



ENDUMENI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2025

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The provision of services (electricity and refuse) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
Mayoral committee	
Mayor	Cllr AM Mkhize
Speaker	Cllr AM Nsibande
Councillors	Cllr MS Abdool Cllr NM Gopie Cllr P Xaba Cllr XM Msezane Cllr LB Zulu Cllr Z Shelembe Cllr AZ Sadeck Cllr M Phakati Cllr MT Ngcobo Cllr SM Kheswa Cllr FN Mthethwa
Grading of local authority	3
Chief Financial Officer (CFO)	Mrs CB Mkhize Ms S.P Hlatshwayo (Acting)
Accounting Officers	Advocate NN Khambule (23 July to September 2025) S Ntombela (Resigned on 31 May2025) MB Buthelezi (Acting from 1 to 30 June 2025) Mr. M Sithole (October 2025 - Current Acting)
Registered office	Endumeni Local Municipality 3000
Business address	54 Victoria Street Civil Centre Dundee 3000
Postal address	Private bag X2024 Dundee 3000
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Nompumelelo Hadebe Inc Phumla Nkosi Attorneys Lalaparsard Inc SKG Ntombela Attorneys

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General Information

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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Annual Financial Statements for the year ended 30 June 2025

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

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Abbreviations used:

PAYE	Pay As You Earn
VAT	Value Added Taxation
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MPAC	Municipal Public Accounts Committee

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Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officers are 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 officers have reviewed the municipality's cash flow forecast for the year 30 June 2025 to 30 June 2026 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the funding from government grants and subsidies and collections from services rendered. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The accounting officer certifies that salaries, allowances and benefits of councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution read with Remuneration of Public Bearers Act No. 20 of 1998.

The annual financial statements set out on pages 5 to 119, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2025 and were signed on its behalf by:

Mr. M Sithole (October 2025 - Current Acting)
Accounting officer

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	30 June 2025	30 June 2024 Restated*
Assets			
Current Assets			
Inventories	3	7,854,422	7,881,542
Financial assets	4	11,552,984	10,899,041
Receivables from non-exchange transactions	5	23,250,070	13,553,222
Receivables from exchange transactions	6	58,070,442	44,017,318
Cash and cash equivalents	7	47,528,703	31,031,707
		148,256,621	107,382,830
Non-Current Assets			
Investment property	8	135,766,006	131,585,806
Property, plant and equipment	9	351,698,193	338,054,096
Intangible assets	10	140,559	214,419
		487,604,758	469,854,321
Total Assets		635,861,379	577,237,151
Liabilities			
Current Liabilities			
Employee Benefits Obligations	11	4,675,000	4,529,000
Payables from exchange transactions	12	421,928,877	271,966,239
VAT payable	13	-	233,321
Consumer deposits	14	6,073,521	6,056,878
Unspent conditional grants and receipts	15	2,172,572	10,576,499
		434,849,970	293,361,937
Non-Current Liabilities			
Employee Benefits Obligations	11	66,578,000	58,063,000
Provisions	16	10,105,783	9,230,081
		76,683,783	67,293,081
Total Liabilities		511,533,753	360,655,018
Net Assets		124,327,626	216,582,133
Reserves			
Housing Development Fund	17	5,126,881	5,119,140
Accumulated surplus		119,200,751	211,462,999
Total Net Assets		124,327,632	216,582,139

* See Note 42

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	12 months ended 30 June 2025	12 months ended 30 June 2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	174,621,932	156,393,883
Rendering of services	19	555,204	543,257
Construction contracts income	20	8,312,174	3,960,074
Interest Income - financial assets	4	653,942	687,065
Rental of facilities and equipment	21	1,220,997	957,004
Interest on receivables from exchange transactions	22	4,625,212	3,222,460
Debt forgiven - Interest waived on accounts payable	43	-	12,024,034
Licences and permits	23	4,089,604	4,437,241
Other income	24	354,663	557,467
Interest income on investment	25	3,142,696	2,159,452
Total revenue from exchange transactions		197,576,424	184,941,937
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	111,713,435	104,147,966
Transfer revenue			
Government grants & subsidies	27	118,600,939	99,177,815
Public contributions and donations	9	878,688	29,885
Fines and penalties	29	27,688,036	21,547,395
Total revenue from non-exchange transactions		258,881,098	224,903,061
Total revenue		456,457,522	409,844,998
Expenditure			
Employee related costs	30	(154,009,737)	(144,795,858)
Remuneration of councillors	31	(5,348,155)	(4,857,419)
Depreciation and amortisation	32	(14,972,055)	(15,292,488)
Finance costs	33	(30,734,709)	(22,328,832)
Lease rentals on operating lease	34	(2,943,754)	(2,432,970)
Debt Impairment	35	(37,036,729)	(20,943,128)
Bad debts written off	35	-	(22,595,108)
Unreconciled items written-off	36	(9,104,657)	-
Bulk purchases	37	(197,359,996)	(166,084,870)
Contracted Services	38	(56,766,861)	(44,440,872)
Transfers and Subsidies	39	(609,585)	(794,884)
General Expenses	40	(39,411,478)	(31,535,832)
Total expenditure		(548,297,716)	(476,102,261)
Operating deficit		(91,840,194)	(66,257,263)
Loss on disposal of assets and liabilities	9	(855,581)	(1,462,014)
Fair value adjustments	41	4,180,200	5,084,806
Actuarial gains/losses	11	(3,179,000)	7,591,014
Impairment loss	59	(544,162)	(393,918)
Inventories losses/write-downs		(23,514)	6,551
		(422,057)	10,826,439
Deficit for the		(92,262,251)	(55,430,824)

* See Note 42

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	5,075,422	282,936,950	288,012,372
Adjustments			
Prior year adjustments 42	-	(16,043,127)	(16,043,127)
Balance at 01 July 2023 as restated*	5,075,422	266,893,823	271,969,245
Changes in net assets			
Surplus for the	-	(55,430,824)	(55,430,824)
Current year movement	43,718	-	43,718
Restated* Balance at 01 July 2024	5,119,140	211,463,002	216,582,142
Changes in net assets			
Surplus for the	-	(92,262,251)	(92,262,251)
Current year movement	7,741	-	7,741
Balance at 30 June 2025	5,126,881	119,200,751	124,327,632
Note(s)	17		

The accounting policies on pages 13 to 45 and the notes on pages 46 to 119 form an integral part of the annual financial statements.

* See Note 42

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	12 months ended 30 June 2025	12 months ended 30 June 2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates & Fines		104,759,500	100,025,914
Sale of goods and services		174,159,796	172,666,769
Grants		115,094,098	105,969,123
Interest income		4,625,212	3,222,459
		<u>398,638,606</u>	<u>381,884,265</u>
Payments			
Employee costs		(161,151,367)	(142,657,583)
Suppliers		(157,148,718)	(198,301,338)
Finance costs		(28,956,176)	(21,269,388)
		<u>(347,256,261)</u>	<u>(362,228,309)</u>
Net cash flows from operating activities	44	<u>51,382,345</u>	<u>19,655,956</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(29,086,502)	(14,612,031)
Net cash flows from investing activities		<u>(29,740,445)</u>	<u>(15,580,815)</u>
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		21,641,900	4,075,141
Cash and cash equivalents at the beginning of the year		25,886,803	26,956,561
Cash and cash equivalents at the end of the year	7	<u>47,528,703</u>	<u>31,031,702</u>

The accounting policies on pages 13 to 45 and the notes on pages 46 to 119 form an integral part of the annual financial statements.

* See Note 42

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	231,152,541	(3,627,357)	227,525,184	174,621,932	(52,903,252)	23% Note60
Rendering of services	820,572	(282,500)	538,072	555,204	17,132	3%
Construction contracts income	9,558,996	-	9,558,996	8,312,174	(1,246,822)	(13%)
Interest income - financial assets	-	-	-	653,942	653,942	100%- Note60
Rental of facilities and equipment	1,118,940	(293,500)	825,440	1,220,997	395,557	50% - Note60
Interest on receivables from exchange transactions	2,400,096	3,063,021	5,463,117	4,625,212	(837,905)	(15%) -Note61
Licences and permits	4,619,688	(1,446,000)	3,173,688	4,089,604	915,916	29%-Note61
Other income	877,764	(557,198)	320,566	354,663	34,097	11%
Interest received -on investment	2,890,764	(1,466,459)	1,424,305	3,142,696	1,718,391	121% -Note61
Total revenue from exchange transactions	253,439,361	(4,609,993)	248,829,368	197,576,424	(51,252,944)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	114,298,920	-	114,298,920	111,713,435	(2,585,485)	23%-Note61
Transfer revenue						
Government grants & subsidies	109,712,004	13,369,040	123,081,044	118,600,939	(4,480,105)	36%-Note61
Public contributions and donations	-	-	-	878,688	878,688	100%-Note61
Fines, Penalties and Forfeits	12,380,736	5,723,600	18,104,336	27,688,036	9,583,700	53%-Note61
Total revenue from non-exchange transactions	236,391,660	19,092,640	255,484,300	258,881,098	3,396,798	
Total revenue	489,831,021	14,482,647	504,313,668	456,457,522	(47,856,146)	
Expenditure						
Employee related costs	(153,729,374)	7,821,890	(145,907,484)	(154,009,737)	(8,102,253)	6%
Employee costs - Remuneration of councillors	(6,923,628)	(575,100)	(7,498,728)	(5,348,155)	2,150,573	29%-Note61
Depreciation and amortisation	(16,889,568)	1,625,487	(15,264,081)	(14,972,055)	292,026	2%
Impairment loss	(1,482,936)	-	(1,482,936)	(544,162)	938,774	63%-Note61
Finance costs	-	-	-	(30,734,709)	(30,734,709)	(100%)-Note 61
Lease rentals on operating lease	(769,356)	-	(769,356)	(2,943,754)	(2,174,398)	(283%)-Note61
Debt Impairment	(17,995,116)	-	(17,995,116)	(37,036,729)	(19,041,613)	(106%)-Note61
Unreconciled items written - off	-	-	-	(9,104,657)	(9,104,657)	(100%)-Not 61
Bulk purchases	(178,693,860)	-	(178,693,860)	(197,359,996)	(18,666,136)	(104%)-Note61
Contracted Services	(46,955,848)	(10,343,783)	(57,299,631)	(56,766,861)	532,770	
Transfers and Subsidies	(630,000)	-	(630,000)	(609,585)	20,415	3%
General Expenses	(35,037,756)	(2,885,488)	(37,923,244)	(39,411,478)	(1,488,234)	4%
Total expenditure	(459,107,442)	(4,356,994)	(463,464,436)	(548,841,878)	(85,377,442)	
Operating deficit	30,723,579	10,125,653	40,849,232	(92,384,356)	(133,233,588)	
Loss on disposal of assets	-	-	-	(855,581)	(855,581)	(100%)-Note61

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	4,180,200	4,180,200	100%-Note61
Actuarial gains/losses	-	-	-	(3,179,000)	(3,179,000)	(100%)-Note61
Inventories losses/write-downs	-	-	-	(23,514)	(23,514)	(100%)-Note61
	-	-	-	122,105	122,105	
Deficit before taxation	30,723,579	10,125,653	40,849,232	(92,262,251)	(133,111,483)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	30,723,579	10,125,653	40,849,232	(92,262,251)	(133,111,483)	
Reconciliation						

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	9,379,382	(248,896)	9,130,486	7,854,422	(1,276,064)	14%
Financial assets	-	-	-	11,552,984	11,552,984	100%-Note61
Receivables from non-exchange transactions	57,287,850	-	57,287,850	23,250,070	(34,037,780)	59%-Note61
Receivables from exchange transactions	132,309,616	(5,725,127)	126,584,489	58,070,442	(68,514,047)	54%-Note61
Cash and cash equivalents	11,736,959	4,006,236	15,743,195	47,528,703	31,785,508	202%-Note61
	210,713,807	(1,967,787)	208,746,020	148,256,621	(60,489,399)	

Non-Current Assets

Investment property	124,328,244	12,776	124,341,020	135,766,006	11,424,986	9%
Property, plant and equipment	376,093,997	11,629,115	387,723,112	351,698,193	(36,024,919)	
Intangible assets	1,187,717	14,641	1,202,358	140,559	(1,061,799)	88%-Note61
	501,609,958	11,656,532	513,266,490	487,604,758	(25,661,732)	

Total Assets

	712,323,765	9,688,745	722,012,510	635,861,379	(86,151,131)	
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Liabilities

Current Liabilities

Employee Benefits Obligations	-	-	-	4,675,000	4,675,000	(100%)-Note61
Payables from exchange transactions	215,683,549	(436,900)	215,246,649	421,928,877	206,682,228	
Taxes and transfers payable (non-exchange)	(448)	-	(448)	-	448	
Consumer deposits	5,727,075	-	5,727,075	6,073,521	346,446	6%
Unspent conditional grants and receipts	4,110,768	-	4,110,768	2,172,572	(1,938,196)	47%-Note61
	225,520,944	(436,900)	225,084,044	434,849,970	209,765,926	

Non-Current Liabilities

Employee Benefits Obligations	-	-	-	66,578,000	66,578,000	100%-Note61
Provisions	55,828,187	-	55,828,187	10,105,783	(45,722,404)	82%-Note61
	55,828,187	-	55,828,187	76,683,783	20,855,596	

Total Liabilities

	281,349,131	(436,900)	280,912,231	511,533,753	230,621,522	
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Net Assets

	430,974,634	10,125,645	441,100,279	124,327,626	(316,772,653)	
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Net Assets

Reserves

Housing Development Fund	5,075,421	-	5,075,421	5,126,881	51,460	
Accumulated surplus	425,899,213	10,125,645	436,024,858	119,200,751	(316,824,107)	
Total Net Assets	430,974,634	10,125,645	441,100,279	124,327,632	(316,772,647)	

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Taxation	91,431,000	-	91,431,000	104,759,500	13,328,500	
Sale of goods and services	256,329,000	4,296,000	260,625,000	174,159,796	(86,465,204)	
Grants	119,206,000	13,369,000	132,575,000	115,094,098	(17,480,902)	
Interest income	2,891,000	2,543,000	5,434,000	4,625,212	(808,788)	
	469,857,000	20,208,000	490,065,000	398,638,606	(91,426,394)	

Payments

Employee costs	(153,404,000)	-	(153,404,000)	(161,151,367)	(7,747,367)	
Suppliers	(297,635,000)	(6,170,000)	(303,805,000)	(157,148,718)	146,656,282	
Finance costs	-	-	-	(28,956,176)	(28,956,176)	
	(451,039,000)	(6,170,000)	(457,209,000)	(347,256,261)	109,952,739	

Net cash flows from operating activities	18,818,000	14,038,000	32,856,000	51,382,345	18,526,345	
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Cash flows from investing activities

Purchase of property, plant and equipment	(28,655,000)	(10,031,000)	(38,686,000)	(29,086,502)	9,599,498	
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Net cash flows from investing activities	(28,655,000)	(10,031,000)	(38,686,000)	(29,740,445)	8,945,555	
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Net increase/(decrease) in cash and cash equivalents	(9,837,000)	4,007,000	(5,830,000)	21,641,900	27,471,900	
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Cash and cash equivalents at the beginning of the year	21,563,000	-	21,563,000	25,886,803	4,323,803	
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Cash and cash equivalents at the end of the year	11,726,000	4,007,000	15,733,000	47,528,703	31,795,703	
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ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Receivables from exchange & non-exchange transactions

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

The impairment for receivables from exchange and non-exchange is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

Recognition and Derecognition of Land

Legislation or similar means governs the ownership, custodianship and/or the use of land in the public sector. The following situations outlined in legislation or similar means, may have an impact on the recognition and derecognition of land:

- the municipality may be required to act as the custodian of the land;
- the municipality may be the legal owner of the land;
- the municipality may be required to use the land or may be granted a right to use the land to meet its service delivery objectives; or
- restrictions may be imposed on an entity in relation to the transfer of the land.

This Interpretation addresses the following issues in relation to the recognition and derecognition of land:

- Should the legal owner of the land always recognise the land as its asset in the financial statements
- How will a right granted to an entity in a binding arrangement, which enables it to direct access to the land, and to restrict and deny the access of others to the land, affect whether it recognises the land
- Should the legal owner or the custodian of the land recognise the land as its asset?
- When should the land be derecognised from an entity's financial statements
- How should the land be accounted for when there is joint control of land?

The municipality should assess whether it controls land using the following criteria:

- legal ownership
- the right to direct access to land, and to restrict or deny the access of others to land.

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

- a contract concluded between the parties;
- legislation, supporting regulations or similar means including, but not limited to laws, regulation, policies, decisions concluded by authorities such as cabinet, executive committees, boards, municipal councils and ministerial orders (referred to as legislation or similar means for purposes of this Interpretation);
or
- through the operation of law, including common law.

A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties.

Where the entity concludes that it controls land, an asset is recognised in the statement of financial position in accordance with the applicable Standard of GRAP. If the entity concludes that it does not have control over the land, land is derecognised as an asset from the statement of financial position in accordance with the applicable Standard of GRAP.

Recognition and de-recognition of land are carried at cost less any accumulated amortisation and any impairment losses.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note .

Impairment of statutory receivables

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

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

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

1.6 Investment property

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

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

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

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 38).

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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
Buildings	Straight-line	5 - 30 years
Roads and Paving	Straight-line	3 - 100 years
Plant and machinery	Straight-line	3 - 20 years
Furniture and fixtures	Straight-line	3 - 50 years
Motor vehicles	Straight-line	4 - 20 years
Electricity	Straight-line	3 - 80 years
Other Property, Plant and Equipment	Straight-line	10 - 30 years

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.9 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.

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.

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

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

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

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

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	2 - 5 years

1.10 Financial instruments

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

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

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another 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 the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Financial assets	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality 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 municipality recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

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

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

Gains and losses

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Financial instruments (continued)

Impairment of Financial Instruments

Impairment is a loss in the future economic benefits or service potential of a financial asset.

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

If there is an indication that financial assets, or a group of financial assets, 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 financial assets, or group of financial assets, is reduced, either directly or through the use of an allowance account.

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 municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the financial asset, or group of financial assets, for which the future cash flow estimates have not been adjusted.

The amount of the impairment losses is recognised in surplus or deficit.

Off-setting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an 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 financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Derecognition

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.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.11 Statutory receivables

Identification

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Statutory receivables (continued)

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Statutory receivables (continued)

- 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.

1.12 Leases

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

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

Operating leases - lessor

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

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

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

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

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

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Significant Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

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

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.14 Construction contracts income

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

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

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

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

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

The municipality 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, the municipality considers whether it is a contractor.

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Significant Accounting Policies

1.14 Construction contracts income (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 completion of a physical proportion of the contract work.

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

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

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

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

Cash and cash equivalents comprise bank balances, cash on hand, and investments..

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

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Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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.

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Significant Accounting Policies

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

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

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

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.

Designation

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

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

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

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

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

Identification

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

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

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

ENDUMENI LOCAL MUNICIPALITY

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Significant Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in 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.

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Significant Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

ENDUMENI LOCAL MUNICIPALITY

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Significant Accounting Policies

1.18 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit cost

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

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

ENDUMENI LOCAL MUNICIPALITY

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Significant Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

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

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

Short-term paid absences

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

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

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

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

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.18 Employee benefits (continued)

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating 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.

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Significant Accounting Policies

1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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 47.

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

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

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

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

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 services performed to date as a percentage of total services to be performed.

Interest income

Revenue arising from the use by others of entity assets yielding interest 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.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.23 Investment income

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

1.24 Borrowing costs

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

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

1.25 Accounting by principals and agents

Identification

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

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.25 Accounting by principals and agents (continued)

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 it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

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

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

1.30 Housing development fund

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

1.31 Segment information

A segment is an activity of the municipality:

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

Reportable segments are the actual segments which are reported on in the segment report. 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 municipality's financial statements.

1.32 Budget information

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

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.32 Budget information (continued)

The approved budget is prepared on an 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.33 Related parties

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

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

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

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

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

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

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

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

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

1.34 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.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.35 Unspent conditional grant

This represent funds unspent at the end of the financial reporting period on grants received from national and provincial government or any other external parties that can only be spent according to conditions stipulated in the memorandum of understanding. The amount is recognised as current liability until the conditions are met whereby it will be capitalised to the related projects or recorded as an expenditure and revenue realised as well. Failure to meet stipulated conditions at the end of each period will require the municipality to apply for a roll over or pay back the outstanding amount to the fund providers.

1.36 Value Added Taxation

The municipality is registered with the South Africa Revenue Services (SARS) for VAT on the payment basis, in accordance with section 15 (2) of the VAT Act No. 89 of 1991.

1.37 Prior period errors

A prior period error is 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 opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

1.38 Collateral held

Collateral held includes financial assets, non-financial assets and other forms of collateral such as guarantees or encumbrances over assets.

The entity recognises assets relating to collateral held if it meets the recognition criteria in other accounting policies.

The entity disclose the nature and amounts of collateral recognised or held, in the notes to the financial statements.

1.39 Contracted services

This group of accounts distinguish between Outsourced Services, Contractors and Consultant and professional Services.

Contractors are required to provide services that are not the core business of the municipality. It is normally not cost effective to maintain these skills within the department. Contractors include costs associated with the use of contracted individuals or businesses on projects or tasks.

Consultant and professional Services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore, a consultant is a professional person appointed by the municipality to provide technical and specialist advice or to assist with the design and implementation of specific project or programs.

Outsourced Services refers to services which the municipality should have the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff to save costs or due to temporal incapacity.

Recognition and measurement:

Contracted service expenses are recognised on an accrual basis.

Contracted services transactions are recognised on to the financial systems upon receipt or accrual of goods or services acquired by the municipality.

The value of goods or services to be recognised is determined by the supporting documentation received from the supplier.

Contracted services expenses are accounted for excluding value added tax where applicable.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.40 General expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition and measurement:

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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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 2023 Improvements to the Standards of GRAP 2023 - GRAP 1 (amended): Presentation of Financial Statements (Going Concern) - GRAP 103 (amended): Heritage Assets - GRAP 104 (as revised): Financial Instruments	 Not stated 01 April 2025	 Unlikely there will be a material impact Unlikely there will be a material impact

3. Inventories

Consumable stores	7,854,422	7,881,542
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Inventory pledged as security

None of the inventory items were pledged as security in current and prior financial reporting period.

4. Financial assets

At amortised cost

Security Held - Eskom	11,552,984	10,899,041
This relates to security held by Eskom for all accounts opened by the municipality. The security is repayable upon closure of electricity account. The interest income is charged at a rate of 6.92% per annum		

Current assets

At amortised cost	11,552,984	10,899,041
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Financial assets pledged as collateral

Collateral

None of the financial assets were pledged as collateral for liabilities or contingent liabilities in current ad prior year.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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4. Financial assets (continued)

Financial assets reconciliation - Security held by Eskom

Reconciliation of financial assets - 2025

	Opening balance	Interest income	Closing balance
Eskom Account Number - 5052894928	2,319,389	497,876	2,817,265
Eskom Account Number - 8291633064	8,297,933	139,163	8,437,096
Eskom Account Number - 9299096549	281,591	16,895	298,486
Eskom Account Number - 5399047711	136	-	136
	10,899,049	653,934	11,552,983

Reconciliation of financial assets - 2024

	Opening balance	Additions	Interest Income	Closing balance
Eskom Account Number - 5052894928	2,169,297	-	150,092	2,319,389
Eskom Account Number - 8291633064	7,760,960	-	536,973	8,297,933
Eskom Account Number - 9299096549	-	281,591	-	281,591
Eskom Account Number - 5399047711	-	128	8	136
	9,930,257	281,719	687,073	10,899,049

5. Receivables from non-exchange transactions

Gross balances

Consumer debtors - Rates	142,840,126	117,898,959
VAT refunds (SARs)	4,678,671	-
Fines	25,198,039	20,401,439
	172,716,836	138,300,398

Less: Allowance for impairment

Consumer debtors - Rates	(125,780,609)	(104,396,253)
Fines	(23,686,157)	(20,350,923)
	(149,466,766)	(124,747,176)

Net balance

Consumer debtors - Rates	17,059,517	13,502,706
VAT refunds (SARs)	4,678,671	-
Fines	1,511,882	50,516
	23,250,070	13,553,222

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Consumer debtors - Rates	17,059,517	13,502,706
Fines	1,511,882	50,516
VAT refunds (SARs)	4,678,671	-
	23,250,070	13,553,222

Financial asset receivables included in consumer debtors above	-	-
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Total consumer debtors	23,250,070	13,553,222
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ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
5. Receivables from non-exchange transactions (continued)		
Consumer debtors - Rates		
Current (0 -30 days)	12,249,778	7,523,370
31 - 60 days	3,579,185	4,580,521
61 - 90 days	3,356,283	3,337,622
91 - 120 days	3,178,892	2,880,564
121 - 365 days	27,628,262	21,090,634
> 365 days	92,847,726	78,242,201
Reconciling items - Timing difference (refer to N1)	-	244,047
Less: Impairment provision	(125,780,609)	(104,396,253)
	17,059,517	13,502,706
VAT refunds (SARs)		
Current (0 -30 days)	4,678,671	-
Fines		
Current (0 -30 days)	394,900	259,100
31 - 60 days	462,400	153,100
61 - 90 days	412,400	232,100
91 - 120 days	490,400	367,800
121 - 365 days	2,727,450	2,242,400
> 365 days	20,710,489	17,146,939
Less: Impairment provision	(23,686,157)	(20,350,923)
	1,511,882	50,516

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
5. Receivables from non-exchange transactions (continued)		
Summary of statutory receivables by customer classification		
Consumers		
Current (0 -30 days)	7,007,748	4,051,772
31 - 60 days	2,196,503	2,582,535
61 - 90 days	2,022,651	2,010,953
91 - 120 days	1,916,205	1,798,112
121 - 365 days	13,199,030	10,799,720
> 365 days	67,936,356	58,522,123
	94,278,493	79,765,215
Industrial/ commercial		
Current (0 -30 days)	4,433,205	3,019,322
31 - 60 days	1,035,448	1,533,195
61 - 90 days	950,476	940,508
91 - 120 days	884,383	729,617
121 - 365 days	5,559,239	3,434,467
> 365 days	14,998,309	11,657,251
	27,861,060	21,314,360
National and provincial government		
Current (0 -30 days)	808,825	417,096
31 - 60 days	347,177	464,791
61 - 90 days	383,099	386,162
91 - 120 days	378,243	352,835
121 - 365 days	8,869,993	6,856,447
> 365 days	9,913,278	8,062,827
	20,700,615	16,540,158
Total		
Current (0 -30 days)	12,249,778	7,523,370
31 - 60 days	3,579,128	4,580,521
61 - 90 days	3,356,226	3,337,622
91 - 120 days	3,178,831	2,880,564
121 - 365 days	27,628,262	21,090,634
> 365 days	92,847,942	78,242,201
	142,840,167	117,654,912
Reconciliation of allowance for impairment		
Balance at beginning of the year	(124,747,176)	(142,361,018)
Contributions to allowance	(24,719,590)	17,613,842
	(149,466,766)	(124,747,176)

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable.

The municipality is required to levy or pay tax at a rate of 15% as per requirements of section 7 of the Value Added Tax Act No. 89 of 1991. VAT amount is based on the supply of good or service by the municipality in the course of furtherance of any enterprises conducted by the municipality.

Determination of transaction amount

The transaction amount is calculated by applying the Council approved rates against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the transaction amount.

The transaction amount is calculated by determining the value of the traffic offence as stipulated in the traffic fines schedule. The initial transaction amount may qualify for discounts or reduction based on stipulated conditions.

The transaction amount is determined by application of 15% on all taxable supplies incurred by the municipality. The net amount between the amount actually received from sale of taxable goods or services and acquisition of taxable goods or services will be submitted to SARS as the amount receivable/payable. A receivable arises when VAT input amount paid to suppliers is more than VAT output amount received from customers.

Interest or other charges levied/charged

Applicable interest rate is 10% for property rates in current financial year which is consistence to prior year.

No interest is charged on traffic fines owed by consumers and VAT refunds from SARs

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

Statutory receivables are assessed for impairment annually using the collection rate method. This methods involves calculating average collection rate per customer which is determined by taking collection rate for current and prior periods and devide by number of periods being considered. The estimated default rate (impairment rate) is equal to 100% less average collection rate.

Additional factors considered for testing impairment of statutory receivables:

- i. Customers' accounts where a formal arrangement has been made and no payment has been made in current and comparative year.
- ii. Customers who fail to comply with agreed arrangement during current and prior year.
- iii. Customers' accounts handed over to debt collectors and /or power of attorney
- iv. Customers' accounts owing for more than 30days which is the credit period given by the municipality.
- v. Customers' accounts indicated as inactive on the ledger.
- vi. Customers accounts presented to chief finance officer for consideration to write-off.
- vii. Indigent customers where accounts are outstanding for more than 30 days.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
5. Receivables from non-exchange transactions (continued)		
The impairment indicators were determined management using professional judgemental and experience obtained from the past practice and statistics in relation to municipal debt collection.		
Historical collections trends from SARs are used a basis for assessing whether VAT refund amount must be impaired or not. SARs normally settle all refunds on time and there is no period with a disputed refund, therefore no impairment has been calculated.		
Discount rate applied to the estimated future cash flows		
The municipality applies a rate of 10% to all statutory receivables accounts balances older than 30 days. This rate is deemed to be the market value as it takes the effect of inflation and other economic factors into account. For impairment calculations, there was no discounting of expected future costs performed because the receivables balance as per debtors age analysis represents the present value of expected future cash inflows. The receivables age analysis has already factored in the effect of time value of money.		
No discounting applied as this amount declared to SARs represents the present value of the future cash flows to be received from SARS.		
Statutory receivables past due but not impaired		
Based on the impairment methodology applied by the municipality, all statutory receivables older than 30 days (credit term) are considered for impairments.		
Statutory receivables impaired		
As of 30 June 2025, Statutory receivables of 130,590,390 (2024: 130,477,900) were impaired and provided for.		
The amount of the provision was (125,780,609) as of 30 June 2025 (2024: (124,747,175)).		
6. Receivables from exchange transactions		
Gross balances		
Electricity	20,551,354	22,179,078
Service charges	556,242	1,384,413
Refuse	61,868,903	48,825,345
VAT input tax receivable	38,675,953	23,421,020
Rental of facilities and equipment	2,385,966	1,581,297
Sundry debtors	4,640,307	4,919,293
	128,678,725	102,310,446
Less: Allowance for impairment		
Electricity	(7,647,654)	(6,633,401)
Service charges	(539,647)	(1,141,341)
Refuse	(56,284,586)	(44,434,009)
Rental of facilities and equipment	(1,763,646)	(1,492,919)
Sundry debtors	(4,372,750)	(4,591,458)
	(70,608,283)	(58,293,128)
Net balance		
Electricity	12,903,700	15,545,677
Service charges	16,595	243,072
Refuse	5,584,317	4,391,336
VAT input tax receivable	38,675,953	23,421,020
Rental of facilities and equipment	622,320	88,378
Sundry debtors	267,557	327,835
	58,070,442	44,017,318

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	12,120,769	11,819,799
31 - 60 days	803,732	3,138,493
61 - 90 days	589,558	1,407,655
91 - 120 days	510,943	547,077
121 - 365 days	2,143,446	1,388,856
> 365 days	4,382,906	3,706,017
Reconciling items - Timing difference (refer to N1)	-	171,181
Less: Debt impairment	(7,647,654)	(6,633,401)
	12,903,700	15,545,677
Service charges		
Current (0 -30 days)	-	14
31 - 60 days	-	14
61 - 90 days	-	19
91 - 120 days	-	23
121 - 365 days	3,723	769,120
> 365 days	552,519	615,223
Less impairment	(539,647)	(1,141,341)
	16,595	243,072
Refuse		
Current (0 -30 days)	4,600,819	2,640,529
31 - 60 days	1,536,636	1,882,339
61 - 90 days	1,414,471	1,512,145
91 - 120 days	1,392,612	1,335,641
121 - 365 days	10,169,575	8,474,355
> 365 days	42,754,790	32,624,615
Reconciling items - Timing difference (refer to N1)	-	355,721
Less: Debt impairment	(56,284,586)	(44,434,009)
	5,584,317	4,391,336
VAT input tax receivable		
Current (0 -30 days)	38,675,953	23,421,020
Rental of facilities and equipment		
Current (0 -30 days)	589,454	43,718
31 - 60 days	35,301	37,553
61 - 90 days	35,331	32,728
91 - 120 days	33,913	31,558
121 - 365 days	231,291	189,914
> 365 days	1,460,676	1,245,826
Less: Debt impairment	(1,763,646)	(1,492,919)
	622,320	88,378

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
6. Receivables from exchange transactions (continued)		
Sundry debtors		
Current (0 -30 days)	233,581	284,378
31 - 60 days	15,508	16,033
61 - 90 days	23,435	12,672
91 - 120 days	10,958	-
121 - 365 days	85,885	22,819
> 365 days	4,270,940	4,583,391
Less: debt impairment	(4,372,750)	(4,591,458)
	267,557	327,835
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	4,734,101	2,666,543
31 - 60 days	1,628,946	1,838,149
61 - 90 days	1,490,994	1,449,855
91 - 120 days	1,418,906	1,324,053
121 - 365 days	10,037,306	8,511,173
> 365 days	44,623,018	36,030,332
	63,933,271	51,820,105
Industrial/ commercial		
Current (0 -30 days)	7,788,839	4,726,945
31 - 60 days	778,433	1,981,541
61 - 90 days	335,665	591,234
91 - 120 days	318,982	235,566
121 - 365 days	1,344,629	1,827,963
> 365 days	5,284,024	4,331,759
	15,850,572	13,695,008
National and provincial government		
Current (0 -30 days)	2,854,056	2,297,987
31 - 60 days	790,908	1,254,742
61 - 90 days	355,276	924,128
91 - 120 days	572,723	354,680
121 - 365 days	918,420	505,920
> 365 days	876,165	2,448,125
	6,367,548	7,785,582
Total		
Current (0 -30 days)	15,376,996	9,691,475
31 - 60 days	3,198,287	5,074,432
61 - 90 days	2,181,935	2,965,216
91 - 120 days	2,310,611	1,914,299
121 - 365 days	12,300,355	10,845,063
> 365 days	50,783,207	42,810,217
	86,151,391	73,300,702
Add pre-paid electricity	-	4,903,382
	86,151,391	78,204,084

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(58,293,128)	(61,622,414)
Contributions to allowance	(12,315,155)	3,329,286
	(70,608,283)	(58,293,128)

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been re-negotiated in the last year.

Consumer debtors past due but not impaired

The municipality gives customers a grace period of 30 days to settle their account. All individual customer accounts older than 30 days are considered for impairment, therefore none has passed due and not impaired.

Consumer debtors impaired

As of 30 June 2025, consumer debtors of 72,482,833 (2024: 63,606,295) were impaired and provided for.

The amount of the provision was (70,608,283) as of 30 June 2025 (2024: (58,293,128)).

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	-	44,158,584
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N1 - Reconciling items - Timing difference

Prior year adjustment were made in current year on the consumer debtors module to restate some consumer debtors who were incorrectly written-off in prior year. The consumer debtors module does not have adjustment to correct transactions which must affect prior periods. The net reconciling value in receivables from exchange and non-exchange transactions is **R 770,984.87** in prior year.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17,566	15,295
Bank balances	9,229,056	8,129,374
Short-term deposits	38,282,081	22,887,038
	47,528,703	31,031,707

Cash and cash equivalents pledged as collateral

None of the cash and cash equivalents amount has been pledged as collateral security.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
First National Bank - Main Account (62025460651)	9,229,057	8,129,374	12,324,829	8,144,669
First National Bank - Call Account (62025460651) - projects	4,063,315	5,093,696	4,063,315	5,093,696
First National Bank - Call Account (62045928069) - Sibongile Hostel	379,773	354,777	379,773	354,777
First National Bank - Call Account (62063967718) - Sithembile Hostel	555,027	518,997	55,027	518,997
First national Bank- Call Account (62412969084) - Housing Operating Account	679,420	635,399	679,420	635,399
First National Bank - Call Account (62509652419) - INEP	1,315,161	8,044	1,315,161	8,044
First National Bank- Call Account (62509650851) -MIG	510,196	742,732	510,196	742,732
First National Bank - Call Account (62113431390) - Money Markets	7,556	3,985,679	7,556	3,985,679
First national Bank - Call Account (63071551379) - Electricity sale	4,630	61,132	4,630	61,132
First National Bank - Call Account (62127781236) - Talana Museum Trust	24,141	22,752	24,141	22,752
ABSA Bank - Account (9384302143) - Liquidity Plus massification Projects	3,108,883	2,901,085	3,108,883	2,882,840
ABSA Bank - Fixed deposit (2081357436) - Proceeds on sale of assets	2,087,956	1,310,047	2,087,956	1,310,047
First National Bank - Call Account (63089254444) - SETA grant	332,721	674,875	332,721	641,875
First National Bank - Call Account (63089252498) - Energy Efficiency Grant	2,499,259	40,731	2,499,259	40,731
First National Bank - Call Account (63089253743) - EPWP Grant	337,080	3,592	337,080	3,592
First national Bank - Call Account (63097863063) - Disaster Recovery Grant	1,271,007	6,493,197	1,271,007	6,493,197
First National Bank - Call Account (63089251242) - Fiance management Grant	170,240	1,838	170,240	1,838
First National Bank - Call Account (62173631948) - Sibongile library Internet	2,509,280	89,711	2,509,280	89,711
Standard Bank - (06 866 262 9 - 001)	10,234,061	-	10,234,061	-
Standard Bank	8,192,375	-	8,192,375	-
Total	47,511,138	31,067,658	50,106,910	31,031,708

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2025			2024		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	135,766,006	-	135,766,006	131,585,806	-	131,585,806

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	131,585,806	4,180,200	135,766,006

Reconciliation of investment property - 2024

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	124,461,000	2,040,000	5,084,806	131,585,806

Pledged as security

None of the municipal investment property was pledged as security to a liability in current and prior year.

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

Valuations were performed by an independent valuer, TESA Properties (Pty) Ltd, Professional Valuer. The valuer is not connected to the municipality and has recent experience in the location and category of the investment property being valued. The valuation was based on open market value.]

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	68,510,244	-	68,510,244	68,510,244	-	68,510,244
Buildings	107,601,177	(39,480,915)	68,120,262	107,458,770	(34,799,197)	72,659,573
Plant and machinery	23,490,423	(15,141,610)	8,348,813	24,009,884	(14,624,523)	9,385,361
Furniture and fixtures	5,321,549	(4,502,494)	819,055	5,689,409	(4,646,076)	1,043,333
Motor vehicles	16,273,572	(12,098,927)	4,174,645	15,689,339	(11,226,104)	4,463,235
IT equipment	8,299,350	(5,982,168)	2,317,182	7,335,856	(5,671,952)	1,663,904
Road Infrastructure	237,103,565	(98,527,638)	138,575,927	208,408,008	(90,831,103)	117,576,905
Community assets	22,484,207	(3,163,184)	19,321,023	7,957,799	(2,498,410)	5,459,389
Construction Work-in-progress	3,023,458	-	3,023,458	20,809,296	-	20,809,296
Electrical Infrastructure	62,189,823	(26,100,442)	36,089,381	59,603,638	(26,090,183)	33,513,455
Solid waste infrastructure	5,458,210	(3,060,007)	2,398,203	5,790,119	(2,820,718)	2,969,401
Total	559,755,578	(208,057,385)	351,698,193	531,262,362	(193,208,266)	338,054,096

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Donations received	Other movements	Other changes, movements	Depreciation	Impairment loss	Total
Land	68,510,244	-	-	-	-	-	-	-	-	68,510,244
Buildings	72,659,573	142,409	(2)	-	-	-	-	(3,534,139)	(1,147,579)	68,120,262
Plant and machinery	9,385,361	77,070	(5,594)	-	215,686	-	-	(1,323,710)	-	8,348,813
Furniture and fixtures	1,043,333	109,007	(12,296)	-	41,594	-	-	(362,583)	-	819,055
Motor vehicles	4,463,235	584,233	-	-	-	-	-	(872,823)	-	4,174,645
IT equipment	1,663,904	1,108,788	(16,418)	-	200,346	-	-	(639,438)	-	2,317,182
Road Infrastructure	117,576,905	-	(11,479)	28,712,123	-	-	46,428	(7,261,447)	(486,603)	138,575,927
Community	5,459,389	-	-	14,105,346	421,062	-	-	(664,774)	-	19,321,023
Construction Work-in-progress	20,809,296	25,031,631	-	(42,817,469)	-	-	-	-	-	3,023,458
Electrical infrastructure	33,513,455	2,587,650	(203)	-	-	-	-	-	(11,521)	36,089,381
Solid waste infrastructure	2,969,401	-	-	-	-	(285,441)	(46,428)	(239,329)	-	2,398,203
	338,054,096	29,640,788	(45,992)	-	878,688	(285,441)	-	(14,898,243)	(1,645,703)	351,698,193

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Other Movements	Donation received	Depreciation	Impairment loss	Total
Land	68,510,244	-	-	-	-	-	-	-	68,510,244
Buildings	70,270,234	-	-	6,108,193	-	-	(3,718,854)	-	72,659,573
Plant and machinery	11,964,794	482,166	(1,695,814)	25,735	-	-	(1,369,583)	(21,937)	9,385,361
Furniture and fixtures	1,343,912	65	(3,130)	67,000	-	-	(357,235)	(7,279)	1,043,333
Motor vehicles	5,521,510	-	(228,646)	-	-	-	(829,629)	-	4,463,235
IT equipment	1,865,699	331,343	(16,265)	-	-	29,885	(546,758)	-	1,663,904
Road Infrastructure	122,998,343	-	-	1,321,575	-	-	(6,386,234)	(356,779)	117,576,905
Community	1,937,365	-	-	3,985,721	-	-	(463,697)	-	5,459,389
Construction Work-in-progress	17,225,641	15,091,879	-	(11,508,224)	-	-	-	-	20,809,296
Electrical Infrastructure	33,843,420	1,670,560	(345,979)	-	-	-	(1,654,546)	-	33,513,455
Solid waste infrastructure	3,455,878	-	(47)	-	(711,912)	-	225,482	-	2,969,401
	338,937,040	17,576,013	(2,289,881)	-	(711,912)	29,885	(15,101,054)	(385,995)	338,054,096

Other Movements relates to changes in cash flow projections on the valuation of landfill site obligation.

Pledged as security

None of the property plant and equipment were pledged as security in current and prior year.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	10,798,747	7,401,627	2,608,940	20,809,314
Additions/capital expenditure	20,658,805	3,909,820	463,221	25,031,846
Transferred to completed items	(28,711,851)	(11,033,186)	(3,072,161)	(42,817,198)
	2,745,701	278,261	-	3,023,962

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	8,111,456	3,560,562	5,553,624	17,225,642
Additions/capital expenditure	4,008,866	7,893,786	3,189,244	15,091,896
Transferred to completed items	(1,321,575)	(4,052,721)	(6,133,928)	(11,508,224)
	10,798,747	7,401,627	2,608,940	20,809,314

All work in progress projected has been completed on time, none are taking longer to be completed, nor halted or suspended.

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

Maintenance of building and facilities	899,960	1,044,991
Maintenance of equipment	185,334	1,044,991
Maintenance of unspecified assets	14,779,486	13,726,400
	15,864,780	15,816,382

Cost relating to maintenance of property plant and equipment are included in contracted services disclosure note 38.

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

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	994,076	(853,517)	140,559	994,123	(779,704)	214,419

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	214,419	(73,812)	140,559

Reconciliation of intangible assets - 2024

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1,339,840	(1,133,151)	7,730	214,419

Pledged as security

None of the intangible assets were pledged as security in current and prior year.

11. Employee Benefits Obligations

Non-current liabilities	66,578,000	58,063,000
Current liabilities	4,675,000	4,529,000
	71,253,000	62,592,000

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

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Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
11. Employee Benefits Obligations (continued)		
Carrying value:		
Medical aid fund liability	(63,015,000)	(55,126,000)
Long service award liability	(8,238,000)	(7,466,000)
	(71,253,000)	(62,592,000)
Changes in the net defined liability are as follows:		
Long service award:		
Opening balance	(7,466,000)	(6,524,836)
Service cost	(856,000)	(662,205)
Finance charges	(784,000)	(656,742)
Benefits paid	-	808,441
Actuarial gains	(296,000)	881,342
Addition pf pro-rata LSA	1,164,000	(1,312,000)
	(8,238,000)	(7,466,000)
Medical Aid Fund		
Opening balance	(55,126,000)	(55,828,187)
Service cost	(1,888,000)	(2,536,973)
Finance costs	(6,483,000)	(6,945,260)
Benefits paid	3,365,000	3,474,748
Actuarial loss / (gains)	(2,883,000)	6,709,672
	(63,015,000)	(55,126,000)
Net expense recognised in the statement of financial performance are as follows:		
Medical Aid Fund		
Current service costs	1,888,000	2,536,973
Finance costs	6,483,000	6,945,260
Actuarial loss / (gains)	2,883,000	(6,709,672)
Benefits paid	(3,365,000)	(3,474,748)
	7,889,000	(702,187)
Long Service Award:		
Current service costs	856,000	662,205
Finance costs	784,000	656,742
Actuarial gains	296,000	(881,342)
Benefits paid	(1,164,000)	(808,441)
	772,000	(370,836)
Calculation of actuarial gains and losses:		
Actuarial loss / (gains) – Medical Aid Obligation	2,883,000	(6,709,672)
Actuarial loss/(gains) – Long Service Award	296,000	(881,342)
	3,179,000	(7,591,014)
Key assumptions used - Medical Aid Fund Obligations:		
Assumptions used at the reporting date:		
Discount rates used	11.00 %	12.10 %
CPI Inflation rate	5.00 %	6.10 %
Medical aid contribution inflation rate	6.80 %	7.60 %
Net discount rate (medical aid contributions)	3.90 %	4.20 %

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Figures in Rand	30 June 2025	30 June 2024
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11. Employee Benefits Obligations (continued)

Maximum subsidy inflation rate	4.50 %	5.30 %
Net discount rate (maximum subsidy)	6.20 %	6.40 %

The next contribution increases were assumed to occur at 1 January 2025. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2025.

Key Demographic Assumptions:

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

Key Assumption used - Long Service Award:

Assumption	Value p.a	Value p.a
Discount rate	10.10 %	11.36 %
CPI inflation rate	4.10 %	5.48 %
General earnings inflation rate	5.10 %	6.58 %
Net discount rate	4.80 %	4.58 %

The next general earnings increase was assumed to take place on 1 July 2025.

Key Demographic Assumptions:

Average retirement age	62
Mortality during employment	SA 85 - 90

Assumption	Age	Female	Male
Termination of service (resignation and retrenchment rates per annum)	20	9.00 %	9.00 %
Termination of service (resignation and retrenchment rates per annum)	30	6.00 %	6.00 %
Termination of service (resignation and retrenchment rates per annum)	40	5.00 %	5.00 %
Termination of service (resignation and retrenchment rates per annum)	50	3.00 %	3.00 %
Termination of service (resignation and retrenchment rates per annum)	55	- %	- %

Sensitivity analysis:

Medical Aid Fund Obligation:

The DBO at this valuation was recalculated to show the effect of:

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Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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11. Employee Benefits Obligations (continued)

- i. A one percentage point increase and decrease in the assumed medical aid contribution inflation rate;
- ii. A one percentage point increase and decrease in the discount rate;
- iii. A one-year age increase and decrease in the assumed rates of post-employment mortality;
- iv. A one-year decrease in the assumed average retirement age; and
- v. A decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

Sensitivity analysis on the defined benefit obligation (R Millions):

Assumptions	Change	Eligible employees	Continuation members	Total DBO	%Change
Central assumptions		24.449	38.566	63.015	
Medical aid contribution inflation rate	+ 1 %	26.607	39.746	66.353	5 %
	- 1 %	21.779	37.057	58.836	- 7 %
Discount rate	+1 %	20.915	35.706	56.621	- 10 %
	- 1 %	28.889	41.882	70.771	+12 %
Post-employment mortality	+ 1 yr	23.921	37.479	61.400	- 3 %
	- 1 yr	24.967	39.642	64.609	+ 3 %
Average retirement age	- 1 yr	27.266	38.566	65.832	+ 4 %
Membership continuation	- 10 %	21.261	38.566	59.827	- 5 %

The post-employment mortality adjustment “-1 yr”, for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The DBO is expected to increase under this scenario because members are expected to live longer.

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Assumption	Change	Current Svc. Cost	Interest costs	Total Costs	%Change
Central assumption		1,888,000	6,483,000	8,371,000	
Medical Aid contribution	+ 1 %	2,090,000	6,874,000	8,964,000	+7 %
Inflation rate	- 1 %	1,647,000	6,009,000	7,656,000	- 9 %
Discount rate	+ 1 %	1,604,000	6,299,000	7,903,000	- 6 %
	1 %	2,251,000	6,685,000	8,936,000	+ 7 %
Post-employment mortality	+ 1 yr	1,849,000	6,313,000	8,162,000	- 2 %
	- 1 yr	1,949,000	6,651,000	8,162,000	- 2 %
Average retirement age	- 1 yr	2,112,000	6,761,000	8,873,000	+ 6 %
Membership continuation	+ 10 %	1,643,000	6,145,000	7,788,000	- 7 %

Long service award obligation:

The DBO at this valuation was recalculated to show the effect of:

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Figures in Rand	30 June 2025	30 June 2024
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11. Employee Benefits Obligations (continued)

- i. A one percentage point increase and decrease in the assumed general earnings inflation rate;
- ii. A one percentage point increase and decrease in the assumed discount rate;
- iii. A two-year increase and decrease in the assumed average retirement age of eligible employees; and
- iv. A two-fold increase and a 50% decrease in the assumed rates of termination of service.

Sensitivity analysis on the DBO:

Assumption	Change	DBO	%Change
Central assumptions		8,238,000	
General earnings inflation rate	+ 1 % - 1 %	8,726,000 7,794,000	+ 6 % - 5 %
Discount rate	+ 1 % - 1 %	7,788,000 8,741,000	- 5 % + 6 %
Average retirement age	+ 2 yrs - 2 yrs	8,802,000 7,639,000	+ 7 % - 7 %
Rates of termination of service	x2 x0.5	7,101,000 8,995,000	+ 14 % +9 %

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Sensitivity analysis on current service and interest costs for year ending 30/06/2025:

Assumption	Change	Current Svc. cost	Interest cost	Total	% Change
Central assumptions		856,000	784,000	1,640,000	
General earnings inflation rate	+ 1 % - 1 %	920,000 798,000	834,000 738,000	1,754,000 1,536,000	+ 7 % - 6 %
Discount rate	+ 1 % - 1 %	805,000 913,000	802,000 762,000	1,607,000 1,675,000	- 2 % + 2 %
Average retirement age	+ 2 yrs - 2 yrs	908,000 800,000	851,000 720,000	1,759,000 1,520,000	+ 7 % - 7 %
Rates of termination of service	x2 x0.5	680,000 978,000	662,000 865,000	1,342,000 1,843,000	- 18 % + 12 %

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Figures in Rand	30 June 2025	30 June 2024
12. Payables from exchange transactions		
Trade payables	306,578,800	169,101,194
Payments received in advanced - contract in process	11,096,886	13,588,685
Trade payables - accruals	54,569,358	52,274,108
Retention liability	3,296,529	3,480,623
Accrued leave pay	12,425,599	11,710,946
Accrued bonus	7,033,045	4,892,816
Salary control account	6,554,552	5
Deposits received	374,987	95,881
VAT output accruals	19,999,121	16,821,981
	421,928,877	271,966,239

13. VAT payable

VAT Control	-	233,321
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14. Consumer deposits

Electricity	5,861,501	5,872,476
Housing rental	212,020	184,402
	6,073,521	6,056,878

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Energy Efficiency and Demand Side Management Grant	750	3,250
Expanded Public Works Programme Integrated Grant	-	1,281
Municipal Disaster Recovery Grant	920,471	6,400,000
Municipal Pound	2,109	2,109
Services Sector SETA	465,939	630,830
Greenest Municipality Competition	653	653
Upgrade of Sithembile Hostel	518,997	518,997
Housing projects	206,365	206,365
Upgrade Sbhongile Hostel	56,788	56,788
Building Plan Management System	500	500
Massification Grant	-	2,755,726
	2,172,572	10,576,499

Movement during the year

Balance at the beginning of the year	10,576,499	4,833,455
Additions during the year	39,550,012	38,392,859
Income recognition during the year	(47,953,939)	(32,649,815)
	2,172,572	10,576,499

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	9,230,081	(285,442)	1,161,144	10,105,783

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	8,751,754	(711,912)	1,190,239	9,230,081

Glencore Landfill Site is situated approximately 2.5 km South of the Endumeni municipality office in Glencore. The access to the site is taken off the R602 highway and the landfill is located on slightly undulating ground, with coordinates are 28°11'31.25"S, 30°09'01.39"E. Figure 2 of the expert report shows the location and general layout of the landfill site.

Financial assumptions:

The following assumptions were used in the financial calculations for closure and post closure:

For calculating the inflation on professional services, the "Consumer Price Index – P0141, specifically Table B2 - CPI headline year-on-year rates" was used. The price adjustment from June 2024 to May 2025 is 2,8%;

The remaining site life and inflation rate is based on South African Government Bonds Yield curves;

The discount rate used is for the period shown in the table below (based on South African Government Bonds Yield curve);

The estimate for the Glencoe site is higher than that estimated for the previous year due to a much larger area considered for closure. It does not appear that the historical disposal area was taken into consideration in the previous year's report. The remaining airspace is estimated to be more than 200 years. Due to ever-changing legislative requirements, potential future landfill conditions, changes in license conditions, financial fluctuations and future needs, a maximum closure period of 30 years was considered for the provisions.

Key financial assumptions used:

Discount rate (D)	12.63 %	12.58 %
Consumer price inflation (C) - (Stats SA, Jun-Jun)	2.80 %	5.10 %
CPI (Bond yield curves)	7.06 %	6.97 %

License Status and Legal Compliance:

The Glencore landfill is licensed for operations in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). The ten-year permit, DC24/WML/0003/2010 was issued by the Department of Agriculture and Environmental Affairs (KwaZulu Natal Province) on the 25th of July 2013. The permit was later reviewed on the 18th of November in 2020 by the Department of Economic Development, Tourism and Environmental Affairs, KZN and given another 10 years with a new license number DC24/WML/0003/2010/REV2020/01.

17. Housing Development Fund

Opening balance	5,119,140	5,075,421
Change during the year	7,741	43,719
	5,126,881	5,119,140

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Figures in Rand	30 June 2025	30 June 2024
18. Service charges		
Sale of electricity	146,718,744	129,644,017
Solid waste	27,903,188	26,749,866
	174,621,932	156,393,883
19. Rendering of services		
Sales of Goods and Rendering of Services:Building plans	64,820	46,288
Sales of Goods and Rendering of Services:Cemetery	291,740	290,615
Sales of Goods and Rendering of Services:Clearance certificates	91,165	88,279
Sales of Goods and Rendering of Services:Encroachment fees	50,609	60,359
Sales of Goods and Rendering of Services:Entrance fees	-	4,336
Sales of Goods and Rendering of Services:Parking Fees	1,468	-
Sales of Goods and Rendering of Services:Photo copying services	55,402	53,380
	555,204	543,257
20. Construction contracts income		
Integrated National Electrification Programme		
Current-year receipts	8,312,174	3,960,074
Conditions met - transferred to revenue	(8,312,174)	(3,960,074)
	-	-
21. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1,220,997	957,004
22. Interest on receivables from exchange transactions		
Interest - Receivables	4,625,212	3,222,460
23. Licences and permits		
Trading	104,792	45,019
Road and Transport	3,977,563	4,370,961
Market Porters	7,249	21,261
	4,089,604	4,437,241
24. Other income		
Administrative Handling Fees	295,271	310,412
Cash Surpluses	7,467	8,888
Insurance Refund	51,925	238,167
	354,663	557,467
25. Investment revenue		
Interest revenue		
Interest income from bank and investment accounts	3,142,696	2,159,452

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
26. Property rates		
Rates received		
Residential properties	47,420,915	44,588,133
Commercial properties	28,505,153	26,727,623
State owned properties	10,628,074	9,235,211
Small holdings and farms	7,064,506	6,390,698
Mining properties	794,204	778,807
Vacant land	7,878,507	8,222,485
Industrial properties	9,422,076	8,205,009
	111,713,435	104,147,966

Valuations

Residential properties	4,501,289,000	4,501,289,000
Commercial and industrial properties	1,174,704,000	1,174,704,000
State owned properties	498,127,000	498,127,000
Municipal properties	319,837,000	319,837,000
Small holdings and farms	1,456,842,000	1,456,842,000
Mining properties	17,880,000	17,880,000
Vacant land	81,143,000	81,143,000
Public benefits organisation properties	161,085,000	161,085,000
Worship residential properties	141,260,000	141,260,000
Housing services properties	12,735,000	12,735,000
Cemetery private properties	230,000	230,000
	8,365,132,000	8,365,132,000

Valuations on land and buildings are performed every 5 years. The new general valuation came into effect on 1 July 2023.

Rates are levied on monthly basis and the 12% interest is levied on outstanding rates per annum.

Property rates levied in terms of the Local Government: Municipal Property rates Act No.6 of 2004 with effect from 01/07/2023. Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

The new general valuation was implemented on 01 July 2023.

Assessment rates: Cents in the rand on market valuation as follows:

	2025	2024
Agriculture properties	0.42	0.42
Business and Commercial	3.70	5.11
Industrial Properties	4.37	4.37
Mining Properties	4.37	4.37
Public Service Properties	4.03	4.03
Public Service Infrastructure	0.42	0.42
Residential Properties	1.68	1.68
Vacant Properties	13.26	13.26
Public Benefits organisation	0.42	0.42

Rebates:

	2025	2024
Agricultural Properties	60.00 %	60.00 %
Small holdings	10.00 %	10.00 %
Business and commercial properties	12.00 %	12.00 %
Industrial Properties	12.00 %	12.00 %
Residential Properties	22.00 %	22.00 %
Public Service Infrastructure	100.00 %	100.00 %
Pensioners (Earning R4500 per month)	25.00 %	25.00 %

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Figures in Rand	30 June 2025	30 June 2024
26. Property rates (continued)		
Pensioners (Earning R4501 - R5000 per month)	20.00 %	- %
Pensioners (Earning R5001 - R5500 per month)	15.00 %	15.00 %
Pensioners (Earning R5501 - R6500 oer month)	10.00 %	10.00 %
	286.00 %	266.00 %

The first R15 000 of the Valuation of residential properties are exempt from the calculation of rates.

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Figures in Rand	30 June 2025	30 June 2024
27. Government grants & subsidies		
Operating grants		
Equitable share	70,647,000	66,528,000
Expanded Public Works Program Grant	1,562,281	1,540,719
Local Government Financial Management Grant	2,000,000	2,100,000
Libraries Archives and Museums Grant	7,942,000	5,812,711
Municipal Pound	-	130,150
Sibongile Hostel grant	-	580,304
Public Sector SETA	649,903	73,181
	82,801,184	76,765,065
Capital grants		
Municipal Infrastructure Grant	17,155,000	17,416,000
Energy Efficiency and Demand Side Management Grant	4,002,500	4,996,750
Municipal Disaster Recovery Grant	11,886,529	-
Massification grant	2,755,726	-
	35,799,755	22,412,750
	118,600,939	99,177,815
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	47,953,939	32,649,815
Unconditional grants received	70,647,000	66,528,000
	118,600,939	99,177,815
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure grant		
Opening balance	-	51,326
Current-year receipts	17,155,000	17,416,000
Conditions met - transferred to revenue	(17,155,000)	(17,416,000)
Paid back to treasury	-	(51,326)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Libraries Archives and Museums Grant		
Current-year receipts	7,942,000	-
Conditions met - transferred to revenue	(7,942,000)	-
	-	-
Energy Efficiency and Demand Side Management Grant		
Opening balance	3,250	-
Current-year receipts	4,000,000	5,000,000
Conditions met - transferred to revenue	(4,002,500)	(4,996,750)
	750	3,250

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Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
27. Government grants & subsidies (continued)		
Conditions still to be met - remain liabilities (see note 15).		
Expanded Public Works Programme Integrated Grant		
Opening balance	1,281	-
Current-year receipts	1,561,000	1,542,000
Conditions met - transferred to revenue	(1,562,281)	(1,540,719)
	-	1,281
Conditions still to be met - remain liabilities (see note 15).		
Municipal Disaster Recovery Grant		
Opening balance	6,400,000	-
Current-year receipts	6,407,000	6,400,000
Conditions met - transferred to revenue	(11,886,529)	-
	920,471	6,400,000
Conditions still to be met - remain liabilities (see note 15).		
Pound Grant		
Opening balance	2,109	132,259
Conditions met - transferred to revenue	-	(130,150)
	2,109	2,109
Conditions still to be met - remain liabilities (see note 15).		
Public Sector SETA		
Opening balance	630,830	454,211
Current-year receipts	485,012	249,800
Conditions met - transferred to revenue	(649,903)	(73,181)
	465,939	630,830
Conditions still to be met - remain liabilities (see note 15).		
Greenest Municipality Competition		
Opening balance	653	653
Conditions still to be met - remain liabilities (see note 15).		
Local Government Financial Management Grant		
Current-year receipts	2,000,000	2,100,000
Conditions met - transferred to revenue	(2,000,000)	(2,100,000)
	-	-
Upgrade of Sithembile Hostel		
Opening balance	518,997	483,098
Current-year receipts	-	35,899

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Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
27. Government grants & subsidies (continued)	518,997	518,997
Conditions still to be met - remain liabilities (see note 15).		
Ex 18 Housing Project		
Opening balance	206,365	206,365
Conditions still to be met - remain liabilities (see note 15).		
Upgrade Sibongile Hostel		
Opening balance	56,788	593,025
Current-year receipts	-	44,067
Conditions met - transferred to revenue	-	(580,304)
	56,788	56,788
Conditions still to be met - remain liabilities (see note 15).		
Building Plan Managent System		
Opening balance	500	500
Conditions still to be met - remain liabilities (see note 15).		
Massification		
Opening balance	2,755,726	2,755,726
Conditions met - transferred to revenue	(2,755,726)	-
	-	2,755,726
Conditions still to be met - remain liabilities (see note 15).		
28. Public contributions and donations		
Donations recieved	878,688	29,885
Reconciliation of conditional contributions		
Current-year receipts	878,688	29,885
Conditions met - transferred to revenue	(878,688)	(29,885)
	-	-
29. Fines and penalties		
Illegal Connections Fines	1,093,468	629,613
Overdue Books Fines	5,939	7,482
Municipal Traffic Fines	5,217,250	4,263,250
Property Rates Penalties	21,371,379	16,647,050
	27,688,036	21,547,395

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Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
30. Employee related costs		
Basic salaries	98,268,110	92,752,487
Bargaining council	52,601	48,346
Bonus	9,677,963	10,113,470
Medical aid - company contributions	10,965,240	10,434,685
Unemployment insurance fund	799,225	726,135
Leave pay expenses	3,012,882	(347,159)
Defined contribution plans	17,578,671	15,484,322
Overtime payments	2,804,022	2,703,148
Long-service awards	809,866	2,171,998
Acting allowances	365,250	575,226
Car allowance	6,124,963	5,775,319
Housing benefits and allowances	503,364	487,347
Group Life Insurance	256,412	287,353
Cellular and Telephone	328,491	317,358
Standby allowance	2,462,677	3,265,823
	154,009,737	144,795,858
Remuneration of municipal manager (MR S NTOMBELA)		
Annual Remuneration	850,627	892,743
Car Allowance	109,994	116,118
Cell phone allowance	24,200	26,400
Cash gratitude	20,340	8,475
Contributions to UIF, Medical and Pension Funds	111,676	120,793
Leave final	154,778	-
Housing allowance	18,416	-
	1,290,031	1,164,529
Remuneration of chief finance officer (MRS CB MKHIZE)		
Annual Remuneration	748,547	705,026
Car Allowance	150,000	150,000
Housing allowance	96,000	78,000
Cell phone allowance	14,400	14,400
Contributions to UIF, Medical and Pension Funds	2,269	2,074
Cash gratitude	20,340	-
	1,031,556	949,500
Remuneration of chief finance officer (MR MA NGCOBO)		
Back pay	-	21,119
Cash gratitude	-	13,560
Contributions to UIF, Medical and Pension Funds	-	177
	-	34,856
Remuneration of executive directors - Planning and economic development (MR BMN HLATSHWAYO)		
Annual Remuneration	294,272	762,237
Car Allowance	49,972	119,933
Housing allowance	22,999	50,111
Cell phone allowance	6,000	14,400
Cash gratitude	20,340	20,340
Contributions to UIF, Medical and Pension Funds	47,799	189,739
Leave pay	87,393	-
	528,775	1,156,760

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
30. Employee related costs (continued)		
Remuneration of executive directors - Planning and economic development (MS AKN DLUNGWANA)		
Annual remuneration	55,000	-
Vehicle allowance	12,345	-
Cell phone allowance	1,200	-
Contributions to UIF, Medical and Pension Funds	13,151	-
Acting allowance	28,397	-
	110,093	-
Remuneration of executive directors - Technical Services (MR MB BUTHELEZI)		
Annual Remuneration	700,418	628,342
Car Allowance	164,872	143,054
Cell phone allowance	14,400	13,792
Contributions to UIF, Medical and Pension Funds	131,526	125,358
Cash gratitude	20,340	-
	1,031,556	910,546
Remuneration of executive directors - Technical Services (MR M SITHOLE)		
Acting allowance	-	4,453
Remuneration of executive directors - Technical Services (MRS SM NDEBELE)		
Back pay	-	21,119
Cash gratitude	-	13,560
Contributions to UIF, Medical and Pension Funds	-	177
	-	34,856
Remuneration of executive directors - Corporate Services (MR MM NDIMA)		
Annual Remuneration	297,603	178,563
Car Allowance	75,000	45,000
Cell phone allowance	6,000	3,600
Contributions to UIF, Medical and Pension Funds	17,022	10,212
Cash gratitude	20,572	-
Leave pay	39,697	-
	455,894	237,375
Remuneration of executive directors - Corporate Services (MR TP QWABE)		
Acting allowance	-	47,582
Remuneration of executive directors - Corporate Services (MR SP ZULU)		
Annual Remuneration	-	167,978
Back pay	7,850	38,607
Car allowance	-	32,246
Cell phone allowance	-	3,150
Cash gratitude	3,390	20,340
Contributions to UIF, Medical and Pension Funds	-	30,802
	11,240	293,123

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Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	30 June 2025	30 June 2024
30. Employee related costs (continued)		
Remuneration of executive directors - Community Services (MR BA XULU)		
Annual Remuneration	703,716	696,315
Car Allowance	172,032	144,959
Cell phone allowance	14,400	14,400
Contributions to UIF, Medical and Pension Funds	121,069	121,062
Cash gratitude	20,340	20,340
	1,031,557	997,076
31. Remuneration of councillors		
Mayor	728,830	510,849
Deputy Mayor	294,428	349,982
Mayoral Committee Members	1,222,661	1,183,121
Speaker	594,147	409,359
Councillors	2,508,089	2,404,108
	5,348,155	4,857,419
32. Depreciation and amortisation		
Property, plant and equipment	14,898,243	15,101,054
Intangible assets	73,812	191,434
	14,972,055	15,292,488
33. Finance costs		
Interest on late payment to Eskom	22,306,565	13,352,854
Interest on late payment to SARS	-	183,737
Interest charges on provision for landfill site	1,161,144	1,190,239
Interest on employee obligations	7,267,000	7,602,002
	30,734,709	22,328,832
34. Lease rentals on operating lease		
Equipment		
Contractual amounts	2,943,754	2,432,970
35. Debt impairment & Bad debt write-off		
Debt impairment	37,036,729	20,943,128
Bad debts written off	-	22,595,108
	37,036,729	43,538,236
36. Unreconciled items written-off		
Write-off of unreconciled items in cash book	9,104,657	-
37. Bulk purchases		
Electricity - Eskom	197,359,996	166,084,870

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
37. Bulk purchases (continued)		
Electricity losses		
Units purchased	92,403,635	85,469,307
Units sold	(49,987,028)	(50,042,850)
Total loss	42,416,607	35,426,457
Comprising of:		
Distribution loss	7,392,291	6,837,545
Theft loss	35,024,316	28,588,912
Total	42,416,607	35,426,457
Percentage Loss:		
Distribution loss	8 %	8 %
Theft loss	38 %	33 %
Total	46 %	41 %
38. Contracted services		
Outsourced Services		
Administrative and Support Staff	16,624	11,125
Business and Advisory	2,842,287	1,415,841
Catering Services	427,870	314,837
Casual labour - EPWP	1,548,114	1,540,719
Internal Auditors	265,327	-
Personnel and Labour	1,055,285	979,416
Professional Staff	1,238,431	986,790
Connection/Dis-connection	345,502	324,020
Drivers Licence Cards	309,996	363,795
Consultants and Professional Services		
Business and Advisory	396,350	245,935
Legal Cost	5,577,964	3,346,445
Contractors		
Electrical	11,148,085	4,536,189
Employee Wellness	53,250	-
Maintenance of Buildings and Facilities	899,960	1,044,991
Maintenance of Equipment	185,334	213,448
Maintenance of Unspecified Assets	14,779,486	13,726,400
Plants, Flowers and Other Decorations	1,605	446
Transportation	6,381	134,616
Safeguard and Security	15,669,010	15,255,859
	56,766,861	44,440,872
39. Transfer and subsidies		
Other subsidies		
LG SETA	609,585	81,431
Grant in Aid	-	583,303
Animal pound	-	130,150
	609,585	794,884

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
40. General expenses		
Advertising	374,921	307,533
Auditors remuneration	3,866,740	3,821,826
Bank charges	793,031	1,019,340
Commission paid	3,807,375	1,905,300
Consumables	3,047,191	1,906,154
Delivery expenses	215	2,893
Entertainment	46,375	56,207
Insurance	2,603,360	2,951,875
IT expenses	1,232,588	1,293,920
Skills development levy	1,308,485	1,220,818
Postage and courier	2,922	257,022
Printing and stationery	568,262	526,045
Protective clothing	751,977	324,012
Subscriptions and membership fees	1,667,049	1,562,621
Telephone and fax	339,356	95,082
Transport and freight	6,969,171	6,127,455
Travel - local	1,612,263	1,285,333
Utilities - Other	7,477,807	4,886,667
Ward Committees	2,117,851	1,417,350
Learnerships and Internships	477,881	554,533
Landfill site expenditure	-	13,846
Indigent relief	346,658	-
	39,411,478	31,535,832
41. Fair value adjustments		
Investment property (Fair value model)	4,180,200	5,084,806

42. Prior-year adjustments

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

Statement of financial position

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand		30 June 2025	30 June 2024		
42. Prior-year adjustments (continued)					
2024					
	Note	As previously reported	Correction of error	Re- classification	Restated
Current Assets:					
Financial assets (N1)		-	10,899,041	-	10,899,041
Receivables from exchange transactions (N3)		77,328,475	(17,570,888)	(15,740,269)	44,017,318
Receivables from non - exchange transactions (N3)		8,774,158	(10,961,205)	15,740,269	13,553,222
Inventory		7,760,921	120,621	-	7,881,542
Cash and cash equivalents		35,699,265	(4,667,558)	-	31,031,707
Non-current assets:					
Investment property		129,556,000	2,029,806	-	131,585,806
Property, plant and equipment		336,580,295	1,473,801	-	338,054,096
Intangible assets		15,255	199,164	-	214,419
Current liabilities:					
VAT payable		-	(233,321)	-	(233,321)
Payables from exchange transactions		(260,415,911)	(11,450,847)	(99,481)	(271,966,239)
Consumer deposits		(6,164,409)	8,050	99,481	(6,056,878)
Employee benefits obligations (N2)		(3,365,000)	(1,164,006)	-	(4,529,006)
Provisions		(2,377,129)	2,377,129	-	-
Non-current liabilities:					
Employee benefits obligations (N2)		(51,761,000)	(6,302,000)	-	(58,063,000)
Provisions (N4)		(18,226,962)	8,996,881	-	(9,230,081)
Net Assets:					
Accumulated surplus		(242,800,436)	26,218,297	-	(216,582,139)
Statement of financial performance					

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand		30 June 2025	30 June 2024		
42. Prior-year adjustments (continued)					
2024					
	Note	As previously reported	Correction of error	Re- classification	Restated
Revenue from exchange transactions		176,752,096	3,635,756	4,554,085	184,941,937
Revenue from non-exchange transactions		229,455,546	1,600	(4,554,085)	224,903,061
Employee related costs		(150,368,476)	(2,029,384)	7,602,002	(144,795,858)
Finance costs		(11,258,364)	(3,468,466)	(7,602,002)	(22,328,832)
General expenses		(30,642,583)	(893,247)	-	(31,535,830)
Contracted services		(44,456,185)	4,569,398	(4,554,085)	(44,440,872)
Construction expenditure		(4,554,085)	-	4,554,085	-
Depreciation and amortisation		(15,688,141)	395,653	-	(15,292,488)
Lease rentals on operating leases		(1,092,950)	(1,340,018)	-	(2,432,968)
Debt impairment		(4,492,330)	(16,450,798)	-	(20,943,128)
Bad debts written off		(21,917,156)	(677,952)	-	(22,595,108)
Transfers and subsidies		(583,303)	(211,581)	-	(794,884)

Financial Assets: (N1)

An error occurred in prior year whereby security withheld by Eskom on municipal accounts opened was not recorded on the financial accounting system of the municipality, **Journal No. 365**.

Below is the impact of the correction:

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

30 June 2023:

Dr Financial Assets - Security Withheld by Eskom	9 930 257
Cr Retained surplus	(9 930 257)

Description: Accounting for security withheld by Eskom on municipal electricity accounts.

30 June 2024:

Dr Financial Assets - Security withheld by Eskom	687 065
Cr Debt forgiven - Interest on Eskom Account (Revenue from exchange transactions)	(687 065)

Accounting for interest accrued on financial assets.

Dr Financial assets - Security withheld by Eskom	281 719
Cr Electricity costs - Operating costs	(281 719)

Description: Accounting for additional security withheld on new municipal accounts opened.

Adjustments reconciliation (9,930,257+687,065+281,719) = R 10,899,041.

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Employee benefits Obligations(N2)

Error 1: Management noted that employee obligation was understated on the financial system compared to the employee obligation experts reports for the period ending 30 June 2023. **Journal No. (378 & 225)** were processed to take on these liability.

Below is the impact of the correction:

30 June 2023:

Dr Net Assets:Accumulated Surplus/(Deficit):Correction of Prior Period Error	6,524,836
Dr Current Liabilities:Provision:Long-service Awards	2,666,307
Cr Current Liabilities:Defined Benefit Obligations:Medical	(3,474,748)
Cr Liabilities:Non-current Liabilities:Provisions:Long-service Awards	(5,716,395)

Description: Accounting for current portion of long service award liability processed as provision in prior year.

Error 2: Management noted that long service obligation current costs reported on the financial statements were understated by R 941,164 and related obligation was understated by the same amount. Adjusting journal was processed to correct this error.

30 June 2024:

Dr Current costs - Long service award (employee related costs)	941,164
Cr Long Service Award - (Current liabilities)	(355,559)
Cr Long Service Award - Non-Current Liabilities)	(585,605)

Description: Accounting for current costs of long services award.

Adjustments reconciliation - Current Liability (355,559 + 3,474,748 - 2,666,307) = 1,164,006.

Adjustments reconciliation - Non - Current Liability (5,716,395 + 585,605) = R 6,301,994.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Receivables from exchange and non-exchange transactions (N3)

Error 1: An error occurred in prior year whereby VAT input accrual was charged during settling of suppliers account. The VAT input accrual must be raised during invoicing stage not payment stage, therefore this error resulted to overstatement of VAT input accruals receivables which is presented under receivables from exchange transactions and understatement of payables from exchange transaction.

Below is the impact of the correction:

30 June 2024:

Dr Payables from exchange transaction (Trade payables accruals)	12 220 011
Cr Receivables from exchange transactions (VAT input accrual receivables)	(12 220 011)

Description: Correcting VAT input double accounted on the system during capturing and payment of invoices.

Error 2: An error occurred in prior year whereby accrued income relating to cash sales of electricity was not accounted for on the system. Supporting schedules to the cash sales of electricity was received subsequent to year end, and the transaction was incorrectly accounted as a debit to trade payables accruals.

30 June 2024:

Cr Payables from exchange transaction (Trade payables accruals)	(4 903 184)
Dr Receivables from exchange transactions (Service charges - electricity)	4 903 184

Description: Accounting for accrued income on electricity cash sales which was omitted from the system.

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Error 3: An error occurred whereby the municipality overpaid insurance in previous years. Upon cancellation of the insurance contract, an amount of **R 158,597** was recoverable from the insurance providers. This amount was not accounted for in the municipal financial system. An adjustment was to correct this error.

Below is the impact of the correction:

30 June 2024:

Cr Receivables from exchange transactions	(158,597)
Dr Retained surplus	158,597

Description: Accounting for recoverable insurance which was incorrectly omitted from the financial system.

Error 3: Management identified transactions relating to property rates which were reported as merchandising, jobbing and contracts under receivables from exchange transactions. It was practically impossible to correct this error on the consumer debtors age analysis, therefore a reclassification journal was processed to correct this error and present these transactions in the correct class, **Journal No.498**.

Below is the impact of the correction:

30 June 2024:

Dr Receivables from non-exchange transactions	2,859,842.51
Dr Receivables from non-exchange transactions	(2,859,842.51)

Description: Reclassification of property rates from merchandising Jobbing and contracts (receivables from exchange transaction)

Error 4: Management noted that there are changes to market values of properties and this has to be effected retrospectively. The adjustment to prior years was corrected against retained surplus, **Journal No. (604 & 626)**.

Below is the impact of the correction:

30 June 2024:

Dr Receivables from non-exchange transactions	244,240.01
Cr Retained surplus	(244,240.01)

Description: Accounting for adjustment to market values of properties.

Error 5: Management performed a re-calculated provision for bad debts and noted significant difference compared to values disclosed in prior years. An adjustment was performed to correct the error, **Journal 646**.

Below is the impact of the correction:

30 June 2024:

Dr Debt impairment expenditure	14,066,887
Cr Provision for debt impairment	(14,066,887)

Description: Accounting for addition debt impairment for the year.

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Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Adjustments reconciliation - Receivables from non-exchange transactions (15,740,269- 14,066,887.31- 325,831.09+570,071.10+2,859,842.51+1,600 = R 4,779,063.69 (increase).

Provisions (N4)

Error 1: An error occurred in prior year whereby provision for landfill site opening balance was not aligned to the expert's valuation report as of 30 June 2023. A correction was made against retained surplus, **Journal No. 380**.

Below is the impact of the correction:

30 June 2023:

Dr Provision for landfill site (Current portion)	628 651
Dr Provision for landfill site (Non-current portion)	4 362 535
Cr Retained Surplus	(4 991 185)

Description: Accounting for alignment of provision for landfill site liability to the expert reports as of 30 June 2023.

Error 2: An error occurred in prior year whereby increase in provision for landfill site obligation was understated and did not agree to expert's valuation report for the period ending 30 June 2024. Correction was made to align the amounts as per the financial accounting system of the municipality to the final valuation report, **Journal No.(381,524 & 525)**.

Below is the impact of the correction:

30 June 2024:

Dr Provision for landfill site - Current portion (179,790+1,568,688)	1,748,478
Dr Provision for landfill site - Non-current portion (2,817,647+1,353,861- 478,327)	3,693,182
Dr Interest expenses - Finance costs (1,378,185+1,190,239)	2,568,424
Cr Contribution to provision (Operating costs)	(2 911 836)
Cr Net Assets Accumulated Surplus/(Deficit)	(4,386,336)
Cr Non-current Assets - Solid Waste Infrastructure	(711,912)

Description: Correcting movement in provision for landfill site to align to the expert's report as of 30 June 2024.

Adjustments reconciliation - Current Liability (179,790 + 628,651 + 1,568,688) = R 2,377,129 (decrease).

Adjustments reconciliation - Non - Current Liability (4,362,535 + 3,693,182) = R 8,055,717 (decrease).

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Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Payables from exchange transaction (N5)

Error 1: An error occurred in prior year whereby some invoices relating to 2022 financial year were not raised as expenditure on the accounting system of the municipality. These invoices were subsequently paid in 2023 using the accruals data string. The error was corrected and invoices were raised against retained surplus, **Journal No. (404,402 & 376)**.

Below is the impact of the correction:

30 June 2023:

Dr Retained surplus	1 619 435
Cr Payables from exchange transactions (Trade creditors accruals)	(1 619 435)

Description: Accounting for invoices omitted in financial period ending 30 June 2023.

Error 2: An error occurred in prior year whereby VAT input accrual was charged during settling of suppliers account. The VAT input accrual must be raised during invoicing stage not payment stage, therefore this error resulted to overstatement of VAT input accruals receivables which is presented under receivables from exchange transactions and understatement of payables from exchange transaction, **Journal No. (362,396 & 401)**.

Refer to error 1 under receivables from exchange and non-exchange transaction discussed above.

Error 3: An error occurred in prior year whereby security withheld by Eskom on municipal accounts opened was not recorded on the financial accounting system of the municipality.

Refer to errors on financial assets discussed above.

Error 4: The municipality received a debt receive on interest charged on Eskom accounts. An error occurred whereby the amount disclosed as debt forgiven was understated. An adjustment was made to correct this error, **Journal No. (122,360&362)**.

Below is the impact of the correction:

30 June 2024:

Dr Debt forgiven on Eskom account - revenue from exchange transaction	8 913 621
Cr Payables from exchange transactions (Trade creditors accruals)	(8 913 621)

Description: Reversal of in - correct amount raised for debt forgiven on Eskom account.

Dr Payables from exchange transactions (Trade creditors accruals)	12 024 034
Cr Debt forgiven on Eskom account - (Revenue from non - exchange transaction)	(12 024 034)

Description: Accounting for debt forgiven on Eskom Accounts.

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Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Error 5: An error occurred in prior year whereby interest income one investment was raised against accrual account. Furthermore an investment account was closed and funds were transferred to trade payables accruals account instead on main account. The adjustment was made to correct this error.

Below is the impact of the correction:

30 June 2024:

Dr Cash and Cash Equivalents:Cash at Bank	11 893
Dr Cash and Cash Equivalents:Cash at Bank - Interest	18 021
Cr Trade and & Payable Exchange Transactions:Intercompany/Parent-subsiary Transactions	(29 915)

Description: Adjusting investment account closure and interest income incorrectly recorded as a liability.

Error 6: An error occurred in prior year whereby interest on investment accounts was incorrectly posted to payables from exchange transaction data strings which led to overstatement of payables from exchange transactions. An adjustment was made to correct this error.

Below is the impact of the correction:

30 June 2024

Dr Payables from exchange transactions (Trade creditors accruals)	1 298
Cr Interest on investments - (Revenue from exchange transaction)	(1 298)

Description: Adjusting for interest income which was incorrectly raised against payables from exchange transactions.

Error 7: An error occurred whereby management noted a supplier account which was not accounted for on the system. This relates to district municipality's account which was never recognised on the financial system.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Revenue from exchange and non-exchange transaction (N6)

Error 1: An error occurred in prior year whereby the total amount of interest waived on Eskom account was understated by R 3 110 413. An adjustment was made to correct the error.

Below is the impact of the correction:

30 June 2024

Dr Payables from exchange transactions (Trade creditors)	3 110 413
Cr Debt forgiven - Interest on Eskom Account (Revenue from exchange transactions)	(3 110 413)

Description: Accounting for additional interest waived on Eskom account.

Error 2: An error of omission occurred in prior year whereby interest on financial assets was not accounted for in the financial accounting system of the municipality. An adjustment of **R 687 065** (increase) was made to correct this omission error.

Refer to errors on financial assets discussed above.

Error 3: An error occurred in prior year whereby some interest amounts on investment were captured as a liability on the financial accounting system of the municipality hence accruals balance disclosed was overstated.

Refer to errors on payables from exchange transaction discussed above.

Furthermore, some interest amounts on investments were omitted on the financial accounting system, hence interest income amount disclosed was understated.

An adjustment was made to correct this findings.

Below is the impact of the correction:

30 June 2024

Dr Call Deposits and Investments (Cash and cash equivalents)	129,932.20
Cr Interest income on bank and investments (Revenue from exchange transactions)	(129,932.20)

Description: Accounting for additional interest omitted in prior year.

Error 4: An error occurred in prior year where by contract revenue was presented as revenue from non-exchange transaction instead of revenue from exchange transaction. This led to overstatement on revenue from non-exchange transactions and understatement of revenue from exchange transactions by R 4 554 085. This was corrected by mapping the related data strings to appear under exchange transaction, no journal was processed.

Error 5: Management noted that construction revenue amount reported in prior year includes VAT output accruals, hence revenue from exchange transactions was overstated by **R 594,011**. The adjustment was processed to correct this error, Journal No. 588

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
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42. Prior-year adjustments (continued)

Error 6: An error occurred in prior year whereby traffic fines revenue were understated by R 1,600 compared to the traffic fines schedule for the year. An adjustment was made to correct this findings.

Below is the impact of the correction:

30 June 2024

Dr Traffic fines (Receivables from non-exchange transactions)	1 600
Cr Fines, penalties and forfeits (Revenue from non-exchange transactions)	(1 600)

Description: Accounting for additional traffic fines revenue omitted in prior year.

Error 7: Management noted that pre-paid electricity revenue amount reported as of 30 June 2024 was understated compared to the supporting schedules. An adjustment was made to correct this error, **Journal 424**.

Below is the impact of the correction:

30 June 2024

Dr Traffic fines (Receivables from exchange transactions)	301,005
Cr Service charges (Revenue from exchange transactions)	(301,005)

Description: Accounting for additional revenue from prepaid electricity.

Adjustments reconciliation - Revenue from exchange transactions $(4,554,085 + 3,110,413 + 129,932 + 687,065 + 1,298,594,011 + 301,005) = R\ 8,189,788.18$ (Increase)

Adjustments reconciliation - Revenue from non-exchange transactions $(1,600 - 4,554,085) = R\ 4,552,285$ (decrease).

Inventory (N7)

Error 1: An error occurred in prior year where by incorrect write-off were made on the inventory listing. This resulted to some stock values to have negative balances as at the end of 2024. The error was corrected and prior period amount has been restated accordingly.

Below is the impact of the correction:

30 June 2024

Dr Inventory (Current assets)	120,610
Cr Retained surplus	(120,610)

Description: Accounting for inventory values which were incorrectly written - off.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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42. Prior-year adjustments (continued)

Expenditure (N8)

Error 1 - Finance costs: An error occurred in prior year whereby interest charged on medical aid fund and long service award obligation was incorrectly presented as employee related costs. This led to overstatement of employee related costs presented in prior year audited financial statements. The error has been corrected by re-mapping the interest costs data string to appear under finance costs. This has an impact of increasing finance costs and decreasing employee related costs by **R 7 602 002**. No adjusting journal was made.

Error 2 - Finance costs: An error of omission occurred in prior year whereby interest charged on Eskom account was not captured on the financial accounting system of the municipality which led to an understatement of finance costs presented in prior year audited financial statements. An adjustment of **R 1 218 783** was made to correct the error, **Credit note No (505701872631 & 829166802452)**.

Below is the impact of the correction:

30 June 2024

Dr Finance cost	1 218 783
Cr Trade creditors (Payables from exchange transactions)	(1 218 783)

Description: Accounting for additional interest on Eskom account which was omitted in prior year.

Error 3 - Finance costs: An error occurred in prior year whereby interest charged on provision for landfill site was presented together with operating costs on the financial accounting system of the municipality which led to an overstatement of operating costs and understatement of finance costs amount presented in prior year audited financial statements. An adjustment of **R 1 190 238.60** was made to correct this error, **Journal 524**.

Refer to errors on provisions discussed above.

Error 4 - Contracted services: In addition, management identified that audit committee related costs which is contracted services were incorrectly presented as general expenditure in prior year audited financial statement. General expenditure was over stated by **R 245,935** and contracted services also understated by the same amount. Audit committee data strings were re-mapped to contracted services from general expenditure, no adjusting journal.

Error 5 - Contracted services: An error occurred in prior year whereby construction contracts expenditure was incorrectly presented as a separate line item on the face of statement of financial performance. These expenditure must be presented as contracted services, a total of **R 4 554 085** has been classified by way of mapping the data string to the correction category. The impact is an increase to contracted services amount presented in prior year audit amount and decrease of construction expenditure.

No adjusting journals were made.

Error 6 - Lease rental on operating lease: An error occurred in prior year whereby lease rental transactions were captured under general expenses data strings. This led to overstatement and understatement of operating costs and operating rental on operating lease amount respectively, **Journal 630**.

Below is the impact of the correction:

30 June 2024

Dr Operating rental on operating lease	1 340 019
Cr General expenditure	(1 340 019)

Description: Accounting for operating rental on operating lease which was incorrectly recorded as general expenditure.

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42. Prior-year adjustments (continued)

Error 7 - Debt impairment: Management changed the debt impairment calculation methodology by factoring in the customer collection rate as a measure to determine the risk profile of each customer. Application of this methodology led to additional debt impairment compared to what was presented in prior year audited financial statements. An adjustment was made to account for this restatement, **Journal No. (646 & 653)**.

Below is the impact of the correction:

30 June 2024

Dr Debt Impairment (Expenditure)	16,450,798
Cr Provision for bad debts - Receivables from non-exchange transactions	(14 066 888)
Cr Provision for bad debts - Receivables from exchange transactions	(2 383 910)

Description: Accounting for additional debt impairment due to adoption of a revised debt impairment calculation methodology.

Error 8 - Bad debts written-off: Management wrote-off amounts relating to indigent consumers which were incorrectly billed in previous financial years. The amount processed on the financial system was understated by **R 677,952** compared to the schedule supporting the write-off. and adjustment was made to correct this error, **Journal No. 653**.

Below is the impact of the correction:

30 June 2024

Dr Bad debts written-off (Expenditure)	677,952
Cr Retained surplus	(677,952)

Description: Accounting for error on bad debts written-off which were understated on the financial system.

Error 9 - Depreciation and amortisation: Management identified three hostels used for rental purposes which were incorrectly accounted for as property plant and equipment instead of investment property. These assets have been removed from the property plant and equipment and captured as investment property to correct the error. The depreciation associated with these hostels has been reversed accordingly which led to decrease in total depreciation amount reported in prior year audited financial statements.

Furthermore, management identified portion of solid waste infrastructure assets which has incorrect original useful life for depreciation calculation. The depreciation from previous years was overstated. Correction has been made to include the correct original useful life which resulted to a decrease in the depreciation expense for the year.

Below is the impact of the correction:

30 June 2024

Dr Accumulated depreciation - Solid Waste Infrastructure (Expenditure)	197,022
Dr Accumulated depreciation - Other assets (Expenditure)	188,479
Cr Depreciation and amortisation	(385,501)

Description: Accounting for depreciation and amortisation adjustments due to identified errors.

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42. Prior-year adjustments (continued)

Error 10 -Transfers and subsidies: Management noted that data strings relating to grant in aid were presented as personnel and labour costs under contracted services. Contracted services reported in prior year was overstated by **R 203,332** and transfer and subsidies was understated by the same amount. The affected data strings were mapped to correct section which led to increase in transfer and subsidies and a decrease in contracted service by the same amount. **No adjusting journal processed.**

Error 11: Management identified some invoices relating to prior year which were not captured on the system. An adjustment was made to correct this error, **Journal (444,470 &475).**

Below is the impact of the correction:

30 June 2024

Dr Contracted services - legal fees	727,223
Dr Travel and Subsistence - Operational costs	352,725
Cr Trade Payables accruals	(1,111,594)

Description: Accounting for additional accrued expenditure.

Error 12: Management identified commission paid related costs which were captured as contracted services instead of operational costs. An adjustment was processed to correct this error, **Journal no. 666.**

Below is the impact of the correction:

30 June 2024

Dr Commission paid - Operating costs	1,905,300
Cr Contracted services - professional staff	(1,903,300)

Description: Accounting for re - classification of commission paid.

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42. Prior-year adjustments (continued)

Error 13: Management identified that movement in provision for bad debts was incorrectly captured as operating costs in prior year. The client capitalised the solid waste assets and any changes due to expected cash flow fluctuations must be capitalised to the asset value. An adjustment was processed to correct this error, Journal No. 381.

Below is the impact of the correction:

30 June 2024

Dr Landfill site provision	1,533,651
Dr Finance costs - landfill site provision	1,378,185
Cr Landfill site expenditure - Operating costs	(2,911,836)

Description: Reversing landfill site expenditure.

Error 14: Management noted discrepancies to the bonus accrual processed in prior year compared to the supporting schedules. An adjustment was made to correct this error, **Journal 482 & 484**.

Below is the impact of the correction:

30 June 2024

Dr Bonus accrued expenses	2,624,708
Dr Accrued Bonus Liability	(2,624,708)

Description: Accounting for additional bonus accrual for the year.

Adjustments Reconciliation:

1. **Employee related costs** $(1,739,588 + 885,120 - 7,602,002) = R\ 4,977,294$ (decrease)
2. **Finance Costs** $(7,602,002 + 1,190,238 + 921,105 + 297,677) = R\ 10,011,023$ (Increase)
3. **Lease rental** = R 1,340,020 (Increase)
4. **Debt impairment** $(24,351,443 - 7,900,643) = R\ 16,450,800$ (Increase).
5. **Contracted services** = $(4,554,085 + 315,525 + 119,915 + 291,300 + 245,934) = R\ 3,621,942$ (increase).
6. **Transfers and Subsidies** $(8,250 + 203,331) = R\ 211,581$ (increase).
7. **General expenditure** $(1,905,300 - 203,331 - 2,911,836 - 281,591 - 245,934 + 31,645 + 352,725 - 1,340,020) = -R\ 2,693,042$ (increase).

Property plant and equipment (N9)

Error 1 - Solid Waste Infrastructure: Management appointed experts to perform valuation of provision for landfill site liability. The results confirmed that the cost of the landfill site assets was overstated by **R 711,912** on initial recognition date. An adjustment was made to decrease the cost of solid waste infrastructure.

Furthermore, management noted that solid waste infrastructure was depreciated over 15 years in the past instead of 55 years. An adjustment has been made and prior period accumulated depreciation has been restated to account for error. The total decrease in accumulated depreciation of this respective asset is **R 2,700,929** which was processed in prior year opening balance.

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42. Prior-year adjustments (continued)

Error 2 - Other assets: Management identified some hostels used for rental purposes which were accounted for as property, plant and equipment instead of investment property on the financial system. The adjustment made as follows, cost **R 7,599,856** (decrease) and accumulated depreciation of **R 6,877,399** (decrease). The net adjustment is **R 722,457** (decrease).

Below is the impact of the correction:

30 June 2024

Dr Accumulated depreciation - Solid Waste Infrastructure	2,897,951
Dr Accumulated depreciation - Other assets (Property, plant and equipment)	6,877,399
Cr Cost - Other assets (Property, plant and equipment)	(7,599,856)
Cr Cost - Solid waste infrastructure (property plant and equipment)	(711,912)
Cr Retained surplus	1,463,582
Cr Provision for landfill site liability	711,912

Description: Accounting for adjustments on property plant and equipment.

43. Debt forgiven - Interest waived on accounts payable

Interest waived on Eskom Accounts	-	12,024,034
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44. Cash generated from operations

Deficit	(92,262,251)	(55,430,824)
Adjustments for:		
Depreciation and amortisation	14,972,055	15,292,488
Gain on sale of assets and liabilities	855,581	1,462,014
Fair value adjustments	(4,180,200)	(5,084,806)
Finance costs	-	183,737
Impairment deficit	544,162	393,918
Debt impairment	37,036,729	20,943,128
Bad debts written off	9,104,657	22,595,108
Movements in operating lease assets and accruals	-	238,977
Inventory losses or write-downs	(23,514)	6,551
Changes in working capital:		
Inventories	27,120	1,556,631
Receivables from exchange transactions	(61,675,911)	126,993
Statutory receivables	496,571	(3,308,246)
Payables from exchange transactions	148,577,115	14,410,510
VAT	4,911,991	746,048
Taxes and transfers payable (non-exchange)	-	39,298
Unspent conditional grants and receipts	(8,403,927)	5,749,954
Consumer deposits	16,643	329,802
	49,996,821	20,251,281

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

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45. Financial instruments disclosure (continued)

	At cost	Total
Financial assets	11,552,984	11,552,984
Trade and other receivables from exchange transactions	58,070,442	58,070,442
Cash and cash equivalents	47,528,703	47,528,703
	117,152,129	117,152,129

Financial liabilities

	At cost	Total
Consumer deposits	6,073,521	6,073,521
Trade and other payables from exchange transactions	421,928,877	421,928,877
	428,002,398	428,002,398

2024

Financial assets

	At cost	Total
Financial assets	10,899,041	10,899,041
Trade and other receivables from exchange transactions	44,017,318	44,017,318
Cash and cash equivalents	31,031,707	31,031,707
	85,948,066	85,948,066

Financial liabilities

	At cost	Total
Consumer deposits	6,056,878	6,056,878
Trade and other payables from exchange transactions	271,966,239	271,966,239
	278,023,117	278,023,117

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure assets	1,998,168	3,695,798
• Community assets	1,428,378	6,132,949
• Other assets	-	809,491
• Electrical infrastructure	4,138,401	-
	7,564,947	10,638,238

Total capital commitments

Already contracted for but not provided for	7,564,947	10,638,238
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47. Contingencies

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Litigation case and cause of actions	Representative	Date of instruction	Status	Progress /challenges	2025	2024
Section 106 Civil Litigation		2019	In progress	Awaiting report from finance department on the amounts to include on the case.	> 1 000 000	> 1 000 000
COGTA instituted an investigation at Endumeni Local Municipality for mal-administration and made findings to institute civil litigation against all officials implicated in the report.						
END/026/20 Endumeni Contractors		2020	In progress	The matter to be set down for trial	1 200 000 50/50% chances of winning the case.	1 200 000 50/50% chances of winning the case.
The matter emanates from SIU investigation report which found out that the extension of scope on the landfill site was irregular because the same amount was actually quoted for in the original tender submitted. the estimated amount to be recovered is R 1.2 million.						
M.K.E Makgatho N.O & others		2019	In progress	Pre-trial conference did not sit and the matter was postponed.	1,474,135.73	1,474,135.73
The municipality awarded a contract for training MFMP to the said service provider. It later transpired that their appointment was irregular and on the eve of the commencement with the program, their contract was unilaterally terminated by the municipality. the service provider approached the courts for an order of reinstatement. The matter was withdrawn as an application and resitituted as an action proceedings. The matter is defended by the municipality with 70% prospect of success. The contract value is R 969,000.00 plus legal costs associated with the matter. This matter was withdrawn by the plaintiff with an intention to supplement particulars of the claim and to reinstitute them. The municipality is deafening the matter.						

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47. Contingencies (continued)					
END/036/20 SNL SERUWE	Nompumelelo2020 Hadebe Inc	In progress	Awaiting report from finance department on the amounts to include on the case.	53 207.95	53 207.95
This matter emanates from the skills audit report which was conducted internally. Upon verification of the qualifications, it was discovered that the respondent submitted a fraudulent metric certificate . Consequence management was implemented by terminating the contract of employment and to recover salary that was paid to her by attaching the pension fund.					
END/037/20 NW ZITHA	Nompumelelo2020 Hadebe Inc	In progress	Awaiting report from finance department on the amounts to include on the case.	87 156.52	87 156.52
his matter emanates from the skills audit report which was conducted internally. Upon verification of the qualifications, it was discovered that the respondent submitted a fraudulent metric certificate . Consequence management was implemented by terminating the contract of employment and to recover salary that was paid to her by attaching the pension fund.					
END/049/21 mabilisa & Ngwenya	2022	Proposing to close the file and terminate further instructions	Employee given opportunity to settle the matter amicably to avoid attaching their bank accounts as the last resort	Waiting for confirmation. The employees in questions are still employed by the municipality attachment of salaries, pension or properties is possible.	Waiting for confirmation. The employees in questions are still employed by the municipality attachment of salaries, pension or properties is possible.
This matter emanates from legal costs against the municipality after. The municipality was facing an application for interdict by Mbube security services. Colleagues ignored legal advise from four different lawyers and the matter was lost with costs. Council resolved to implement consequence management against implicated employees.					

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47. Contingencies (continued)				
Anderson Vogt Consulting CC	2024	Pleading are closed and the matter is ripe for hearing.	Should the municipality not defend the matter, a court may issue a default judgemental confirming liability to Anderson Vogt. The municipality has engaged the assistance of the department of Human Settlement to verify the authenticity of the claim. Cost of defending the matter is justifiable.	1 812 319.95 1 812 319.95
Action proceedings instituted by Anderson Vogt for a breach of contract.				
Anderson is claiming R 1 812 319.95 for unpaid invoices in relation to work done on a housing project at Dlamini, Forestdale Integrated Housing Project. The municipality is skeptical and decided to defend the matter while investigating the veracity of the claim.				
S.N ZWANE C NO.69/25	Nompumelelo2025 Hadebe Inc		27 371.25	
Outstanding Legal fees				
MS N.W Zitha C No. 70/25	Nompumelelo2025 Hadebe Inc		87 156.52	
Outstanding legal fees				
MS N.W Zitha C No 71/25	Nompumelelo2025 Hadebe Inc		34389.73	
Outstanding legal fees				
Mr. B.B Mdletshe C No.72.25	Nompumelelo2025 Hadebe Inc		22 346.23	
Outstanding legal fees				
mass Eviction C No.73/25	Nompumelelo2025 Hadebe Inc		29 725.00	
Outstanding legal fees				

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47. Contingencies (continued)			
Mayor S.R Mbatha C No.76.25	Nompumelelo2025 Hadebe Inc	118 061.25	
Outstanding legal fees			
Mr Vincent Ntombela C No.77/25	Nompumelelo2025 Hadebe Inc	6 871.25	
Outstanding legal fees			
Mr. B.B Mdletshe C No.78.25	Nompumelelo2025 hadebe Inc.	11 988.75	
Outstanding legal fees			
Mr. B.B Mdletshe C No.79.25	Nompumelelo2025 Hadebe Inc.	13 598.75	
Outstanding legal fees			
Barnard Griffiths C No. RC04/25	Nompumelelo2025 Hadebe Inc	259 377.50	
Endumeni Contractors CC C No. 05/25	Nompumelelo2025 Hadebe Inc.	396 577.50	
Mr. M.K.E makgatho	Nompumelelo2025 Hadebe Inc.	507 135.73	
Outstanding Legal fees			
CCG Systems (Pty) Ltd C No.5425.25P	Nompumelelo2025 Hadebe Inc.	448,280.00	
SLA Mhlungu Review Application	The South 2025 Local Government Council issued an award of reinstatement		
Subtotal	- 42,494 -	36,456	143

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48. Related parties

Relationships

Key management

Refer to note 30

Councillors Owing the municipality

Surname and Names	Opening balance	Amount Paid	Amount Billed	Closing balance
Cllr Amina Sadeck	-	(229)	229	-
Cllr Mbulelo Phakathi	459	(400)	419	478
Cllr Siphamndla Kheswa	-	(229)	229	-
Cllr Zitha Shelembe	995	(995)	995	995
Cllr M S Abdol	8,312	(5,520)	6,984	9,777
Cllr N Gopie	-	(229)	229	-
Cllr I Zulu	-	(1,245)	1,241	(4)
Cllr Xaba P	8,298	(700)	661	8,259
Cllr Msezane	1,633	(300)	248	1,581
	19,697	1,388	1,388	21,086

Remuneration of management

Management class: Councillors

2025

	Basic salary	Travelling allowance	Cell phone allowance	Total
Name				
Mayor	728,830	-	42,677	771,507
Speaker	594,147	-	43,200	637,347
MPAC Chairperson	238,517	128,432	43,200	410,149
Executive committee	661,584	94,512	86,400	842,496
Councillors	2,269,572	71,484	345,600	2,686,656
	4,492,650	294,428	561,077	5,348,155

2024

	Basic salary	Travelling allowance	Cell phone allowance	Back pay	Total
Name					
Mayor	494,135	-	42,200	16,714	553,049
Speaker	395,307	-	42,200	14,052	451,559
MPAC Chairperson	233,283	125,905	42,200	13,093	414,481
Executive Committee	611,235	122,668	84,400	34,086	852,389
Councillors	2,077,421	101,409	326,800	80,311	2,585,941
	3,811,381	349,982	537,800	158,256	4,857,419

49. Comparative figures

Certain comparative figures have been reclassified.

50. Risk management

Financial risk management

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50. Risk management (continued)

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.

At 30 June 2025	Less than 1 year
Trade and other payables	421,928,877
Consumer deposits	6,073,521
At 30 June 2024	Less than 1 year
Trade and other payables	271,966,239
Consumer deposits	6,056,878

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2025	2024
Cash and cash equivalent	47,528,703	31,031,707
Receivables from exchange transactions	58,070,442	44,017,318
Financial assets	11,552,984	10,899,041

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.

51. Going concern

We draw attention to the fact that at 30 June 2025, the municipality incurred a deficit of R 92,262,251 and that the municipality's total assets exceed its liabilities by 124,327,632.

The municipality identified the following factors affecting going concern of the municipality:

- Current liabilities exceed current assets, this reflects possible difficulties to settle short term obligations when they fall due.
- Unfavourable current and quick ratio of 31% and 29% respectively. The municipality is in a position where it cannot utilise its current assets to settle current liabilities when the fall due.
- Receivables from exchange and non-exchange transaction increased by a combined ratio of 23%. The municipality is not collecting enough cash flows from its customers.

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Figures in Rand		

51. Going concern (continued)

- Payables from exchange transactions increased by 54,87% which confirms difficulties experienced by the municipality in settling its debts. The municipality has been facing challenges to honor Eskom debt as per the agreed payment arrangement.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality and government grant allocations. The municipality relied on the following mitigating factors to support going concern basis:

Grants and subsidies:

The table below shows the funds allocated to the municipality for the next three years as per DORA. These funds will be made available to finance operations of the municipality in each financial reporting period and management is confident to receive these funds.

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51. Going concern (continued)

Government Grant allocation:	2025/2026	2026/2027	2027/2028
Equitable Shares	72,758,000	74,106,000	77,446,000
Financial Management Grant	2,000,000	2,000,000	2,300,000
Extended Public Works program Grant	1,699,000	-	-
Municipal Infrastructure Grant	17,873,000	19,063,000	19,754,000
Energy Efficient Grant	4,000,000	5,000,000	-
Integrated National Electrification Program Grant	3,420,000	5,000,000	5,226,000
	101,750,000	105,169,000	104,726,000

Budget forecast:

Management prepared a forecast budget for the next two years which reflect a favourable amounts to support the goings concern assumption used in preparation of financial statements for the period ending 30 June 2025. Below is the summary of the forecast:

Item description	2024/2025	2025/2026	2026/2027
Net cash from operating activities	39,949,000	34,755,000	36,528,000
Surplus for the year	44,867,000	33,935,000	37,280,000
	84,816,000	68,690,000	73,808,000

In addition to the grants and subsidies to be received from the government, the budget forecast shows favourable projected cash inflow from operating activities which is an additional funding to municipal activities in the following financial periods. Furthermore, projected surplus for the following financial periods adds to the municipal reserves and gives confident that the municipality will continue as a going concern.

Other Considerations:

Management achieved a collection rate of 75% for all outstanding customer accounts in current year. Debt collectors have been appointed to assist the municipality with collecting cash from long outstanding customer accounts. This will positively increase liquidity position of the municipality and its ability to fund operations in the following financial periods.

The municipality does not have any defaults on loans or borrowing which will pose risk on going concern and operations of the municipality.

The municipality does not have any significant litigation claim which will negatively affects its operations and result to massive cash outflows.

Management is confident that the government grants together with cash flow from operations will suffice to fund municipal operations, there is no need to source additional funding.

As at the reporting date, there is no indication of the need to sale substantial assets of the municipality. In addition, none of the municipality has been held as a security for failure to settle any debt or litigation claim.

Payables from exchange transactions is mainly due to huge amount owed to Eskom Pty Ltd. The municipality received a letter confirming a debt write-off of R 25,241,581.60. This improves municipality's current ratio and reduces pressure on municipal cash flows.

The municipality have will receive smart meter grant in kind of R 46,000,000 which is a revenue enhancement strategy for the municipality. Installation of smart meters is currently underway and it will increase municipal collections from operating revenue.

Conclusion:

Based on the assessment above, management is confident that the municipality will have sufficient funds to finance its operations and is in a position to settle its obligations without posing risk on going concern, therefore financial statements are prepared on a going concern basis.

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52. Events after the reporting date

The municipality applied for a debt relief of R 75,724,744.79 as of 31 March 2023 subject to conditions to be met. The National Treasury assessed Endumeni Municipality's compliance over the first debt relief cycle (01 July 2023 to 30 June 2024). The Municipality is assessed to have substantially met (achieved 86 per cent) the conditions of its debt relief approval during the first cycle of its participation. The National Treasury therefore hereby instructs Eskom to write-off one third (1/3) of the municipal debt of Endumeni Local Municipality to the value of R 25 241 581.60. The debt write-off to be effected in Eskom's financial system within 30 days from the date of this letter. Eskom to align its accounting records and the municipality's Eskom statement(s) and invoice(s) to reflect the debt write-off within two (2) calendar months from the date of this letter. The letter to confirm write-off was received on 14th of August 2025. As at year end, there was no conditions or evidence to confirm that this debt relief will be approved as it was pending assessment from national treasury.

The chief financial officer resigned subsequent to submission of annual financial statement. There is no conditions which warrants any adjustment to the financial statements as presented on 30 June 2025.

53. Unauthorised expenditure

Opening balance as previously reported	144,547,751	76,710,468
Less: Amount written-off	(93,370,096)	(45,284,880)
Add: Amount authorised - current	93,370,096	39,038,335
Add: Amount authorised - prior period	-	28,798,948
Closing balance	144,547,751	144,547,751

During preparation of annual financial statements, management identified additional unauthorised expenditure relating to financial period ending 30 June 2024. This was mainly due to additional provision for impairment, additional finance costs and other related expenditure adjustments made to total costs of the municipality. Total prior period additional unauthorised expenditure of R 28,798,948. Total of R 45,284,880 was written-off.

Unauthorised Expenditure incurred is attributed by:

Non-cash	40,632,510	52,475,395
Cash	52,737,586	15,361,888
	93,370,096	67,837,283

Unauthorised expenditure worth R105,016,345 incurred in financial period ending 30 June 2025 was submitted to council for write-off. During audit engagement, an error was identified on provision for bad debts calculations, bonus accrual calculations and leave pay accruals calculations which forms part of the initial unauthorised expenditure schedule submitted for write-off. Corrections were made to address audit findings raised and the total unauthorised expenditure decreased by R11,646,249. Municipal council members approved a write-off of unauthorised expenditure as follows:

• Unauthorised expenditure representing non-cash items	67,669,813.
• Unauthorised expenditure representing cash items	37,346,532.
• Less correction of errors identified during audit engagements	(11,646,249)
• Remaining unauthorised expenditure for the year	93,370,586

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	30 June 2025	30 June 2024
53. Unauthorised expenditure (continued)		
Analysed as follows: non-cash		
Finance costs	8,428,144	8,792,241
Depreciation and amortisation	-	3,055,604
Inventory write-off	23,514	-
Irrecoverable bad debts write-off	-	22,595,107
Loss on disposal of property, plant and equipment	855,581	6,462,014
Debt impairment	19,041,613	11,570,428
Unreconciled items written-off	9,104,657	-
Actuarial gains/losses	3,179,000	-
	40,632,509	52,475,394
Analysed as follows: cash		
Bulk purchases	18,666,136	-
Finance costs	22,306,565	13,536,591
General expenditure	1,488,234	-
Employee related costs	8,102,251	-
Lease rentals on operating lease	2,174,398	1,640,415
Transfers and subsidies	-	184,884
	52,737,584	15,361,890

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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54. Deviation from supply chain management regulations

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

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

Reasons for deviations:

Sole Provider:	7,150,774	-
Financial System support procured on emergency basis due to bid objection and re-advertisement. Financial system procured on emergency basis. Due to datastrings misalignment, MSCOA segment issues that resulted in the disclaimer audit opinion, Munsoft was appointed to conduct Data cleansing and AFS preparation support		
Sole provider:	9,247	-
IIA Training on a new Global Internal Audit Standards.		
Sole provider:	4,484	-
Human Capital training		
Sole provider:	23,364	-
Current service provider for the Payroll/HR system		
Sole provider:	6,155	-
Sole supplier and Manufacturing for the Ultra lyte speed machine calibration		
Sole provider:	76,820	-
Printing of section 56 summons book		
Sole provider:	29,664	-
Parking meters Mechanism conversion in Dundee town		
Sole provider:	1,545,215	-
Hiring of Mayors vehicle		

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Annual Financial Statements for the year ended 30 June 2025

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Figures in Rand	30 June 2025	30 June 2024
54. Deviation from supply chain management regulations (continued)		
Emergency:	284,395	-
Emergency repairs and maintenance at industrial area and strathmore park.		
Emergency:	267,950	-
200kVA Transformer replacement in Sithembile.		
Emergency:	804,000	-
200kVA Transformer replacement in Dundee.		
Emergency:	2,983,767	-
Transformer was striked by lightning.		
Emergency	14,990,297	-
Provision of security services for Endumeni Municipal Properties.		
Emergency:	35,347	-
Appointment of Presiding Officer		
Emergency	2,960,620	-
Solle provider	19,862	-
Battery charger blew charging cards and need to be replaced		
Non- compliance with SCM regulation S36(1)(a)(i).	-	4,351,826
Non- compliance with SCM regulation SS36(1)(a)(ii)	-	2,299,713
Non- compliance with SCM regulation S36(1)(a)(v)	-	5,515,003
	31,191,961	12,166,542
55. Fruitless and wasteful expenditure		
Opening balance as previously reported	5,610,104	12,644,665
Add: Fruitless and wasteful expenditure identified - current	22,306,565	13,536,591
Less: Amount written-off (prior periods)	-	(20,571,152)
Less: Amount written off - current	(22,306,565)	-
Closing balance	5,610,104	5,610,104

Fruitless and wasteful expenditure is presented inclusive of VAT.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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55. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure arises from interest paid to Eskom and Umzinyathi District Municipality on long outstanding suppliers account balance.

Municipal council members approved a write-off of fruitless and wasteful expenditure valued at R 22,306,565.

ENDUMENI LOCAL MUNICIPALITY

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Figures in Rand		30 June 2025	30 June 2024
55. Fruitless and wasteful expenditure (continued)			
Details of fruitless and wasteful expenditure			
	Disciplinary steps taken/criminal proceedings		
Interest charged - Eskom	Referred to council for write-off	20,484,382	13,352,854
Interest charged - Munsoft	Referred to council for write-off	43,649	-
Interest charged - Umzinyati District Municipality	Referred to council for write-off	1,778,534	-
Interest charged - SARs	Referred to council for write-off	-	183,737
		22,306,565	13,536,591

Amount recovered

None of the fruitless and wasteful expenditure presented above has been recovered in current or prior year.

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Figures in Rand	30 June 2025	30 June 2024
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55. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 22,306,565 R 20,571,152 in 2024 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Finance costs - interest on long outstanding amount	22,306,565	20,571,152
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56. Irregular expenditure

Opening balance as previously reported	32,954,400	33,627,969
Add: Irregular expenditure - current	20,856,271	5,289,658
Add: Irregular expenditure - prior period	-	11,079,003
Less: Amount written-off	(20,856,270)	(17,042,230)
Closing balance	32,954,401	32,954,400

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Notes to the Annual Financial Statements

Figures in Rand		30 June 2025	30 June 2024
56. Irregular expenditure (continued)			
Incidents/cases identified/reported in the current year include those listed below:			
Disciplinary steps taken/criminal proceedings			
Supplier chain management policies not followed There was no contract for service rendered.	Procurement processes are underway - no disciplinary or criminal proceedings have been taken yet.	4,791,462	5,289,658
SCM Processes were not followed Panel selection criteria inadequate.	SCM Policy has been reviewed to factor panel selection criteria - no disciplinary or criminal proceedings have been taken yet.	16,009,808	11,079,003
SCM Processes were not followed Advert was not placed on municipal website.	SCM Policy has been reviewed to factor panel selection criteria	55,000	-
		20,856,270	16,368,661

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56. Irregular expenditure (continued)

Amount recovered

None of the irregular expenditure balance was recovered in current or prior year.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 20,856,270.74 in 2025 and R 17,042,230 in 2024 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,639,470	1,543,789
Amount paid - current year	(1,639,470)	(1,543,789)
	-	-

Audit fees

Current year subscription / fee	3,866,740	3,821,826
Amount paid - current year	(3,866,740)	(3,821,826)
	-	-

PAYE and UIF

Current year subscription / fee	22,424,608	20,241,747
Amount paid - current year	(22,424,608)	(20,241,747)
	-	-

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

Pension and Medical Aid Deductions

Current year subscription / fee	39,192,649	25,919,007
Amount paid - current year	(39,192,649)	(25,919,007)
	-	-

VAT

VAT receivable	4,678,670	-
VAT payable	-	233,321
	4,678,670	233,321

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

58. Segment information

General information

Identification of segments

The municipality is organised into 4 reportable segments which are community services, planning and development, technical services and unallocated. The segments were organised around the type of services delivered to the community. Management uses these same segments to determine strategic objectives of the municipality.

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

Aggregated segments

The municipality operates in KwaZulu Natal province.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community Services	Planning and Development	Technical Services	Un-allocated	Total
Revenue					
Revenue from non-exchange transactions	22,550,847	-	41,358,025	194,972,228	258,881,100
Revenue from exchange transactions	32,442,042	1,073,120	155,206,079	8,855,183	197,576,424
Total segment revenue	54,992,889	1,073,120	196,564,104	203,827,411	456,457,524
Entity's revenue					456,457,524
Expenditure					
Bulk Purchases	-	-	197,359,996	-	197,359,996
Contracted Services	9,336,910	1,771,800	19,542,254	26,115,904	56,766,868
Depreciation and Amortisation	2,064,960	-	9,250,360	3,656,733	14,972,053
Employee Related Cost	61,808,190	11,637,520	28,637,171	51,926,854	154,009,735
Interest; Dividends and Rent on Land	-	-	22,258,319	8,476,390	30,734,709
Operating Leases	2,014,700	96,210	-	832,846	2,943,756
Operational Cost	9,716,360	2,387,856	4,482,469	22,824,792	39,411,477
Remuneration of Councillors	-	-	-	5,348,155	5,348,155
Unreconciled items written-off	-	-	-	9,104,657	9,104,657
Transfers and Subsidies	-	-	-	609,585	609,585
Loss on disposal of assets and liabilities	-	-	-	855,581	855,581
Fair Value Adjustment	-	-	-	(4,180,200)	(4,180,200)
Debt impairment	17,229,827	-	690	19,806,212	37,036,729
Inventory	-	-	-	23,514	23,514
Impairment loss	-	-	-	544,162	544,162
Actuarial gains/losses	-	-	-	3,179,000	3,179,000
Total segment expenditure	102,170,947	15,893,386	281,531,259	149,124,185	548,719,777
Total segmental surplus/(deficit)	(47,178,058)	(14,820,266)	(84,967,155)	54,703,226	(92,262,253)

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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58. Segment information (continued)

	Community Services	Planning and Development	Technical Services	Un-allocated	Total
Assets					
Current assets	60,895,456	(2,610,266)	99,190,198	(9,218,764)	148,256,624
Non-current assets	27,418,905	11,668,518	133,769,059	314,747,878	487,604,360
Total segment assets	88,314,361	9,058,252	232,959,257	305,529,114	635,860,984
Total assets as per Statement of financial Position					635,860,984
Liabilities					
Current liabilities	10,372,803	268,319	186,024,342	238,184,502	434,849,966
Non-current liabilities	-	-	-	76,683,784	76,683,784
Total segment liabilities	10,372,803	268,319	186,024,342	314,868,286	511,533,750
Total liabilities as per Statement of financial Position					511,533,750
2024					
Revenue					
Revenue from exchange transactions	31,744,150	783,965	145,781,666	6,632,156	184,941,937
Revenue from non-exchange transactions	19,286,437	580,304	26,254,510	178,781,810	224,903,061
Total segment revenue	51,030,587	1,364,269	172,036,176	185,413,966	409,844,998
Entity's revenue					409,844,998

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58. Segment information (continued)

Expenditure

Bulk purchase	-	-	166,084,870	-	166,084,870
Contracted Services	9,716,166	1,167,127	14,799,978	18,757,596	44,440,867
Depreciation and Amortisation	4,263,363	245,816	8,737,535	2,045,775	15,292,489
Employee Related Cost	58,172,489	12,214,596	27,037,711	47,371,058	144,795,854
Interest; Dividends and Rent on Land	-	-	13,352,854	8,975,978	22,328,832
Debt impairment	(4,174,928)	-	2,062,555	23,055,501	20,943,128
Irrecoverable Debts Written Off	-	1,800	-	22,593,307	22,595,107
Operating Leases	1,615,828	8,578	43,740	764,822	2,432,968
Operational Cost	9,364,427	231,204	3,816,942	18,123,263	31,535,836
Remuneration of Councillors	-	-	-	4,857,418	4,857,418
Transfers and Subsidies	-	320,000	393,453	81,431	794,884
Loss on disposal of assets	-	-	-	1,462,014	1,462,014
Fair Value Adjustment	-	-	-	(5,084,806)	(5,084,806)
Impairment loss	-	-	-	393,918	393,918
Inventory	-	-	-	(6,551)	(6,551)
Actuarial gains/loss	-	-	-	(7,591,014)	(7,591,014)
Total segment expenditure	78,957,345	14,189,121	236,329,638	135,799,710	465,275,814
Total segmental surplus/(deficit)	(27,926,758)	(12,824,852)	(64,293,462)	49,614,256	(55,430,816)

Assets

Current Assets	33,237,342	(2,476,993)	75,047,468	1,575,525	107,383,342
Non-current Assets	25,210,691	11,451,127	120,206,531	312,985,975	469,854,324
Total segment assets	58,448,033	8,974,134	195,253,999	314,561,500	577,237,666
Total assets as per Statement of financial Position					577,237,666

Liabilities

Current Liabilities	9,925,744	201,341	76,850,222	206,385,134	293,362,441
Non-current Liabilities	-	-	-	67,293,082	67,293,082
Total segment liabilities	9,925,744	201,341	76,850,222	273,678,216	360,655,523

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	Community Services	Planning and development	Technical Services	Un-allocated	Total
58. Segment information (continued)					
Total liabilities as per Statement of financial Position					360,655,523

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

59. Impairment loss

Impairments

Property, plant and equipment	544,162	393,918
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60. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15%. There were no other material differences between the final budget and the actual amounts.

Service charges unfavourable variance. The municipality anticipated an increase in electricity connections from electrification program underway. Furthermore, refuse collections did not improve as there were less new properties registered within the ,municipal jurisdiction.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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60. Budget differences (continued)

Non-Cash Movement - hence there is no budget. The disposal relates to a Council resolution of assets that were old and could not be found and verified.

Non cash movement - Gains and Losses for Fair Value Adjustment: Investment Property which were not budgeted for.

Non-Cash Item - Gains and Losses Actuarial Assessments - Long Service Awards which was not budgeted for.

Service charges unfavourable variance. The municipality anticipated an increase in electricity connections from electrification program underway. Furthermore, refuse collections did not improve as there were less new properties registered within the municipal jurisdiction.

Interest income - financial assets favourable variance: This was a new discovery of transactions omitted and never captured on the system; hence municipality did not budget for this.

Rental of facilities and equipment-favourable variance: The municipality experienced high demand for utilisation of municipal assets compared to the anticipated rate.

Interest on receivables from exchange transactions-Unfavourable: The collection rate increased in current year; hence more customers reduced their outstanding balances and other settle them completely. This led to a lower receivables balance which resulted to lower interest charged.

License and permits - favourable variance: More licenses acquired by customers compared to the expected results after analysing prior period trends.

Interest received on investment-favourable: The municipality spent majority of the year with a significant high bank and investment balance which accumulated more interest than budgeted for.

Property rates -unfavourable variance: The municipality expected new property registration, and this expectation was considered during preparation of the budget, however this did not materialise by end of the year.

Grants and subsidies-Unfavourable variance: Some projects were not completed in current year and budgeted for.

Public contribution and donations-favourable: The variance emanates from the donations that the municipality received - a new segment was created in the AFS preparation processes to align with MSCOA.

Fines, penalties and forfeits: increase in penalties because customers are taking longer to settle their accounts.

Remuneration of councilors-favourable: Remuneration of councilors was over budgeted during the budgeting period.

Finance costs-unfavourable: Interest charges was not budgeted for. The high interest on the bulk Eskom account is because of the high Eskom debt, the municipality owes Eskom R307M by the end of June 2025. The municipality is failing to pay Eskom the current bulk account in full as per the Eskom Debt relief conditions as the municipality is facing financial constraints.

Impairment loss-favourable: Impairment loss was omitted during budget period.

Lease rental from operating lease-Unfavourable: Vodacom and Xtec were previously not recognized as operating lease payments. The lease payments emanate from Xtec and Vodacom - some machines and telephone lines may be billed but are not utilized or are broken.

Unrecognised items written-off-unfavourable: This was not available during preparation of municipal Budget.

Bulk purchase-unfavourable: Increase in electricity consumption compared to what was budgeted by the municipality.

ENDUMENI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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60. Budget differences (continued)

Debt impairment-Unfavourable: The variance stems from the new debt impairment methodology, which is a non-cash item, where the estimates changed and there was a change in the high non payment rate.

Financial assets-favourable: This was municipal assets identified and recognised during the financial year which were not available during preparation municipal budget.

Receivables from non-exchange & non exchange transactions-unfavourable variance: Debt impairment increased which reduced the actual receivable amount.

Cash and cash equivalents-favourable variance: Increase in investments for the year.

Intangible assets-unfavourable: The municipality ended up not acquiring the intangible assets.

Employee obligation-Unfavourable: No budget was allocated to employee related costs as a separate line item. This was budgeted for under provisions.

Unspent conditional grants-Unfavourable variance; other projects were not completed as planned hence there is an unspent balance.

Provision for landfill site-Unfavourable variance: The new experts appointed to perform the valuation changed the method used in the past which ended up changing the cash flow projection of the landfill site.