange transactions | 9 | 2 536 284 | 2 256 180 |
| Consumer debtors | 10 | 36 367 937 | 33 654 682 |
| Cash and cash equivalents | 12 | 2 057 516 | 30 607 940 |
| | | **49 537 142** | **76 244 115** |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 535 880 297 | 488 694 452 |
| Intangible assets | 4 | 516 938 | 574 242 |
| Heritage assets | 5 | 93 660 | 93 660 |
| Receivables from exchange transactions | 8 | - | 277 778 |
| | | **536 490 895** | **489 640 132** |
| **Total Assets** | | **586 028 037** | **565 884 247** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Finance lease obligation | 15 | 3 482 825 | - |
| Operating lease liability | 7 | 24 716 | 251 321 |
| Payables from exchange transactions | 16 | 43 038 459 | 40 522 667 |
| Employee benefit obligation | 6 | 639 000 | 333 000 |
| Unspent conditional grants and receipts | 13 | 10 000 159 | 10 503 685 |
| Provisions | 14 | 1 036 070 | 1 092 716 |
| | | **58 221 229** | **52 703 389** |
| Non-Current Liabilities | | | |
| Finance lease obligation | 15 | 13 584 425 | - |
| Employee benefit obligation | 6 | 7 054 777 | 6 245 506 |
| Provisions | 14 | 13 938 657 | 13 493 430 |
| | | **34 577 859** | **19 738 936** |
| **Total Liabilities** | | **92 799 088** | **72 442 325** |
| **Net Assets** | | **493 228 949** | **493 441 922** |
| Accumulated surplus | | 493 228 949 | 493 441 922 |
| **Total Net Assets** | | **493 228 949** | **493 441 922** |

* See Note 40

## Statement of Financial Performance for the period ended 30 June, 2025

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 18 | 1 965 213 | 1 915 637 |
| Rendering of services | | 513 397 | 354 020 |
| Contract revenue | 32 | 5 826 957 | 7 826 087 |
| Rental of facilities and equipment | | 1 453 429 | 1 154 208 |
| Interest on outstanding debtors | | 1 090 796 | 866 737 |
| Agency services | 22 | 4 174 845 | 4 339 272 |
| Other income | 21 | 212 936 | 139 103 |
| Interest received | 27 | 4 106 777 | 5 635 247 |
| **Total revenue from exchange transactions** | | **19 344 350** | **22 230 311** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 17 | 30 658 426 | 28 789 383 |
| Property rates - penalties imposed | 17 | 8 467 376 | 8 150 733 |
| **Transfer revenue** | | | |
| Government grants | 19 | 224 511 000 | 229 493 187 |
| Public contributions and donations | 20 | 300 000 | - |
| Fines, Penalties and Forfeits | | 544 102 | 1 943 050 |
| Government subsidies | | 3 497 790 | 3 373 422 |
| **Total revenue from non-exchange transactions** | | **267 978 694** | **271 749 775** |
| **Total revenue** | | **287 323 044** | **293 980 086** |
| **Expenditure** | | | |
| Employee related costs | 24 | (143 285 172) | (132 070 532) |
| Employee costs - Remuneration of councillors | 25 | (12 393 571) | (12 456 380) |
| Employee benefits | | (851 000) | (741 000) |
| Depreciation and amortisation | 28 | (34 742 355) | (31 192 378) |
| Finance costs | 29 | (718 147) | - |
| Lease rentals on operating lease | | (1 812 956) | (1 806 682) |
| Debt Impairment | 26 | (10 472 612) | (14 703 655) |
| General Expenses | 23 | (76 163 540) | (92 763 826) |
| **Total expenditure** | | **(280 439 353)** | **(285 734 453)** |
| **Operating surplus** | | **6 883 691** | **8 245 633** |
| Gain/(loss) on disposal of assets and liabilities | | (492 792) | 951 159 |
| Actuarial gains/(losses) | 6 | 38 000 | (301 000) |
| Impairment loss | | (6 641 866) | (802 290) |
| | | **(7 096 658)** | **(152 131)** |
| **(Deficit) surplus for the year** | | **(212 967)** | **8 093 502** |

* See Note 40

# Statement of Changes in Net Assets for the period ended 30 June,2025

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|---|---|
| Opening balance as previously reported | 485 550 981 | 485 550 981 |
| Adjustments | | |
| Prior year restatements (note 40) | (202 561) | (202 561) |
| **Balance at 01 July 2023 as restated*** | **485 348 420** | **485 348 420** |
| Changes in net assets | | |
| Surplus for the period | 8 093 502 | 8 093 502 |
| Total changes | 8 093 502 | 8 093 502 |
| **Restated* Balance at 01 July 2024** | **493 441 916** | **493 441 916** |
| Changes in net assets | | |
| Surplus for the period | (212 967) | (212 967) |
| Total changes | (212 967) | (212 967) |
| **Balance at 30 June 2025** | **493 228 949** | **493 228 949** |

* See Note 40

# Cash Flow Statement

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Cash receipt from ratepayers and other | | 46 366 982 | 48 441 651 |
| Grants | | 224 007 474 | 227 895 057 |
| Interest income | | 4 106 777 | 5 635 247 |
| | | 274 481 233 | 281 971 955 |
| **Payments** | | | |
| Employee costs | | (155 678 743) | (144 526 913) |
| Suppliers | | (74 278 309) | (99 955 500) |
| Finance costs | | (718 147) | - |
| | | (230 675 199) | (244 482 413) |
| **Net cash flows from operating activities** | 31 | **43 806 034** | **37 489 542** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (68 934 948) | (51 899 300) |
| Proceeds from sale of property, plant and equipment | 3 | - | 1 868 924 |
| Purchase of other intangible assets | 4 | (118 664) | (148 599) |
| **Net cash flows from investing activities** | | **(69 053 612)** | **(50 178 975)** |
| **Cash flows from financing activities** | | | |
| Finance lease payments | | (3 302 846) | - |
| **Net increase/(decrease) in cash and cash equivalents** | | **(28 550 424)** | **(12 689 433)** |
| Cash and cash equivalents at the beginning of the year | | 30 607 940 | 43 297 372 |
| **Cash and cash equivalents at the end of the year** | 12 | **2 057 516** | **30 607 939** |

* See Note 40

## Statement of Comparison of Budget and Actual Amounts for the period ended 30

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 2 014 000 | - | **2 014 000** | 1 965 213 | **(48 787)** | |
| Rendering of services | 6 423 549 | 4 640 | **6 428 189** | 6 432 799 | **4 610** | |
| Rental of facilities and equipment | 952 718 | 15 253 | **967 971** | 1 453 429 | **485 458** | a) |
| Interest received (trading) | 736 274 | - | **736 274** | 1 090 796 | **354 522** | b) |
| Agency services | 1 875 717 | (608 947) | **1 266 770** | 1 911 285 | **644 515** | c) |
| Licences and permits | 2 362 753 | (270 163) | **2 092 590** | 2 301 551 | **208 961** | d) |
| Other income | 8 053 | 75 837 | **83 890** | 81 004 | **(2 886)** | |
| Interest received - investment | 5 077 175 | - | **5 077 175** | 4 106 777 | **(970 398)** | e) |
| **Total revenue from exchange transactions** | **19 450 239** | **(783 380)** | **18 666 859** | **19 342 854** | **675 995** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 30 201 031 | - | **30 201 031** | 30 668 285 | **467 254** | |
| Property rates - penalties imposed | 7 339 053 | - | **7 339 053** | 8 467 376 | **1 128 323** | f) |
| **Transfer revenue** | | | | | | |
| Government grants | 226 391 000 | 1 500 000 | **227 891 000** | 228 008 790 | **117 790** | |
| Public contributions and donations | - | - | - | 300 000 | **300 000** | g) |
| Fines | 428 817 | (301 663) | **127 154** | 545 598 | **418 444** | h) |
| **Total revenue from non-exchange transactions** | **264 359 901** | **1 198 337** | **265 558 238** | **267 990 049** | **2 431 811** | |
| **Total revenue** | **283 810 140** | **414 957** | **284 225 097** | **287 332 903** | **3 107 806** | |
| **Expenditure** | | | | | | |
| Personnel | (132 906 027) | (9 910 631) | **(142 816 658)** | (141 907 904) | **908 754** | |
| Employee costs - Remuneration of councillors | (12 552 384) | 119 924 | **(12 432 460)** | (12 277 443) | **155 017** | |
| Depreciation and amortisation | (39 457 760) | - | **(39 457 760)** | (41 384 222) | **(1 926 462)** | |
| Finance costs | (2 496 666) | 1 280 155 | **(1 216 511)** | (718 147) | **498 364** | i) |
| Debt Impairment | (9 487 365) | - | **(9 487 365)** | 13 561 851 | **23 049 216** | j) |
| Bad debts written off | (209 800) | - | **(209 800)** | (24 034 463) | **(23 824 663)** | k) |
| Contracted Services | (24 738 957) | (14 863 434) | **(39 602 391)** | (39 424 672) | **177 719** | |
| Transfers and Subsidies | (235 580) | - | **(235 580)** | (237 970) | **(2 390)** | |
| Gain or loss on disposal of assets and liabilities | - | - | - | (492 792) | **(492 792)** | l) |
| Operational cost | (29 859 754) | (6 193 249) | **(36 053 003)** | (40 630 112) | **(4 577 109)** | m) |
| **Total expenditure** | **(251 944 293)** | **(29 567 235)** | **(281 511 528)** | **(287 545 874)** | **(6 034 346)** | |
| **Surplus for the year** | **31 865 847** | **(29 152 278)** | **2 713 569** | **(212 971)** | **(2 926 540)** | |

## Statement of Comparison of Budget and Actual Amounts for the period ended 30

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **31 865 847** | **(29 152 278)** | **2 713 569** | **(212 971)** | **(2 926 540)** | |

**Reconciliation**

a)Rental of facilities and equipment -The municipality has finalised the lease agreements in the Industrial Hub and leases with Sector departments has 6% escalation.

b)Interest on outstanding debtors - Interest charges have increased as a result of the customers' nonpayment, which has increased the debtor's balance.

c) Agency services - Vehicle owners are applying for new number plates to comply with the government's regulations hence actual exceeds the Adjusted amount.

d) Licences and permits - The municipality received more applications for driver's licenses in 2025 financial year.This line item has increased since the municipality received more applications for learners' licenses in May 2025. And increase in application for rank permit for taxis.

e) Interest received - Interest generated from investments decreased as a result of the municipality's withdrawals from Investments to fund capital projects.

f) Property rates penalties imposed - Interest charges have increased as a result of the customers' nonpayment, which has increased the debtor's balance.

g)Public contributions and donations- The Municipality received donations from government departments which could not be budgeted for.

h)Fines, penalties and forfeits- A turnaround strategy has been formulated by the law enforcement to improve on generating more revenue through traffic fines. Due to an increase in roadblocks conducted by the municipality, more traffic penalties were issued, hence increase in this line item.

i) Finance costs -The municipality finalised lease agreements in December 2024, the municipality has not fully exhausted the available credit facility for the purchase of new fleet.

j) Debt impairment -The Municipal council took a resolution to write off debt for unregistered land, since the recoverability of these monies were in question since no sector department wanted to take ownership. The Municipality had previously provided for 100% impairment on these properties.

k) Bad debts written off - The Municipal council took a resolution to write off debt for unregistered land, since the recoverability of these monies were in question since no sector department wanted to take ownership.

l) Gain or loss on disposal of assets and liabilities - The Municipality disposed assets which were no longer needed for service delivery, which were in poor condition.

m) Operational cost - The contributing cost drivers were, Eskom tariff increased, increase in salary budget that resulted in the increase of amount paid to SALGA, the municipality entered to the new contract for insurance with higher premiums, licensing of new fleet purchased. Between April and June 2025 the Municipality temporarily downscaled for some operations in order to reduce the impact of authorised expenditure.

## Statement of Comparison of Budget and Actual Amounts for the period ended 30

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Current Assets | 148 276 719 | (80 564 710) | **67 712 009** | 49 537 142 | **(18 174 867)** | |
| Non-current assets | 517 613 775 | 20 197 337 | **537 811 112** | 536 490 895 | **(1 320 217)** | |
| **Total Assets** | **665 890 494** | **(60 367 373)** | **605 523 121** | **586 028 037** | **(19 495 084)** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Current Libalities | 88 647 818 | (5 148 856) | **83 498 962** | 58 221 230 | **(25 277 732)** | |
| **Non-Current Liabilities** | | | | | | |
| Non-current liabilities | 27 373 473 | (7 634 537) | **19 738 936** | 34 577 859 | **14 838 923** | |
| **Total Liabilities** | **116 021 291** | **(12 783 393)** | **103 237 898** | **92 799 089** | **(10 438 809)** | |
| **Net Assets** | **549 869 203** | **(47 583 980)** | **502 285 223** | **493 228 948** | **(9 056 275)** | |

## Statement of Comparison of Budget and Actual Amounts for the period ended 30

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Cash Flow Statement** | | | | | | |
| **Cash flows from operating activities** | | | | | | |
| Net cash flows from operating activities | 57 570 210 | (31 140 917) | **26 429 293** | 43 806 034 | **17 376 741** | |
| **Cash flows from investing activities** | | | | | | |
| Net cash flows from investing activities | (52 047 001) | (23 086 999) | **(75 134 000)** | (69 053 612) | **6 080 388** | |
| **Cash flows from financing activities** | | | | | | |
| Net cash flows from financing activities | (4 138 830) | 947 343 | **(3 191 487)** | (3 302 846) | **(111 359)** | |
| Net increase/(decrease) in cash and cash equivalents | 1 384 379 | (53 280 573) | **(51 896 194)** | (28 550 424) | **23 345 770** | |
| Cash and cash equivalents at the beginning of the year | 42 585 000 | (11 977 060) | **30 607 940** | 30 607 940 | **-** | |
| **Cash and cash equivalents at the end of the year** | **43 969 379** | **(65 257 633)** | **(21 288 254)** | **2 057 516** | **23 345 770** | |
| **Reconciliation** | | | | | | |

# Significant Accounting Policies

Figures in Rand | Note(s) | 2025 | 2024

## 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 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.

Some assets are commonly described as “infrastructure assets”. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

a) they are part of a system or network;
(b) they are specialised in nature and do not have alternative uses;
(c) they are immovable; and
(d) they may be subject to constraints on disposal.

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

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

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

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

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

# Significant Accounting Policies

### 1.3 Property, plant and equipment (continued)

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.

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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.

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

| Item | Depreciation method | Average useful life (Years) |
|---|---|---|
| Buildings | Straight-line | 30 |
| Plant and machinery | Straight-line | 3-5 |
| Motor vehicles | Straight-line | 7-10 |
| Office equipment | Straight-line | 3-10 |
| IT equipment | Straight-line | 3-10 |
| Infrastructure | Straight line | |
| • Roads - Gravel | Straight line | 3 - 10 |
| • Roads - Tar | Straight line | 10 - 15 |
| • Paving | Straight line | 5 - 30 |
| Community | Straight line | |
| • Solid waste disposal | Straight line | 5 - 25 |
| • Community Assets | Straight line | 5 - 30 |
| leased Assets | Straight-line | 3-5 |

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

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

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

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

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

## Significant Accounting Policies

### 1.3 Property, plant and equipment (continued)

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 3).

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

### 1.4 Intangible assets

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

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

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

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

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

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

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

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

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

# Significant Accounting Policies

### 1.4 Intangible assets (continued)

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
| --- | --- | --- |
| Computer software, other | Straight-line | 3-5 years |

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

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

### 1.5 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

### 1.5 Heritage assets (continued)

**Recognition**

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

**Initial measurement**

Heritage assets are measured at cost.

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

**Subsequent measurement**

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

**Impairment**

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

**Transfers**

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

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

**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).

### 1.6 Financial instruments

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

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

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

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

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

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

# Significant Accounting Policies

### 1.6 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, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

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

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

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 counterpart has failed to make a payment when contractually due.

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

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

### 1.6 Financial instruments (continued)

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

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

**Initial recognition**

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

The entity recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions, where it is the recipient of the loan.

**Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Reclassification**

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity 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 entity 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 entity reclassifies the instrument from cost to fair value.

# Significant Accounting Policies

### 1.6 Financial instruments (continued)

**Impairment and uncollectibility of financial assets**

The entity 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. The carrying amount of the asset is reduced directly OR 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 directly OR 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.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

**Derecognition**

**Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise 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 entity 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 entity 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 entity recognise 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.

### 1.6 Financial instruments (continued)

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.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity 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 entity 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.

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**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 entity 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 entity does not offset the transferred asset and the associated liability.

### 1.7 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.

# Significant Accounting Policies

### 1.7 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.

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.The difference between the amounts recognised as an income and the contractual payments are recognised as an operating lease asset or liability

**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.

### 1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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.

# Significant Accounting Policies

### 1.8 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 non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

**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.

### 1.9 Tax

**Value Added Tax**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value Added Tax Act No 89 of 1991.

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity 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 entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

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

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

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

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

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

# Significant Accounting Policies

### 1.10 Employee benefits (continued)

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

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

#### Short-term employee benefits

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

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

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

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

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

#### Post-employment benefits

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

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

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

### 1.10 Employee benefits (continued)

#### Multi-employer plans

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

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

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

#### Post-employment benefits: Defined contribution plans

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

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

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

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

## Significant Accounting Policies

### 1.10 Employee benefits (continued)

**Long service awards**

The municipality offers long service award/bonus to an employee that has completed the following periods:

5 years service = 5 days
10 years service = 10 days
15 years service = 20 days
20-45 years service = 30 days

The employees may elect to either take or encash the days, the encashment or taking of the leave must take place in the same year that employee qualifies for the recognition/long service leave

Based on previous experience, employees elect encashment of the days over taking leave days

An employee that has 5 or more years service with the municipality and leaves the service of the municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro rata long service bonus for any uncompleted period stipulated above.

### 1.11 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

# Significant Accounting Policies

### 1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a 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 34.

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

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

### 1.11 Provisions and contingencies (continued)

#### Landfill Rehabilitation Provision

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate of the landfill site.

The municipality has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the cost of rehabilitating the land and restoring the site on which it is located, the obligation which the municipality incurs as a consequence of having used the property during a particular year for landfill purposes. The municipality estimates the useful lives and makes assumption to the useful lives of these assets, which influences the provision for future costs.

The asset is measured using the cost model :
a) subject to (b), changes in the liability are added to, deducted from, the cost of the related assets 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 economic entity 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, and any impairment loss is recognised in surplus or deficit.

### 1.12 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Salary commitments relating to employment contracts are excluded. Commitments are disclosed inclusive of VAT

### 1.13 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).

# Significant Accounting Policies

### 1.13 Revenue from exchange transactions (continued)

#### 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.

#### Interest

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

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

Interest is recognised 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

### 1.14 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.

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

#### Recognition

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

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

#### Measurement

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

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

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

# Significant Accounting Policies

### 1.14 Revenue from non-exchange transactions (continued)

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

**Fines (IGRAP 1)**

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.

### 1.15 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### 1.16 Government grants and receipts

Unconditional Grants

Equitable share allocations are recognised in revenue as and when the allocation is received.

Conditional Grants

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of noncompliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

### 1.17 Investment income

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

### 1.18 Accounting by principals and agents

**Identification**

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

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

## Significant Accounting Policies

### 1.18 Accounting by principals and agents (continued)

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.

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated in the vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote:
- expenditure of money  appropriated for a specific purpose, otherwise than for that specific purpose.

# Significant Accounting Policies

### 1.20 Unauthorised expenditure (continued)

- spending of an allocation refereed to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation: or .
- a grant by the municipality otherwise that in the accordance with this Act..

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

### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is;

(a) expenditure incurred by the Municipality or Municipal entity in contravention of, or that is not in accordance with, requirement of this act, and which has not been condoned in terms of section 170.
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, requirement of the Municipal System Act, and which has not been condoned in terms of that Act.
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office - Berears Act, 1998 (Act No. 20 of 1998)

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. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular expenditure incurred is disclosed inclusive of VAT.

### 1.23 Budget information

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

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

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

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

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

### 1.24 Related parties

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

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.

### 1.24 Related parties (continued)

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.25 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.

### 1.26 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 judgemental 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 judgments include:

Impairment testing

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.

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 14 - Provisions.

Allowance for doubtful debts

The Municipality's management in exercising reasonable judgemental in determining the provision for doubtful debt has considered GRAP 104, the assessment of the debtors and taking into account the risk factors presented by the debtors (type of debtor, amounts owing, payments history, economic indicators).
Changes to the assumptions used are accounted for as a change in accounting estimates in terms of GRAP 3.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed, availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

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

# Significant Accounting Policies

### 1.26 Significant judgements and sources of estimation uncertainty (continued)

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

Employee Benefits

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

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 obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.
Other key assumptions for Long Service Award obligations are based on current market conditions. Additional information is disclosed in Note 6.

### 1.27 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

### 1.27 Statutory receivables (continued)

#### Impairment losses

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

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

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

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

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

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

#### Derecognition

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

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

### 1.28 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

# Significant Accounting Policies

### 1.28 Cash and cash equivalents (continued)

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

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

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

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

### 1.29 Segment information

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

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

**Measurement**

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

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

### 1.30 Construction contracts

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.

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.

## Significant Accounting Policies

### 1.30 Construction contracts (continued)

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.

The Municipality uses the proportion that contract cost incurred for the work performed to date bear to the estimated total contract cost as the stage of completion.

### 1.31 Prior period errors

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Standards of GRAP if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

Material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery by

Restating the comparative amounts for the prior period(s) presented in which the error occurred; or

If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

### 1.32 Materiality

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

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

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

### 1.33 Borrowing costs

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

# Significant Accounting Policies

### 1.33 Borrowing costs (continued)

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

### 1.34 Off setting

Assets and liabilities, revenue and expenses should not be offset; these items should be reported separately. Offsetting is permitted only if it is required or permitted by other standards of GRAP (GRAP 25) , Legislation or where offsetting reflects the substance of the transaction or the event

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
| --- | --- | --- |
| • GRAP 107 (as revised) Mergers | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 105 Transfer of Functions Between Entities Under Common Control | 01 April 2025 | Unlikely there will be a material impact |
| • GRAP 2023 Improvements to the Standards of GRAP 2023 | 01 April 2099 | Impact is currently being assessed |
| • GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | 01 April 2099 | Impact is currently being assessed |
| • GRAP 103 (amended): Heritage Assets | 01 April 2099 | Impact is currently being assessed |
| • iGRAP 22 Foreign Currency Transactions and Advance Consideration | 01 April 2025 | Impact is currently being assessed |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Impact is currently being assessed |

## Notes to the Annual Financial Statements

Figures in Rand

### 3. 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 | 13 139 780 | - | 13 139 780 | 13 175 709 | - | 13 175 709 |
| Buildings | 291 294 580 | (84 956 348) | 206 338 232 | 272 995 755 | (73 081 390) | 199 914 365 |
| Plant and machinery | 11 646 328 | (7 690 881) | 3 955 447 | 11 311 368 | (6 734 616) | 4 576 752 |
| Motor vehicles | 59 387 484 | (40 552 742) | 18 834 742 | 42 243 609 | (37 920 238) | 4 323 371 |
| Office equipment | 8 578 603 | (7 187 285) | 1 391 318 | 8 606 255 | (6 330 071) | 2 276 184 |
| IT equipment | 5 285 969 | (3 374 429) | 1 911 540 | 5 368 255 | (3 004 076) | 2 364 179 |
| Infrastructure | 423 519 980 | (134 951 760) | 288 568 220 | 373 481 816 | (111 805 540) | 261 676 276 |
| Community | 17 132 744 | (15 391 726) | 1 741 018 | 15 289 692 | (14 902 076) | 387 616 |
| **Total** | **829 985 468** | **(294 105 171)** | **535 880 297** | **742 472 459** | **(253 778 007)** | **488 694 452** |

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment -2025**

| | Opening balance | Additions | Additions (Work in Progress) | Disposals | Finance lease additions | Donations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|
| Land | 13 175 709 | - | - | (335 929) | - | 300 000 | - | - | 13 139 780 |
| Buildings | 199 914 365 | 31 027 | 18 267 799 | - | - | - | (9 960 785) | (1 914 174) | 206 338 232 |
| Plant and machinery | 4 576 752 | 752 952 | - | (107 772) | - | - | (1 266 485) | - | 3 955 447 |
| Motor vehicles | 4 323 371 | - | - | (34 752) | 17 347 762 | - | (2 801 639) | - | 18 834 742 |
| Office equipment | 2 276 184 | - | - | (3 212) | - | - | (881 654) | - | 1 391 318 |
| IT equipment | 2 364 179 | 306 137 | - | (10 421) | - | - | (748 355) | - | 1 911 540 |
| Infrastructure | 261 676 276 | 205 600 | 49 832 561 | - | - | - | (18 863 752) | (4 282 465) | 288 568 220 |
| Community | 387 616 | 445 227 | 1 397 826 | - | - | - | (44 424) | (445 227) | 1 741 018 |
| | **488 694 452** | **1 740 943** | **69 498 186** | **(492 086)** | **17 347 762** | **300 000** | **(34 567 094)** | **(6 641 866)** | **535 880 297** |

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2024**

| | Opening balance | Additions | Additions (Work in Progress) | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 13 175 709 | - | - | - | - | - | - | 13 175 709 |
| Buildings | 202 922 047 | - | 7 516 869 | (271 008) | (19 500) | (10 137 078) | (96 965) | 199 914 365 |
| Plant and machinery | 5 581 886 | 336 656 | - | (6 707) | - | (1 335 083) | - | 4 576 752 |
| Motor vehicles | 6 157 817 | 790 766 | - | (634 529) | - | (1 990 683) | - | 4 323 371 |
| Office equipment | 2 767 464 | 378 031 | - | (72) | - | (869 239) | - | 2 276 184 |
| IT equipment | 2 525 908 | 555 215 | - | (5 449) | - | (711 495) | - | 2 364 179 |
| Infrastructure | 235 904 901 | - | 41 752 347 | - | - | (15 845 062) | (135 910) | 261 676 276 |
| Community | 391 070 | 569 416 | - | - | 19 500 | (22 954) | (569 416) | 387 616 |
| | **469 426 802** | **2 630 084** | **49 269 216** | **(917 765)** | **-** | **(30 911 594)** | **(802 291)** | **488 694 452** |

**Pledged as security assets**

Carrying value of assets pledged as security (refer to note15):

| | | |
|---|---|---|
| Motor Vehicles | 15 971 506 | - |

**Donations**

The Municipality received the following donations with the fair value of R 300 000 (2024 : R Nil)

Land from KwaZulu Natal Department of Public Works with a fair value of R 300 000, thorugh land swap amounting to R 335 929.

## Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 3. Property, plant and equipment (continued)

**Property, plant and equipment in the process of being constructed or developed**

| Cumulative expenditure recognised in the carrying value of property, plant and equipment | 2025 | 2024 |
| --- | --- | --- |
| Bergville Vehicle Testing Pit | 1 851 713 | 1 851 713 |
| Bergville athletic track | - | 1 624 840 |
| Bergville CSC Tuckshop | 1 555 405 | 1 555 405 |
| | **3 407 118** | **5 031 958** |

There has been no movements in the above projects in the 2024/2025 financial year. These assets were assessed for any indication for impairment, there were no indications that the assets were impaired. The assessment was conducted by an independent third party.

The projects have not been completed due to unavailability of funding. The Municipality has been successful in sourcing funds for the completion of the athletic track, the construction is currently underway.

**Reconciliation of Work-in-Progress 2025**

| | Included within Buildings | Included within Infrastructure | Included within Other PPE | Total |
| --- | --- | --- | --- | --- |
| Opening balance | 5 031 958 | 6 044 444 | - | 11 076 402 |
| Additions/capital expenditure | 18 267 798 | 49 832 564 | 1 397 824 | 69 498 186 |
| Transferred to completed items | (8 814 907) | (55 877 008) | (1 397 824) | (66 089 739) |
| | **14 484 849** | **-** | **-** | **14 484 849** |

**Reconciliation of Work-in-Progress 2024**

| | Included within Buildings | Included within Infrastructure | Total |
| --- | --- | --- | --- |
| Opening balance | 13 457 772 | 58 414 780 | 71 872 552 |
| Additions/capital expenditure | 7 516 868 | 41 752 346 | 49 269 214 |
| Disposals | (271 008) | - | (271 008) |
| Transferred to completed items | (15 671 674) | (94 122 682) | (109 794 356) |
| | **5 031 958** | **6 044 444** | **11 076 402** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 3. Property, plant and equipment (continued)

**Expenditure incurred to repair and maintain property, plant and equipment**

| | | |
| --- | --- | --- |
| **Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance** | | |
| Amount paid to employees | 6 634 452 | 6 256 231 |
| Amount paid to suppliers | 4 531 506 | 5 194 987 |
| Materials | 2 927 410 | 12 075 240 |
| Fuel and oil | 2 522 918 | 3 555 973 |
| | **16 616 286** | **27 082 431** |

Repairs and Maintenance on Property, Plant and Equipment is detailed as follows

Amount paid to suppliers R 4 531 506 (2024: R 5 194 987), is included in general expenses (note 23) as sub-contracting services in the Statement of Financial Performance.

Employee related cost is the amount incurred on employees R 6 634 452 (2024: R 6 256 231), included in the employee related cost in the Statement of Financial Performance.

Materials amounting to R 2 927 410 (2024: R 12 075 240 ) are included in the general expenses (note 23) as consumables in the Statement of Financial Performance. Included in materials is joint pipes, culverts and precast wall wings used in the maintenance of roads and infrastructure

Fuel and oil amounting to R 2 522 918 (2024: R3 555 973) is included in general expenses (note 23) in the statement of Financial performance.

## Notes to the Annual Financial Statements

Figures in Rand

### 4. 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 | 2 785 626 | (2 268 688) | 516 938 | 2 683 003 | (2 108 761) | 574 242 |

**Reconciliation of intangible assets - 2025**

| | **Opening balance** | **Additions** | **Disposals** | **Amortisation** | **Total** |
|---|---|---|---|---|---|
| Computer software, other | 574 242 | 118 664 | (707) | (175 261) | 516 938 |

**Reconciliation of intangible assets - 2024**

| | **Opening balance** | **Additions** | **Amortisation** | **Total** |
|---|---|---|---|---|
| Computer software, other | 706 427 | 148 599 | (280 784) | 574 242 |

# Notes to the Annual Financial Statements

Figures in Rand

## 5. Heritage assets

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art Collections, antiquities and exhibits | 93 660 | - | 93 660 | 93 660 | - | 93 660 |

**Reconciliation of heritage assets 2025**

| | Opening balance | Total |
|---|---|---|
| Art Collections, antiquities and exhibits | 93 660 | 93 660 |

**Reconciliation of heritage assets 2024**

| | Opening balance | Total |
|---|---|---|
| Art Collections, antiquities and exhibits | 93 660 | 93 660 |

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

## 6. Employee benefit obligations

**Defined contribution plan**

**Post retirement pension plan**

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi- employer funds, the allocation of any surplus/ deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2025 interim valuations have not been released.

**Long Service Awards**

The independent valuers carried out a statutory valuation on the Long Service Awards benefit as at 30 June 2025.

The principal actuarial assumptions used were as follows:

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

| | 2025 | 2024 |
| --- | --- | --- |
| **Carrying value** | | |
| Opening Balance | (6 578 506) | (5 887 682) |
| Interest cost | (851 000) | (741 000) |
| Expected employee benefit payment/current service cost | (755 000) | (725 000) |
| Actuarial gain/(loss) | 38 000 | (301 000) |
| Less municipality paid benefits | 452 729 | 1 076 176 |
| | **(7 693 777)** | **(6 578 506)** |
| Non-current liabilities | (7 054 777) | (6 245 506) |
| Current liabilities | (639 000) | (333 000) |
| | **(7 693 777)** | **(6 578 506)** |
| Active members | 392 | 373 |

**Summary of key economic assumptions(p.a.)**

| | 2025 | 2024 |
| --- | --- | --- |
| Discount rate | 9,84 % | 12,59 % |
| Salary inflation | 5,39 % | 8,82 % |
| Net discount rate | 4,22 % | 3,46 % |
| | - | - |

**Net expense recognised in the statement of financial performance**

| | 2025 | 2024 |
| --- | --- | --- |
| Interest cost | 851 000 | 741 000 |
| Expected employee benefit payment/current service cost | 755 000 | 725 000 |
| Actuarial (gain)/loss | (38 000) | 301 000 |
| | **1 568 000** | **1 767 000** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

## 7. Operating lease

| | | |
| --- | --- | --- |
| Current assets | 158 829 | 105 456 |
| **Present Value of minimum lease payments** | | |
| -Within one year | 1 360 527 | 1 045 870 |
| - in second to fifth year | 3 920 123 | 1 930 561 |
| | **5 280 650** | **2 976 431** |

The Municipality entered into an operating lease agreement for a period of 5 years with SASSA, leasing out office space in Dukuza Thusong and Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation.

The Municipality entered into an operating lease agreement for a period of 5 years with IEC, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation..

The Municipality entered into an operating lease agreement for a period of 3 years with the Department of Labour, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 6% escalation.

The Municipality entered into an operating lease agreement for a period of 5 years with Department of Agriculture, leasing out office space in Community Service Centre and a monthly rental income is accounted for in the Statement of Financial Performance . The average lease term is 5 years with 6% escalation.

Please refer note 30 for operating leases where the Municipality is a lessee.

## 8. Receivables from exchange transactions

| | | |
| --- | --- | --- |
| Prepayments (landfill site lease, License fees ) - Current | 1 531 521 | 1 233 193 |
| Accrued interest & agency fees receivables | 514 944 | 222 396 |
| VAT control | 849 837 | 1 727 742 |
| VAT input accrual | 5 520 274 | 6 436 526 |
| Prepayments (landfill site lease) - Non-Current | - | 277 778 |
| | **8 416 576** | **9 897 635** |
| Non-current assets | - | 277 778 |
| Current assets | 8 416 576 | 9 619 857 |
| | **8 416 576** | **9 897 635** |
| **Statutory receivables included in receivables from exchange transactions above are as follows:** | | |
| VAT input accrual | 5 520 274 | 6 436 526 |
| VAT control | 849 837 | 1 727 742 |
| | **6 370 111** | **8 164 268** |
| **Other non-financial asset receivables included in receivables from exchange transactions above are as follows:** | | |
| Prepayments (landfill site lease, License fees ) | 1 531 521 | 1 510 971 |
| **Financial asset receivables included in receivables from exchange transactions above** | **514 944** | **222 396** |
| **Total receivables from exchange transactions** | 8 416 576 | 9 897 635 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 8. Receivables from exchange transactions (continued)

**Statutory receivables general information**

**Transaction(s) arising from statute**

VAT is levied in terms of Value-Added Tax Act 89 of 1991.

**Determination of transaction amount**

15% of the Vatable/Taxable supply.

Statutory receivables impaired

The carrying amount of the receivable amount disclosed is not impaired.

## 9. Receivables from non-exchange transactions

| | 2025 | 2024 |
|---|---|---|
| Fines | 1 438 803 | 1 223 934 |
| Sundry Debtors | 1 087 792 | 1 015 279 |
| Staff Debtors | 9 689 | 16 967 |
| | **2 536 284** | **2 256 180** |

| | 2025 | 2024 |
|---|---|---|
| **Statutory receivables included in receivables from non-exchange transactions above are as follows:** | | |
| Fines | 1 438 804 | 1 223 934 |
| **Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:** | | |
| Other non-finanical asset receivable | 101 838 | 72 246 |
| **Financial asset receivables included in receivables from non-exchange transactions above** | **995 643** | **960 000** |
| **Total receivables from non-exchange transactions** | 2 536 284 | 2 256 180 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 9. Receivables from non-exchange transactions (continued)

**Statutory receivables general information**

**Transaction(s) arising from statute**

Traffic fines are issued in terms of the Administrative Adjudication of Road Traffic Offences (AARTO Act) by way of notices to offenders which specify the value of the fine that must be paid.

**Determination of transaction amount**

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**

No interest charges on outstanding traffic fines, however warrant of arrest is issued on long outstanding traffic fines.

**Statutory receivables impaired**

As of 30 June 2025, traffic fines of R 4 147 980 (2024: R 3 784 431) were impaired and provided for.

The amount of the provision was R 2 709 176 as of 30 June 2025 (2024: R 2 560 497).

The net balance is R 1 438 804 as at 30 June 2025 (2024; R 1 223 934):

**Factors the entity considered in assessing statutory receivables impaired**

The Municipality accounts for traffic fines impairment in accordance with IGRAP1.

The Municipality assess the average collection rate of the traffic fines over 12 years.

**Reconciliation of provision for impairment for statutory receivables**

| | | |
|---|---|---|
| Opening balance | (2 560 497) | (1 987 700) |
| Provision for impairment | (148 679) | (572 797) |
| | **(2 709 176)** | **(2 560 497)** |

**Sundry debtors**

Included in sundry debtors is a amount of R 49 747 (2024: R 49 747) that was not banked by the former employee, an amount of R 46 489 was recovered from the employee pension fund.

Included in sundry debtors is a amount of R 960 000 (2024:R 960 000 ) for the delay in the completion of the construction project in accordance to the penalty clause in the contract.

Included in sundry debtors is an amount of R 5 979 (2024: 5 531) that relate to the monies collected by the cash management service provider to be deposited to the Municipality bank account, these monies have not reflected on the Municipal bank account.

Included in sundry debtors is a amount of R 35 643 (2024: Nil) that relate to deposit paid to Transnet for the lease of land, and the legal fees for the litigation awarded in favour of the Municipality amounting to R 36 423 (2024: Nil).

**Staff Debtors**

The amount for staff debtor relates to employees who were overpaid during the financial year, UIFW recoveries and traffic fines paid recoveries. This is the amount due as at the 30 June 2025 R 9 689 (2024: R 16 967).

## Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|
| **10. Consumer debtors** | | |
| **Gross balances** | | |
| Rates | 42 207 262 | 48 449 901 |
| Refuse | 6 506 137 | 5 235 768 |
| Other debtors | 44 238 969 | 50 115 295 |
| | **92 952 368** | **103 800 964** |
| **Less: Allowance for impairment** | | |
| Rates | (25 692 504) | (32 822 775) |
| Refuse | (3 960 431) | (3 530 342) |
| Other debtors | (26 931 496) | (33 793 165) |
| | **(56 584 431)** | **(70 146 282)** |
| **Net balance** | | |
| Rates | 16 514 758 | 15 627 126 |
| Refuse | 2 545 706 | 1 705 426 |
| Other debtors | 17 307 473 | 16 322 130 |
| | **36 367 937** | **33 654 682** |
| **Statutory receivables included in consumer debtors above are as follows:** | | |
| Property rates | 16 514 758 | 15 627 126 |
| **Financial asset receivables included in consumer debtors above** | **19 853 179** | **18 027 556** |
| **Total consumer debtors** | 36 367 937 | 33 654 682 |
| **Included in above is receivables from exchange transactions (Gross balances)** | | |
| Refuse | 6 506 137 | 5 235 768 |
| **Included in above is receivables from non-exchange transactions (Gross balances)** | | |
| Property rates | 42 207 261 | 48 449 901 |
| Other Debtors | 44 242 660 | 50 117 853 |
| | **86 449 921** | **98 567 754** |
| **Gross balance** | **92 956 058** | **103 803 522** |
| Rates | 16 514 758 | 15 627 126 |
| Refuse | 2 545 706 | 1 705 426 |
| Other debtors | 17 307 473 | 16 322 130 |
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (70 146 282) | (56 521 523) |
| Contributions to allowance | (10 323 933) | (14 130 857) |
| Debt impairment written off against allowance | 23 885 784 | 506 098 |
| | **(56 584 431)** | **(70 146 282)** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

## 10. Consumer debtors (continued)

**Statutory receivables general information**

**Transaction(s) arising from statute**

Property rates are charged in terms of Municipal Property Rates Act.

**Determination of transaction amount**

Property rates are determined by applying cents in the Rand on the market valuation as per the Council approved tariff policy (see note 17):

**Interest or other charges levied/charged**

Penalties at a fixed rate of 18% per annum (2024: 18 %) are levied on the rates outstanding one month after due date.

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

Accounts with 0-90 days balance are not impaired as there is less doubt in the recoverability of the monies. This does not include unregistered land where the total debt is provided at 100%.

Significant debtors are identified and are tested for impairment individually.

Insignificant debtors are grouped as per their category (i.e. Commercial, Residential etc.) and tested for impairment as a group.

**Reconciliation of provision for impairment**

| | | |
| --- | --- | --- |
| **Relating specifically to Statutory Receivables** | | |
| Opening balance | (32 822 775) | (28 299 239) |
| Provision for impairment | 7 130 272 | (4 523 536) |
| | **(25 692 503)** | **(32 822 775)** |

**Receivables past due but not impaired**

**Relating specifically to Statutory Receivables**

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 1 909 703 (2024: R 1 894 733) were past due but not impaired.

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

| | | |
| --- | --- | --- |
| Amount not past due or impaired | 2 272 314 | 2 018 340 |
| Amount past due but not impaired | 1 909 703 | 1 894 733 |
| Amount past due and impaired | 38 025 245 | 40 267 818 |

**Consumer debtors past due but not impaired**

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 3 831 584 - (2024: 3 333 370 -) were past due but not impaired.

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

| | | |
| --- | --- | --- |
| Amount not past due or impaired | 3 369 337 | 3 042 962 |
| Amount past due but not impaired | 3 831 584 | 3 333 370 |
| Amount past due and impaired | 85 755 190 | 97 427 117 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 10. Consumer debtors (continued)

**Consumer debtors impaired**

As of 30 June 2025, consumer debtors of R 85 755 190 - (2024: 97 427 117 -) were impaired and provided for.

The amount of the provision wasR 56 584 431 - as of 30 June 2025 (2024: 70 146 282 -).

### 11. Consumer debtors disclosure

| | 2025 | 2024 |
| --- | --- | --- |
| **Gross balances** | | |
| Organ of the State | 29 404 107 | 26 939 933 |
| Commercial | 7 095 697 | 7 288 390 |
| Households | 23 767 130 | 20 106 711 |
| Other | 32 689 124 | 49 468 488 |
| | **92 956 058** | **103 803 522** |
| **Less: Allowance for impairment** | | |
| Organ of the State | (9 883 142) | (9 109 346) |
| Commercial | (1 703 155) | (1 816 040) |
| Households | (19 170 441) | (16 118 037) |
| Other | (25 827 693) | (43 102 859) |
| | **(56 584 431)** | **(70 146 282)** |
| **Net balance** | | |
| Organ of the State | 19 520 965 | 17 830 587 |
| Commercial | 5 392 542 | 5 472 350 |
| Households | 4 596 689 | 3 988 674 |
| Other | 6 861 431 | 6 365 629 |
| | **36 371 627** | **33 657 240** |
| **Organ of state** | | |
| Current (0 -30 days) | 431 285 | 218 911 |
| 31 - 60 days | 374 631 | 359 882 |
| 61 - 90 days | 360 643 | 334 438 |
| 91 - 120 days | 354 461 | 330 121 |
| 121 - 150 days | 345 778 | 584 281 |
| > 150 days | 27 537 309 | 25 112 300 |
| | **29 404 107** | **26 939 933** |
| **Commercial** | | |
| Current (0 -30 days) | 896 556 | 822 121 |
| 31 - 60 days | 296 048 | 227 102 |
| 61 - 90 days | 225 910 | 185 700 |
| 91 - 120 days | 188 718 | 167 307 |
| 121 - 150 days | 171 035 | 216 004 |
| > 150 days | 5 317 429 | 5 670 155 |
| | **7 095 696** | **7 288 389** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 11. Consumer debtors disclosure (continued)

| | | |
| --- | --- | --- |
| **Household** | | |
| Current (0 -30 days) | 795 420 | 654 070 |
| 31 - 60 days | 587 190 | 481 038 |
| 61 - 90 days | 504 437 | 443 582 |
| 91 - 120 days | 445 536 | 431 832 |
| 121 - 150 days | 424 107 | 546 753 |
| > 150 days | 21 010 440 | 17 549 436 |
| | **23 767 130** | **20 106 711** |

| | | |
| --- | --- | --- |
| **Other** | | |
| Current (0 -30 days) | 1 246 075 | 1 364 765 |
| 31 - 60 days | 735 750 | 903 354 |
| 61 - 90 days | 688 945 | 872 320 |
| 91 - 120 days | 665 188 | 832 260 |
| 121 - 150 days | 632 675 | 1 192 941 |
| > 150 days | 28 720 491 | 44 302 848 |
| | **32 689 124** | **49 468 488** |

Included in Other is Agricultural, Industrial,Tourism, Privately Developed Estates properties, unregistered land.

Credit balances R 5 259 541 (2024: R 5 481 072) have been added to the gross debtors and have been included in payables from exchange transactions note 16.

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 6 300 | 6 300 |
| Bank balances | 1 472 309 | 1 119 893 |
| Short-term deposits | 578 907 | 29 481 747 |
| | **2 057 516** | **30 607 940** |

**The municipality had the following bank accounts**

| **Account number / description** | **Bank statement balances** | | **Cash book balances** | |
|---|---|---|---|---|
| | **30 June 2025** | **30 June 2024** | **30 June 2025** | **30 June 2024** |
| Nedbank 03/7881154969/02 Call deposit | - | 5 722 003 | - | 5 722 003 |
| FNB 63096724133: Call account | 495 595 | 4 318 159 | 495 595 | 4 318 159 |
| First National Bank: 51660362710 Cheque Account | 1 472 309 | 1 119 893 | 1 472 309 | 1 119 893 |
| First National Bank: 62752942063:Cheque Account | 83 312 | 78 772 | 83 312 | 78 772 |
| First National Bank: 74484485427 Fixed Deposit | - | - | - | - |
| Absa Bank: 2074514859: Fixed Deposit | - | 19 362 813 | - | 19 362 813 |
| Investec : 1100463208500 | - | - | - | - |
| **Total** | **2 051 216** | **30 601 640** | **2 051 216** | **30 601 640** |

## 13. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| **Unspent conditional grants and receipts** | | |
|---|---|---|
| Housing Projects Grant | 9 900 153 | 9 900 153 |
| Extravaganza Grant | 6 950 | 6 950 |
| LGSETA and CETA | 91 833 | 595 359 |
| KZN EDTEA grant | 1 223 | 1 223 |
| | **10 000 159** | **10 503 685** |

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

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 14. Provisions

**Reconciliation of provisions - 2025**

| | Opening Balance | Additions | Payments | Total |
|---|---|---|---|---|
| Environmental rehabilitation | 13 675 939 | 445 227 | - | 14 121 166 |
| Legal proceedings | 56 646 | - | (56 646) | - |
| Performance Bonuses | 853 561 | 853 561 | (853 561) | 853 561 |
| | **14 586 146** | **1 298 788** | **(910 207)** | **14 974 727** |

**Reconciliation of provisions - 2024**

| | Opening Balance | Additions | Payments | Total |
|---|---|---|---|---|
| Environmental rehabilitation | 13 106 523 | 569 416 | - | 13 675 939 |
| Legal proceedings | - | 56 646 | - | 56 646 |
| Performance bonuses | 648 483 | 684 502 | (479 424) | 853 561 |
| | **13 755 006** | **1 310 564** | **(479 424)** | **14 586 146** |

| | 2025 | 2024 |
|---|---|---|
| Non-current liabilities | 13 938 657 | 13 493 430 |
| Current liabilities | 1 036 070 | 1 092 716 |
| | **14 974 727** | **14 586 146** |

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate the landfill site used for waste disposal.

Balance of the provision for landfill site rehabilitation R 14 121 166 (2024: R 13 675 939).

Increase in the landfill site rehabilitation provision is R 445 227 (2024: R 569 416).

The Municipality expects to start with the rehabilitation of the landfill site in the 2025/26 financial year, no payment has been made in 2024/25 for professional fees (2024: Nil)

The provision for performance bonuses relates to the constructive obligation on payment of performance bonuses for section 57 employees in previous financial years.

The Municipality has been paying a performance bonus up to 14% of the total remuneration for section 57 employees.

The payment of performance bonuses is expected to be made in 2025/2026 after the approval by Council.

No reimbursements are expected on the provisions.

The provision for legal proceeding relates to the arbitration between the Municipality and a former employee that claimed unfair dismissal, the commissioner awarded in favour of the former employee. The award is dated 15 July 2024, the Municipality has appealed/objected the award, a security payment has been paid..

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 15. Finance lease obligation

| | | |
| --- | --- | --- |
| **Minimum lease payments due** | | |
| - within one year | 5 087 388 | - |
| - in second to fifth year inclusive | 16 419 358 | - |
| | 21 506 746 | - |
| less: future finance charges | (4 439 497) | - |
| **Present value of minimum lease payments** | **17 067 249** | **-** |
| | | |
| Non-current liabilities | 13 584 425 | - |
| Current liabilities | 3 482 825 | - |
| | **17 067 250** | **-** |

It is municipality's policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2024: -%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3 .

### 16. Payables from exchange transactions

| | | |
| --- | --- | --- |
| Trade payables | 5 993 187 | 2 972 787 |
| Payments received in advance | 5 259 541 | 5 481 072 |
| Retention | 11 039 764 | 13 314 874 |
| Leave pay accrual | 12 806 122 | 11 150 828 |
| Unallocated Receipts | 1 536 856 | 1 475 428 |
| Sundry Payables | 1 103 879 | 1 153 340 |
| 13th Cheque Accrual | 3 703 916 | 3 419 601 |
| VAT output accrual | 1 595 194 | 1 554 737 |
| | **43 038 459** | **40 522 667** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 17. Property rates

**Rates received**

| | | |
|---|---|---|
| Residential | 8 583 434 | 8 075 228 |
| Commercial | 13 049 611 | 12 395 681 |
| State | 3 805 824 | 3 612 063 |
| Municipal | 1 255 340 | 1 196 466 |
| Small holdings and farms | 8 902 498 | 8 510 848 |
| Communal Land | 4 587 830 | 4 368 053 |
| Other properties | 4 451 663 | 3 502 862 |
| Less: Income forgone | (13 977 774) | (12 871 818) |
| | 30 658 426 | 28 789 383 |
| Property rates - penalties imposed | 8 467 376 | 8 150 733 |
| | **39 125 802** | **36 940 116** |

**Valuations**

| | | |
|---|---|---|
| Residential | 1 706 466 800 | 1 689 391 800 |
| Commercial | 1 608 155 000 | 1 585 955 000 |
| Public Purpose Service and State | 460 865 000 | 461 821 000 |
| Municipal | 159 463 000 | 158 925 000 |
| Small holdings and farms | 7 111 181 000 | 7 097 835 000 |
| Communal Land | 916 649 000 | 916 649 000 |
| Other | 748 473 000 | 734 911 000 |
| | **12 711 252 800** | **12 645 487 800** |

Valuations on properties are performed every 5 years. The new general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Interim valuations have been received for the 2024/25 financial year.

Assessments rates are determined by applying the following cents in the Rand on the market valuation:

| | | |
|---|---|---|
| Agriculture properties used for agriculture purposes | 0,00125 | 0,00119 |
| Business and commercial properties | 0,00826 | 0,00787 |
| Industrial properties | 0,00791 | 0,00754 |
| Municipal properties, land reform, informal settlements, public worship | 0,00791 | 0,00754 |
| Public service infrastructure | 0,00125 | 0,00119 |
| Residential purpose | 0,00501 | 0,00477 |
| Communal land | 0,00501 | 0,00477 |
| Vacant land | 0,00801 | 0,00763 |
| **Rebates granted to:** | | |
| Agriculture and agricultural small holdings | 20 % | 20 % |
| Place of Worship, Communal Land and Municipal properties | 100 % | 100 % |
| Public service infrastructure | 100 % | 100 % |
| Residential small holdings and rural residential | 20 % | 20 % |
| Tourism and hospitality | 25 % | 25 % |
| Protected areas | 100 % | 100 % |

A rebate is granted in terms of the Municipal Property Rates Act on the first R15 000 of the market value of all residential properties . Public Service Infrastructure are permitted a 100% impermissible exemption.

An additional rebate is allowed on the next R85 000 of the market value of all properties within a residential category. A 20% rebate is allowed for other properties based on the category of the property.

Pensioners and disabled rate payers receive a 50% rebate on application. 100% indigent rebates are offered to qualifying applicants with total household income not exceeding R 4 930 per month. A 5% discount is applicable to rates settled on calculation, application and paid in advance for a specific financial year.

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

## 17. Property rates (continued)

Rates are levied on an annual basis over 12 monthly installments with the final date for payment being 31 July 2025.

Penalties at a fixed rate of 18% per annum (2024: 18 %) are levied on the rates outstanding one month after due date.

## 18. Service charges

| | | |
| --- | --- | --- |
| Refuse removal | 1 965 213 | 1 915 637 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 19. Government grants & subsidies

| | 2025 | 2024 |
|---|---|---|
| **Operating grants** | | |
| Equitable Share | 167 007 000 | 158 616 000 |
| Financial Management Grant (FMG) | 1 800 000 | 1 850 000 |
| Tittle deed restoration | - | 441 789 |
| Expanded Public Works Programme (EPWP) | 2 657 000 | 2 437 000 |
| | **171 464 000** | **163 344 789** |
| **Capital grants** | | |
| Municipal Infrastructure Grant (MIG) | 44 189 000 | 30 956 000 |
| Small Town Rehabilitation Grant | - | 8 644 398 |
| Disaster Relief Grant | 8 858 000 | 26 548 000 |
| | **53 047 000** | **66 148 398** |
| | **224 511 000** | **229 493 187** |

### Equitable Share

| | | |
|---|---|---|
| | 167 007 000 | 158 616 000 |

In terms of the Constitution of South Africa, this grant is used to subsidise provision for basic services and for the municipality's operations.

### Finance Management Grant (FMG)

| | | |
|---|---|---|
| Current-year receipts | 1 800 000 | 1 850 000 |
| Conditions met - transferred to revenue | (1 800 000) | (1 850 000) |
| | - | - |

This grant was used for implementation of MSCOA, physical verification of assets , Municipal Finance Management Programme and payments of finance interns. No funds were withheld.

### Human Settlements Housing Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 441 794 |
| Conditions met - transferred to revenue | - | (441 794) |
| | - | - |

The grant is for tittle deeds for Gugulethu RDP houses.

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 19. Government grants & subsidies (continued)

**Municipal Infrastructure Grant (MIG)**

| | | |
|---|---|---|
| Current-year receipts | 44 189 000 | 30 956 000 |
| Conditions met - transferred to revenue | (44 189 000) | (30 956 000) |
| | - | - |

The grant is for the implementation of projects approved by MIG. No funds were withheld.

**Housing Projects Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 9 900 153 | 9 900 153 |

The monies were received between 2007 to 2009 for housing projects , there are ongoing engagements between the municipality , the KwaZulu Natal Department of Human Settlement and the KwaZulu Natal Provincial Treasury.

**Extravaganza Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 6 950 | 6 950 |
| Current-year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| | **6 950** | **6 950** |

Conditions still to be met - remain liabilities (see note 13).

This grant is for the organisation of Extravaganza festivities. No funds were withheld.

**Local Government Sectorial Education and Training Authority Grant (LG SETA)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 595 359 | 207 297 |
| Current-year receipts | 1 155 761 | 1 820 326 |
| Conditions met | (1 659 287) | (1 432 264) |
| | **91 833** | **595 359** |

Conditions still to be met - remain liabilities (see note 13).

This grant is provided for the by LGSETA and CETA in implementing the National Skills Development Strategy for the provision of experiential training to further education and training of graduates and learnership programmes. The Municipality is an Agent to the arrangement with the training authorities. The training authorities transfers the monies to the Municipality to pay for stipends and for the entities implementing the programmes. The arrangement improves the lives of unemployed youth and graduates. No funds were withheld.

**Integrated National Electrification Programme (INEP)**

| | | |
|---|---|---|
| Current-year receipts | 6 701 000 | 9 000 000 |
| Conditions met - contract revenue | (6 701 000) | (9 000 000) |
| | - | - |

The Municipality constructs powerlines for Eskom, upon completion of the projects Eskom takes ownerships of these assets. The Municipality does not have a licence to distribute or sell electricity. The transactions are treated in accordance to GRAP 11: Construction contracts.

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 19. Government grants & subsidies (continued)

**Small town Rehabilitaion**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 1 544 398 |
| Current-year receipts | - | 7 100 000 |
| Conditions met - transferred to revenue | - | (8 644 398) |
| | - | - |

This grant is for the construction of the Light Industrial Hub Phase 2 and 3 . No funds were withheld.

**Expanded Public works Programme (EPWP)**

| | | |
|---|---|---|
| Current-year receipts | 2 657 000 | 2 437 000 |
| Conditions met - transferred to revenue | (2 657 000) | (2 437 000) |
| | - | - |

This grant is for the operational costs of the co-operative Extended Public Works Programme.

**Economic Development Tourism Environmental Affairs (EDTEA) Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 1 223 | 1 223 |

Conditions still to be met - remain liabilities (see note 13).

This grant is for purchase of materials and equipment for local emerging suppliers. No funds were withheld.

**Disaster Relief Grant**

| | | |
|---|---|---|
| Current-year receipts | 8 858 000 | 26 548 000 |
| Conditions met - transferred to revenue | (8 858 000) | (26 548 000) |
| | - | - |

The grant is for the rehabilitation and regraveling of roads and bridges that were damaged by the floods.

### 20. Public contributions and donations

| | | |
|---|---|---|
| Public contributions and donations | 300 000 | - |

The Municipality received the following donation with the fair value of R 300 000 in 2025 (2024: R Nil).

Land from KwaZulu Natal Department of Public Works with a fair value of R 300 000, refer to note 3.

### 21. Other income

| | | |
|---|---|---|
| Business Licenses | 81 004 | 7 904 |
| Fees for photocopies and subscriptions | 18 183 | 30 715 |
| Rates Clearance | 59 131 | 47 653 |
| Tenders | 14 261 | 21 180 |
| Valuation Roll | 870 | 2 435 |
| Taxi Rank Fees | 37 991 | 21 149 |
| Sundry Revenue | 1 496 | 8 067 |
| | **212 936** | **139 103** |

Included in Sundry revenue is the amount of fruitless and wasteful expenditure recovered in 2023/2024 see note 41.

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 22. Agency services

| | | |
|---|---|---|
| Driver's Licenses | 2 263 560 | 2 464 830 |
| Vehicle Registration | 1 911 285 | 1 874 442 |
| | **4 174 845** | **4 339 272** |

The Municipality receives 10% (2024: 10%) on amounts collected for vehicle registrations since this is the function of the Department of Transport.

### 23. General expenses

| | | |
|---|---|---|
| Audit committee fees | 238 878 | 329 944 |
| Advertising | 318 275 | 270 571 |
| Auditors remuneration | 3 602 384 | 3 058 591 |
| Bank Charges | 33 146 | 39 294 |
| Communications and public relations | 250 840 | 160 379 |
| Consulting and professional Services | 6 161 853 | 4 850 485 |
| Consumables | 4 566 619 | 14 067 360 |
| Disaster and emergencies | 114 492 | 378 093 |
| Education support | 404 025 | 1 271 015 |
| Sub-contracting services | 4 663 635 | 5 227 852 |
| Refreshments | 370 591 | 397 808 |
| Pound | 106 318 | 150 417 |
| Insurance | 621 729 | 1 441 591 |
| Conferences and seminars | 165 564 | 52 118 |
| IT expenses | 3 892 806 | 3 651 434 |
| Pauper burials | 310 365 | 596 164 |
| Medical expenses | 50 000 | 47 100 |
| Rental of offices and office machines | 889 179 | 1 657 819 |
| Fuel and oil | 5 673 037 | 6 995 028 |
| Postage and courier | 217 | 16 234 |
| Printing and stationery | 840 019 | 1 360 053 |
| License fees | 2 060 920 | 1 554 481 |
| Strategic planning | - | 308 022 |
| Security (guarding of municipal properties) | 9 945 330 | 9 124 067 |
| Subscriptions and membership fees | 1 870 879 | 1 319 597 |
| Telephone and fax | 3 297 985 | 3 636 066 |
| Training | 616 737 | 572 560 |
| Subsistence and travelling reimbursement | 1 362 244 | 1 756 795 |
| Traffic signs and roadmarkings | 150 000 | - |
| Electricity | 4 478 133 | 3 803 508 |
| Water | 257 620 | 277 392 |
| Uniform | 865 873 | 1 267 607 |
| Tourism Development | 118 945 | 186 786 |
| SMME's support | 5 757 675 | 6 581 552 |
| Free basic electricity | 951 149 | 620 653 |
| Ward committee | 1 733 800 | 1 711 071 |
| Public participation | 3 166 889 | 5 818 871 |
| Valuation expense | 190 463 | 143 780 |
| Scholar patrol | 237 969 | 235 581 |
| Contract costs | 5 826 957 | 7 826 087 |
| | **76 163 540** | **92 763 826** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 24. Employee related costs

| | | |
|---|---|---|
| Basic | 101 325 500 | 93 140 339 |
| Bonus | 8 021 097 | 7 383 325 |
| Medical aid - company contributions | 3 783 452 | 3 349 336 |
| Unemployment Insurance Fund (UIF) | 751 464 | 713 264 |
| Workmen's Compensation Fund (WCF) | 1 040 418 | 817 816 |
| Skills Development Levy (SDL) | 1 123 742 | 1 036 315 |
| Leave pay provision charge | 2 097 701 | 1 599 561 |
| Overtime payments | 3 706 479 | 3 599 668 |
| Long-service awards | 755 000 | 725 000 |
| Car allowance | 4 636 208 | 4 237 136 |
| Housing benefits and allowances | 543 827 | 410 568 |
| SALGA | 57 587 | 50 585 |
| Post employee benefits- Pension | 15 442 697 | 15 007 619 |
| | **143 285 172** | **132 070 532** |

**Remuneration of Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 1 314 979 | 1 331 158 |
| Car Allowance | 192 000 | 192 000 |
| Performance Bonuses | 199 234 | 192 875 |
| | **1 706 213** | **1 716 033** |

**Remuneration of Chief Finance Officer**

| | | |
|---|---|---|
| Annual Remuneration | 1 025 841 | 1 040 758 |
| Car Allowance | 216 000 | 216 000 |
| Performance Bonuses | 163 582 | 101 800 |
| | **1 405 423** | **1 358 558** |

**Remuneration of Director Social Services**

| | | |
|---|---|---|
| Annual Remuneration | 1 025 260 | 987 071 |
| Car Allowance | 216 000 | 216 000 |
| Performance Bonuses | 163 582 | 92 374 |
| | **1 404 842** | **1 295 445** |

**Remuneration of Director Technical Services**

| | | |
|---|---|---|
| Annual Remuneration | 1 016 681 | 993 694 |
| Car Allowance | 418 835 | 226 835 |
| Performance Bonuses | 163 582 | 52 785 |
| | **1 599 098** | **1 273 314** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 24. Employee related costs (continued)

**Remuneration of Director Corporate Services**

| | | |
| --- | --- | --- |
| Annual Remuneration | 1 025 841 | 999 772 |
| Car Allowance | 216 000 | 216 000 |
| Performance Bonuses | 163 582 | 39 589 |
| | **1 405 423** | **1 255 361** |

**Director Community Services**

| | | |
| --- | --- | --- |
| Acting Allowance | 110 625 | - |

### 25. Remuneration of councillors

| | | |
| --- | --- | --- |
| Councillors | 12 277 443 | 12 337 144 |
| SDL and UIF | 116 128 | 119 236 |
| | **12 393 571** | **12 456 380** |

**Mayor**

| | | |
| --- | --- | --- |
| Annual remuneration | 975 601 | 954 073 |
| Cellphone allowance | 47 004 | 53 208 |
| SDL | 8 825 | 10 073 |
| | **1 031 430** | **1 017 354** |

**Deputy Mayor**

| | | |
| --- | --- | --- |
| Annual remuneration | 780 482 | 763 259 |
| Cellphone allowance | 47 004 | 53 208 |
| SDL | 8 275 | 8 202 |
| | **835 761** | **824 669** |

**Speaker**

| | | |
| --- | --- | --- |
| Annual remuneration | 780 482 | 763 259 |
| Cellphone allowance | 47 004 | 53 208 |
| SDL | 7 154 | 7 084 |
| | **834 640** | **823 551** |

**Exco**

| | | |
| --- | --- | --- |
| Annual remuneration | 1 170 600 | 1 143 582 |
| Travel allowance | 54 000 | 54 000 |
| Cellphone allowance | 141 012 | 159 624 |
| SDL | 13 548 | 13 494 |
| | **1 379 160** | **1 370 700** |

**Councillors**

| | | |
| --- | --- | --- |
| Annual remuneration | 6 902 864 | 6 876 298 |
| Travel allowance | 297 302 | 259 226 |
| Cellphone allowance | 1 034 088 | 1 204 199 |
| SDL | 78 326 | 80 383 |
| | **8 312 580** | **8 420 106** |

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

### 25. Remuneration of councillors (continued)

**In-kind benefits**

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

The Mayor has 2 full-time bodyguards and the use of a Council owned vehicle.

The Deputy Mayor has 2 full-time bodyguards and the use of a Council owned vehicle .

The Speaker has 2 full-time bodyguards and the use of a Council owned vehicle.

The MPAC chairperson uses Council owned vehicle.

**Accounting Officer's certification of Councilors remuneration**

The Accounting Officer certifies that the salaries, allowances and benefits of Councilors as disclosed above are within the

upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Office Bearer's Act.

### 26. Debt impairment

| | | |
| --- | --- | --- |
| Debt impairment - Consumer debtors | 10 323 933 | 14 130 857 |
| Debt impairment-Traffic fines | 148 679 | 572 798 |
| | **10 472 612** | **14 703 655** |

Debt impairment for consumer debtors is R 10 323 933 (2024:R 14 130 857). Increase in provision from ( 2024: R 70 146 282- R 23 885 784) to (2025: R 56 584 431 ). An amount of R 23 885 784 (2024: R 506 098) was written off against the debt impairment.

Debt impairment for traffic fines is R 148 679 (2024: 572 798) , the provision increased from 2024: R 2 560 497 to 2025: R 2 709 176.

### 27. Interest received

| | | |
| --- | --- | --- |
| **Interest revenue** | | |
| Interest received - Current Account | 224 638 | 1 663 717 |
| Interest received - Investments | 3 882 139 | 3 971 530 |
| | **4 106 777** | **5 635 247** |

### 28. Depreciation and amortisation

| | | |
| --- | --- | --- |
| Property, plant and equipment | 34 567 094 | 30 911 594 |
| Intangible assets | 175 261 | 280 784 |
| | **34 742 355** | **31 192 378** |

Refer to reconciliation in note 3 and 4 for further details. Depreciation and amortisation is calculated over the useful life of the asset and reflects the realisation of that asset through continued use.

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

## 29. Finance costs

| | | |
| --- | --- | --- |
| Finance leases | 718 147 | - |

## 30. Operating lease

The Municipality entered into a 3 year lease with Transnet for the lease of land where the Light industrial hub is constructed. The average lease term was 3 years with 9% escalation. Monthly rental expenditure is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 9% escalation

The Municipality entered into an operating lease agreement for a period of 3 years with Yuretek, leasing photocopier machines and a monthly rental expense is accounted for in the Statement of Financial Performance . The average lease term is 3 years with 0% escalation. The rental is fixed for the duration of the contract.

The Municipality further entered into an operating lease agreement for a period of 9 years with MZ Hlatshwayo. Leasing a land for the pound and landfill site. The payments were made in two equal payments within 2 financial years starting from the 2017/2018 and 2018/2019 financial years. Operating lease payment is accounted for in the Statement of Financial Performance and prepaid expense is accounted for in the Statement of Financial Position. The lease term is 9 years with 0% escalation.

| | | |
| --- | --- | --- |
| **Minimum Lease Due - Photocopier** | | |
| 1 year | 1 397 780 | 1 397 780 |
| >2 years | - | 1 397 780 |
| | **1 397 780** | **2 795 560** |

| | | |
| --- | --- | --- |
| **Minimum Lease Due - Light indrustrial hub land** | | |
| 1 year | 13 663 | 162 830 |
| >2 years | - | 13 663 |
| | **13 663** | **176 493** |

## 31. Cash generated from operations

| | | |
| --- | --- | --- |
| (Deficit) surplus | (212 967) | 8 093 502 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 34 742 355 | 31 192 378 |
| Gain/(loss) on sale of assets and liabilities | 492 792 | (951 159) |
| Finance costs - Finance leases | 718 147 | - |
| Impairment deficit | 6 641 866 | 802 290 |
| Debt impairment | 10 472 612 | 14 703 655 |
| Movements in operating lease assets and accruals | (53 373) | (19 154) |
| Movements in retirement benefit assets and liabilities | 1 115 271 | 690 824 |
| Movements in provisions | 388 581 | 831 140 |
| Donation received | (300 000) | - |
| **Changes in working capital:** | | |
| Receivables from exchange transactions | 1 481 059 | 3 736 512 |
| Consumer debtors | (13 185 867) | (13 174 429) |
| Other receivables from non-exchange transactions | (280 104) | (952 931) |
| Payables from exchange transactions | 2 289 188 | (5 864 956) |
| Unspent conditional grants and receipts | (503 526) | (1 598 130) |
| | **43 806 034** | **37 489 542** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

## 32. Construction contracts

### Construction contract revenue

| | | |
| --- | --- | --- |
| Contract revenue INEP | 5 826 957 | 7 826 087 |

### Construction contract cost (Included in General expenses)

| | | |
| --- | --- | --- |
| Contract cost INEP | (5 826 957) | (7 826 087) |

## 33. Commitments

### Authorised capital expenditure

| | | |
| --- | --- | --- |
| **Approved & contracted for** | | |
| • Capital projects already contracted for | 13 181 404 | 36 234 789 |

### Authorised operational expenditure

| | | |
| --- | --- | --- |
| **Approved & contracted for** | | |
| • Operational projects already contracted for | 37 873 483 | 18 367 862 |
| **Approved but not yet contracted for** | | |
| • Operational projects not yet contracted for | 4 324 | 36 530 |

## 34. Contingent liabilities

Nompumelelo Hadebe Inc. is claiming an amount of R 5 320 000 in relation to debt collection, the Municipality disputes this claim. The matter is currently in court.

### Contingent assets

No contingent assets exist for the period ended 30 June 2025 (2024: Nil)

## 35. Related parties

Key Management Personnel and Councillors Remuneration.

Remuneration of Key Management Personnel and Councillors is set out in Note 24 and 25 respectively to the Annual Financial Statements.

## 36. Segment information

### General information

### Identification of segments

The municipality does not have reportable segments as at 30 June 2025 ( 2024: Nil)

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 37. Risk management

### Financial risk management

Due to the largely non-trading nature of the activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating to interest rate risk.

### Liquidity risk

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

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.

| | | |
|---|---|---|
| Trade and other payables | 17 032 951 | 16 287 661 |

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

| Financial instrument | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | 2 057 516 | 30 607 940 |
| Trade and other receivables | 20 368 123 | 18 249 952 |

The amount disclosed for trade and other receivables is after the allowance for impairment .

### Market risk

### Interest rate risk

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

| | | |
|---|---|---|
| Cash and cash equivalent | 2 057 516 | 30 607 940 |

## 38. Events after the reporting date

There are no material events that occurred after the reporting date 30 June 2025 apart from the ones included in note 14, 41, 42 and 43. (2024: Nil).

# Notes to the Annual Financial Statements



### 39. Change in Estimate

The Municipality has revised the remaining useful lives of assets which had reached the end of their useful lives, based on the conditions in terms of GRAP 17 paragraph 56.

The effects of this revisions have overall decreased the depreciation by R 1 082 074.

The effect on the change in useful lives, change in residual values are as follows:

| **Depreciation** | Depreciation per annum before | Depreciation per annum after | Difference (Change in Future depreciation) |
|---|---|---|---|
| Computer | 33 448 | 11 130 | 22 318 |
| Office Furniture | 53 349 | 17 739 | 35 609 |
| Machinery and Equipment | 146 127 | 48 628 | 97 499 |
| Infrastructure | 403 719 | 149 126 | 254 593 |
| Motor vehicles | 830 828 | 276 261 | 554 567 |
| Buildings | 132 435 | 71 567 | 60 868 |
| Intangible assets | 84 926 | 28 307 | 56 620 |
| | **1 684 832** | **602 758** | **1 082 074** |

### 40. Prior-year adjustments and reclassifications

The Municipality had previously incorrectly valued and categorised 2 properties since 2009, the Municipal valuer has corrected this error and now these properties are correctly categorised as Public Benefit Organisation.

The property rates and penalties that were charged have been reversed.

**Statement of financial position**

**2024**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Consumer debtors | | 33 883 472 | (228 791) | 33 654 681 |
| Accumulated surplus | | 496 670 713 | (228 791) | 496 441 922 |
| | | **530 554 185** | **(457 582)** | **530 096 603** |

**Statement of financial performance**

**2024**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Property rates | | 28 796 909 | (7 526) | 28 789 383 |
| Property rates - penalties imposed | | 8 169 437 | (18 704) | 8 150 733 |
| **Surplus for the year** | | **36 966 346** | **(26 230)** | **36 940 116** |

-

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 41. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| **Reconciliation of fruitless and wasteful expenditure** | - | - |
| Opening balance | 2 720 839 | 784 462 |
| Interest and penalties | 13 242 | 1 510 |
| Landifill site rentals | 277 778 | 1 944 444 |
| Less: Amounts recovered - current | - | (8 067) |
| Less: Amount written off - current | (2 234 189) | (1 510) |
| **Closing balance** | **777 670** | **2 720 839** |

An amount of R 776 395 is as a result of misconduct by a former employee during 2014/2015 financial year, a case was opened against the employee for payments made to ghost employees and the case is currently under investigation by the South African Police Services. The matter is currently in criminal court.

**Incidents 2023/2024**

An amount of R 1 510 for interest and penalties incurred on late payments, has been referred to MPAC for investigation in terms of section 32 of the MFMA. The council approval to writeoff R 1 510 was obtained in August 2024. An amount of R 8 067 has been recovered, the affected employees have signed payments arrangements.

The Municipality has incurred an amount of R 1 944 444 on rental of land where the landfill site was constructed. The landfill is not operational since it has not been transferred to the Municipality. The Council approval was obtained in August 2025.

**Incidents 2024/2025**

The Municipality has incurred an amount of R 277 778 on rental of land where the landfill site was constructed. The landfill is not operational since it has not been transferred to the Municipality. The resulting expenditure has been reported to Council and investigation as per section 32 of the MFMA will be instituted. The Council approval was obtained in August 2025

The Municipality has incurred an amount of R 2 098 on late payment of invoices. This expenditure has been reported to Council and investigation as per section 32 of the MFMA have been instituted.The Council approval to writeoff the expenditure of R 824 was obtained in August 2025. The amount of R 1 274 is still subjected to the section 32 of the MFMA process.

The Municipality has incurred an amount of R 11 144 for penalties as result late licensing of Municipal vehicles. The resulting expenditure has been reported to Council and investigation as per section 32 of the MFMA will be instituted.The Council approval to writeoff the expenditure was obtained in August 2025.

## 42. Irregular expenditure

| | | |
|---|---|---|
| **Reconciliation of Irregular expenditure** | - | - |
| Opening balance | 38 835 565 | 39 444 106 |
| Expenditure incurred during the year | 85 474 057 | 39 735 721 |
| Less: Amount written off - by Council | (118 613 242) | (40 344 262) |
| **Closing balance** | **5 696 380** | **38 835 565** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

## 42. Irregular expenditure (continued)

**Opening balance**

**Incidents 2023/2024.**

An amount of R 790 766 was incurred on the purchase of a motor vehicle that exceeded the threshold in the the cost containment regulations, the expenditure has been reported to Council and Section 32 of the MFMA process was instituted. The Council approval to write-off the expenditure was obtained in July 2024.

An amount of R 109 390, was incurred on extension on a month to month contract, the expenditure has been reported to Council and Section 32 of the MFMA process was instituted.The Council approval to write-off the expenditure was obtained in August 2024.

An amount of R 39 444 106, was incurred in 2022/2023 and previous periods, on Hambrook access road, the Municipality used the engineers estimate report, the expenditure was been written off by Council after the MFMA Section 32 process was followed however the approval for the write-off took place in July 2024.

An amount of R 37 036 103, was incurred panel appointments, the selection criteria was not stipulated in the tender documents and the Supply Chain Management policy, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

An amount of R 1 502 540, was incurred on appointments of suppliers where the evidence for measuring functionality was not provided, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

An amount of R 266 965, was incurred on purchase orders where orders were awarded on evaluation criteria that was not included on the request for quotations, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

An amount of R 29 958, was incurred on a purchase order that was awarded to the supplier that submitted a quotation after the closing time, the expenditure will be reported to Council, the MFMA Section 32 process will be followed.

**Incidents 2024/2025**

An amount of R 179 038, was incurred on contract that was advertised for a shorter period, the expenditure was reported to Council and Section 32 and referred to MPAC for investigation.The Council approval to writeoff the expenditure of R 125 327 was obtained in August 2025. The amount of R 53 711 is still subjected to the section 32 of the MFMA process.

An amount of R 83 213 766, was incurred panel appointments, the selection criteria was not stipulated in the tender documents and the Supply Chain Management policy, the expenditure was reported to Council and Section 32 and referred to MPAC for investigation.The Council approval to writeoff the expenditure of R 79 652 350 was obtained in August 2025. The remaining R 3 561 416 is still subject to the Section 32 of the MFMA process

An amount of R 57 460 was incurred on quotations where the evaluation critetia was inconsistent with the criteria advertised. This amount is still subjected to the Section 32 of the MFMA process

An amount of R 326 703 was incurred on deviations where the service providers did not submit declaration forms. This is still subject to the Section 32 of the MFMA process

An amount of R 1 697 089 was incurred where a Councillor failed to disclose a relationship with an EPWP Co-operation beneficiary. This is still subjected to the Section 32 of the MFMA

## Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

### 43. Unauthorised expenditure

| | 2025 | 2024 |
|---|---|---|
| **Opening balance as restated** | - | - |
| Opening balance | 16 918 722 | 8 658 942 |
| Expenditure incurred during the year | 11 499 861 | 26 531 013 |
| Less: Amount approved by Council | (28 337 223) | (18 271 233) |
| **Closing balance** | **81 360** | **16 918 722** |

**2023/2024 Incidents**

The INEP expenditure amounting to R 6 173 913 (Contract cost) incurred in 2022/2023 has been written off by Council in accordance to MFMA section 32. The approval for the write-off for R 2 485 029 in relation to the Housing expenditure (contract cost) took place in July 2024.

An amount of R 5 372 532 incurred on employee related cost, the implementation of upper limits gazette, the increase in leave days balances and the appointment of additional personnel. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.

The contributing cost drivers were, wet fuel, electricity, telephones, maintenance of assets, security services, social events, EPWP etc, the resulted amount is R 20 066 826 has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.

The Municipality fully spent the Disaster Recovery grant, some of the expenditure incurred was operational R 8 520 636 (i.e. repairs and maintenance), however the entire budget was treated as capital during the budget process. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to write-off the expenditure was obtained in August 2024.

The Municipality has revised the debt impairment provision for Government debt from 20% to 35 %, the Municipality has been struggling to collect Government debt. The budget has been exceeded by R 49 655. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA.The Council approval to writeoff the expenditure was obtained in August 2024.

The expenditure as per the GRAP 25 valuation report, the Municipality could not budget for these since the report is prepared at year end, this amounts to R 1 042 000.This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to writeoff the expenditure was obtained in August 2024.

**2024/2025 Incidents.**

The over expenditure analysis below is based on an assessment on vote level and not at overall budget vs actual level

Contracted Services: The contributing cost drivers for the over- expenditure on contracted services are as follows:

| **Expenditure** | **Amount** |
|---|---|
| Security services | R 989 459 |
| Cleaning materials | R 36 423 |
| Valuation roll maintenance | R 90 463 |
| Trainings | R 1 096 |
| Catering | R 29 463 |
| Competency assessment | R 7 144 |
| Repairs and maintenance of fleet | R 815 545 |
| | **R 1 969 593** |

The above over-expenditure is as a result of actual expenditure exceeding the budgeted vote expenditure. The total expenditure of R 1 969 593 has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of MFMA. The Council approval to write-off the expenditure was obtained in August 2025.

Operational Costs: The contributing cost drivers for the over-expenditure on operational costs are as follow:

| **Expenditure** | **Amount** |
|---|---|
| Leases of Copier machines | R 196 701 |
| Water | R 57 620 |

# Notes to the Annual Financial Statements

| Figures in Rand | | 2025 | 2024 |
| --- | --- | --- | --- |

**43. Unauthorised expenditure (continued)**

| | |
| --- | --- |
| Electricity | R 2 037 406 |
| Stationary | R 126 684 |
| Membership levy | R 447 652 |
| Social events | R 470 132 |
| Skills development levy | R 35 208 |
| Fuel | R 680 648 |
| Vehicle tracking | R 28 486 |
| Advertising | R 68 275 |
| Telephones | R 925 172 |
| IT support | R 584 039 |
| Licenses for financial system and fleet | R 1 060 920 |
| Flight | R 6 057 |
| Conferences | R 41 131 |
| Accommodation | R 325 996 |
| Subsistence and travel | R 89 991 |
| Workmen compensation fund | R 340 418 |
| | **R 7 522 536** |

The above over-expenditure is as a result of actual expenditure exceeding the budgeted vote expenditure. The total expenditure of R 7 522 536 has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to write-off the expenditure was obtained in August 2025

The over-expenditure on impairment of assets (R1 926 372) is as a result of the assets identified to be impaired during the assets verification which was done at the end of the financial year and therefore could not be accurately budgeted for. This has been reported to Council and the matter has been referred to MPAC for investigation as per Section 32 of the MFMA. The Council approval to write-off the expenditure was obtained in August 2025.

Unspent Conditional Grant: The municipality had lower closing balance amount (R 2 057 516) in the cash and cash equivalents at the end of the 2024/2025 financial year and this resulted in the unspent conditional grant not being cash backed. The unspent conditional grants amounted to R 10 000 159 and therefore the unauthorised expenditure in this regard amounted to R 7 942 643. The amount is already taken into account in the unauthorised expenditure.

The municipality had an amount of R 10 000 000 ring fenced for sports and only R 9 918 659,77 was actually spent on this project, the remaining R 81 360,23 was spent on other MIG projects. This will be reported to Council.

**44. Additional disclosure in terms of Municipal Finance Management Act**

**Audit fees**

| | 2025 | 2024 |
| --- | --- | --- |
| Current year subscription / fee | 3 602 384 | 3 058 591 |
| Amount paid - current year | (3 602 384) | (3 058 591) |
| | - | - |

**PAYE, SDL and UIF**

| | 2025 | 2024 |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 22 971 061 | 21 027 896 |
| Amount paid - current year | (22 971 061) | (21 027 896) |
| | - | - |

**Pension and Medical Aid Deductions**

| | 2025 | 2024 |
| --- | --- | --- |
| Opening balance | - | - |
| Current year subscription / fee | 29 972 365 | 26 924 376 |
| Amount paid - current year | (29 972 365) | (26 924 376) |
| | - | - |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|

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

**VAT**

| | 2025 | 2024 |
|---|---|---|
| VAT control | 849 837 | 1 727 742 |
| VAT input accrual | 5 520 274 | 6 436 527 |
| VAT output accrual | (1 595 194) | (1 554 737) |
| | **4 774 917** | **6 609 532** |

VAT control, VAT input accrual and VAT output accrual payables are shown in the  note.

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

**Councillors' arrear consumer accounts**

For the financial period ended  30 June 2025 (2024: Nil), there were no rates or services arrears owed by any councillor. Further, during the financial year there are no councillors which were outstanding for more than 90 days.

**Supply chain management regulations**

Quotations: In terms of regulation 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. These deviations refer to the instances as stipulated in the regulations and relates mainly to sole supplier, emergencies and instances where it was impractical to follow SCM processes.

**2023/24 Incidents**.

The Municipality incurred an amount of R 1 131 371 in relation to IT service, whilst there was an objection lodged on the award, the service provider awarded was the recommended bidder in accordance to Supply Chain Management Policy.

The Municipality paid an amount of R 18 669 for postage stamps supplied by the Post Office..

The Municipality incurred an amount of R 12 310 in relation to calibration of speed machines from the manufacture of the machine

The Municipality paid an amount of R 226 430  for annual licences from the system developers.

The Municipality incurred expenditure on online training of Internal Audit amounting to R 8 528.

The Municipality incurred expenditure on training of Traffic Officers amounting to R 26 565.

The Municipality incurred expenditure on WSP software licence amounting to R 165 480.

**2024/2025 Incidents**.

The Municipality paid an amount of R 4 834 for online transport legislation.

The Municipality incurred an amount of R 8 167 in relation to calibration of speed machines from the manufacture of the machine.

The Municipality paid an amount of R 242 280  for annual licences from the system developers.

The Municipality incurred expenditure on online training on Annual Financial Statements amounting to R 76 256.

| **Incident** | | |
|---|---|---|
| Other | 331 537 | 1 589 353 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |

**45. Awards to close family members of persons in service of the State.**

| | | |
| --- | --- | --- |
| Awards to close family members | 3 743 395 | 10 903 255 |

Regulation 45 of the Supply Chain Management Regulation disclosure:

**2023/2024 Incidents**

The Municipality appointed a supplier for the construction of Nkoxo road and bridge, the supplier has a spouse/wife by the name Bongiwe Ntuli employed by the KZN Department of Health as a professional nurse, the award is for an amount of R 5 505
959.

The Municipality appointed a supplier for the construction of Vulamehlo gravel road, the supplier has a spouse/wife by the name Petronela Sithebe employed by the KZN Department of Transport as a director, the award is for an amount of R 5 397 296.

**2024/2025 Incidents.**

The Municipality appointed a supplier for delivery and repairs of cctv, the supplier has a spouse/wife by the name Waseela Asmal employed by the Alfred Duma Local Municipality in the revenue department, the award is for an amount of R 3 743 395

**46. Going Concern Assumption**

The current cash coverage ratio and current ratio shows that the municipal finances cannot sustain the municipality for the period of 12 months. This creates a material uncertainty with regards to going concern.

The municipality is a grant dependent with limited sources of its own revenue. This however means that it is gauranteed to receive the equitable share grant which has been gazetted for the 2025/2026 financial year. The municipality will receive its first tranche of R 69 288 000 of the equitable share in July 2025 and it plans to utilise these funds efficiently by down scaling cost drivers operations and implement cost containment mearsures.