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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: The Municipality's operations are governed by: -Municipal Finance Management Act 56 of 2003, -Municipal Structures Act 117 of 1998, -Municipal Systems Act 32 of 2000, -Municipal Property rates act 6 of 2004 and -Various other acts and regulations
Nature of business and principal activities	The provision of infrastructure and services to communities in a sustainable manner in order to promote social and economic development, and to promote a safe and healthy environment.
Mayor	Cllr I.L Shabalala
Deputy Mayor	Cllr M.R Ngobese
Speaker	Cllr N.M buthelezi
Members of Executive Committee	Cllr Z Sithole Cllr B.S Chambule Cllr R.A Ndlovu Cllr T.J Motloung Cllr S.D Masimula Cllr M.E Mnguni - Chief Wip Cllr N.M Zungu - MPAC Chairperson (1 July 2024 - April 2025) Cllr J.N Khoza -MPAC Chairperson(From 8 April 2025)
Ordinary Councillors	Cllr S.M Buthelezi Cllr T.A Dlamini Cllr S.M Kunene Cllr S.M.C Zikode Cllr L.S Hoffman Cllr N.M Khanye Cllr C.S Thusini Cllr L Mkhwanazi Cllr N.S Vilakazi Cllr S.S Langa Cllr S.B Simelane Cllr M.I Khoza Cllr S. Radebe Cllr Z Ndlovu Cllr P.W.J Buthelezi Cllr M.C Mnguni Cllr T.M Hadebe Cllr K Ngobese Cllr F.P Hlatshwayo Cllr G.A.N Buthelezi Cllr S.G Hlatshwayo Cllr Q.M Ngobese Cllr C.N Sikosana Cllr C.T Buthelezi Cllr M.M Sibiya Cllr S.P Mazibuko
Traditional Authorities	Mangwebuthanani T/A Zondi T/A Molefe T/A Khiphinkunzi T/A Vulindela T/A Emandleni T/A Jama T/A Mbokodwebomvu T/A Sizamile T/A

General Information

Grading of local authority	Medium Capacity Municipality Grade 3
Accounting Officer	Mr M.B Jiyane
Chief Finance Officer (CFO)	Mr B.H Bhengu
Registered office	Municipal Building 83/11 Mdlalose Nquthu 3135
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Postal address	Private Bag X5521 Nquthu 3135
Bankers	ABSA South Africa
Auditors	Auditor General of South Africa
Attorneys	BM Thusini Inc

Index

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

Abbreviations used:

SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
GRAP	Generally Recognised Accounting Practice
CPI	Consumer Price Index
EPWP	Expanded Public Works Programme
PPE	Property, Plant and Equipment
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
VAT	Value Added Tax
DORA	Division of revenue act
CRR	Capital replacement reserve
PAYE	Pay As You Earn
IMFO	Institute of Municipal Finance Officers
PPPFA	Preferential Procurement policy Framework Act
SDL	Skills Development Levy
SALGA	South African Local Government Authoruty
SCMR	Supply Chain Management regulations
MIG	Municipal Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the government grants for continued funding of operations. 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 is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's management.

I certify that the salaries, allowances and benefits of councillors as disclosed in the financial statements are within the upper limit of the framework envisaged in section 219 of the Constitution of theRepublic of South Africa, read with the Remuneration of the Public Office Bearers Act 20 of 1998 as disclosed on note 30

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

Mr M.B Jiyane
Municipal Manager

Statement of Financial Position as at 30 June 2025

Figures in Rand	2025	2024 Restated*
Assets		
Current Assets		
Inventories	1 137 090	1 278 888
Operating lease asset	54 368	65 555
Receivables from non-exchange transactions	39 509 133	29 508 776
Receivables from exchange transactions	12 764 609	13 049 460
Other receivables from exchange transactions	1 556 188	1 395 830
Cash and cash equivalents	74 705 555	93 658 676
	129 726 943	**138 957 185**
Non-Current Assets		
Investment property	75 347 421	75 744 546
Property, plant and equipment	728 950 965	694 512 304
Intangible assets	-	10 842
Heritage assets	78 888	78 888
	804 377 274	**770 346 580**
Total Assets	**934 104 217**	**909 303 765**
Liabilities		
Current Liabilities		
Payables from exchange transactions	54 551 034	81 174 803
Consumer deposits	574 451	569 030
Employee benefit obligation	734 000	862 000
Unspent conditional grants and receipts	48 660	27 118
Provisions	9 933 117	9 380 199
	65 841 262	**92 013 150**
Non-Current Liabilities		
Employee benefit obligation	5 425 000	4 664 000
Provisions	2 373 301	2 057 677
	7 798 301	**6 721 677**
Total Liabilities	**73 639 563**	**98 734 827**
Net Assets	**860 464 654**	**810 568 938**
Reserves		
Housing Development fund	161 936	151 663
Accumulated surplus	860 302 718	810 417 275
Total Net Assets	**860 464 654**	**810 568 938**

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	34 538 952	28 965 051
Construction contract revenue	20	21 188 935	35 033 993
Rental of facilities and equipment	21	860 471	972 385
Other income	22	9 234 757	574 571
Interest revenue	23	9 704 775	11 730 954
Total revenue from exchange transactions		**75 527 890**	**77 276 954**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	57 449 715	51 452 186
Property rates - penalties imposed	24	3 632 966	2 656 575
Licences and Permits	25	862 319	1 009 692
Transfer revenue			
Government grants & subsidies	26	247 568 462	236 549 449
Fines, Penalties and Forfeits	27	1 425 078	1 546 777
Donation Income	28	216 980	60 515 762
Total revenue from non-exchange transactions		**311 155 520**	**353 730 441**
Total revenue		**386 683 410**	**431 007 395**
Expenditure			
Employee related costs	29	(113 124 803)	(101 351 274)
Remuneration of councillors	30	(15 730 667)	(14 046 463)
Depreciation and amortisation	31	(35 493 860)	(31 217 901)
Finance costs	32	(278 999)	(235 410)
Lease rentals on operating lease	33	(1 002 379)	(484 162)
Bad debts written off	50	(1 183 560)	(3 162 770)
Inventory Consumed	3	(891 104)	(2 315 184)
Bulk purchases	34	(45 257 411)	(31 026 209)
Contracted services	35	(35 192 933)	(57 496 604)
Construction contract expenditure	20	(21 188 935)	(35 033 994)
General Expenses	36	(44 445 597)	(48 692 348)
Total expenditure		**(313 790 248)**	**(325 062 319)**
Operating surplus		**72 893 162**	**105 945 076**
Profit on sale of Property, Plant and Equipment	10	40 954	-
Actuarial gain/(losses)	15	(198 938)	(346 018)
Impairment of Assets	10	(4 712 884)	(4 569 141)
Debt impairment (loss)/Reversal	5	(16 949 236)	(12 287 695)
Assets written off	10	(2 367 615)	(2 506 925)
Profit on sale of investment property	9	1 180 000	-
		(23 007 719)	**(19 709 779)**
Surplus for the year		**49 885 443**	**86 235 297**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	141 342	722 373 136	722 514 478
Adjustments			
Prior year adjustments 48	-	1 808 842	1 808 842
Balance at 01 July 2023 as restated*	**141 342**	**724 181 978**	**724 323 320**
Changes in net assets			
Interest	10 321	-	10 321
Interest received	10 321	-	10 321
Surplus for the year	-	86 235 297	86 235 297
Total recognised income and expenses for the year	10 321	86 235 297	86 245 618
Total changes	10 321	86 235 297	86 245 618
Restated* Balance at 01 July 2024	**151 663**	**810 417 275**	**810 568 938**
Changes in net assets			
Surplus for the year	-	49 885 443	49 885 443
Interest Received	10 273	-	10 273
Total changes	10 273	49 885 443	49 895 716
Balance at 30 June 2025	**161 936**	**860 302 718**	**860 464 654**
Note(s)	18		

* See Note 48

Cash Flow Statement

Figures in Rand	2025	2024 Restated*
Cash flows from operating activities		
Receipts		
Property rates	36 301 394	43 700 423
Sale of goods and services	36 986 522	28 562 353
Grants	247 590 004	236 187 733
Interest income	8 907 222	10 996 880
Construction contract receipts	21 188 935	35 033 993
	350 974 077	354 481 382
Payments		
Employee costs	(128 802 900)	(113 266 435)
Suppliers	(138 715 212)	(135 691 371)
Finance costs	-	-
Construction contract payments	(25 903 870)	(38 787 793)
	(293 421 982)	(287 745 599)
Net cash flows from operating activities	**57 552 095**	**66 735 783**
Cash flows from investing activities		
Purchase of property, plant and equipment	(78 155 179)	(81 941 226)
Proceeds from sale of property, plant and equipment	129 690	-
Proceeds from sale of investment property	1 510 000	-
Net cash flows from investing activities	**(76 515 489)**	**(81 941 226)**
Cash flows from financing activities		
Housing Development fund	10 273	10 321
Net increase/(decrease) in cash and cash equivalents	**(18 953 121)**	**(15 195 122)**
Cash and cash equivalents at the beginning of the year	93 658 676	108 853 798
Cash and cash equivalents at the end of the year	**74 705 555**	**93 658 676**

The accounting policies on pages 13 to 36 and the notes on pages 37 to 89 form an integral part of the annual financial statements.

* See Note 48

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	34 069 805	-	**34 069 805**	34 538 952	**469 147**
Construction contracts	-	-	**-**	21 188 935	**21 188 935**
Rental of facilities and equipment	870 996	(18)	**870 978**	860 471	**(10 507)**
Other income	474 664	1 588 976	**2 063 640**	9 234 757	**7 171 117**
Interest revenue	6 675 857	3 100 000	**9 775 857**	9 704 775	**(71 082)**
Total revenue from exchange transactions	**42 091 322**	**4 688 958**	**46 780 280**	**75 527 890**	**28 747 610**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	52 749 767	-	**52 749 767**	57 449 715	**4 699 948**
Property rates - penalties imposed	1 334 568	-	**1 334 568**	3 632 966	**2 298 398**
Licences and Permits	1 009 675	-	**1 009 675**	862 319	**(147 356)**
Transfer revenue					
Government grants & subsidies	212 836 012	-	**212 836 012**	247 568 462	**34 732 450**
Fines, Penalties and Forfeits	1 009 359	-	**1 009 359**	1 425 078	**415 719**
Donationa Income	-	-	**-**	216 980	**216 980**
Total revenue from non-exchange transactions	**268 939 381**	**-**	**268 939 381**	**311 155 520**	**42 216 139**
Total revenue	**311 030 703**	**4 688 958**	**315 719 661**	**386 683 410**	**70 963 749**
Expenditure					
Personnel	(118 968 854)	621 566	**(118 347 288)**	(113 124 803)	**5 222 485**
Remuneration of councillors	(17 155 328)	-	**(17 155 328)**	(15 730 667)	**1 424 661**
Depreciation and amortisation	(36 000 132)	(72)	**(36 000 204)**	(35 493 860)	**506 344**
Finance costs	-	-	**-**	(278 999)	**(278 999)**
Lease rentals on operating lease	(609 130)	-	**(609 130)**	(1 002 379)	**(393 249)**
Bad debts written off	(12 999 000)	-	**(12 999 000)**	(1 183 560)	**11 815 440**
Inventory consumed	(1 618 496)	296 259	**(1 322 237)**	(891 104)	**431 133**
Bulk purchases	(40 969 778)	(4 000 000)	**(44 969 778)**	(45 257 411)	**(287 633)**
Contracted Services	(49 983 173)	863 000	**(49 120 173)**	(35 192 933)	**13 927 240**
Transfers and Subsidies	(2 854 406)	344 900	**(2 509 506)**	-	**2 509 506**
Construction contract expenditure	-	-	**-**	(21 188 935)	**(21 188 935)**
General Expenses	(41 523 215)	1 822 558	**(39 700 657)**	(44 445 597)	**(4 744 940)**
Total expenditure	**(322 681 512)**	**(51 789)**	**(322 733 301)**	**(313 790 248)**	**8 943 053**
Operating surplus	**(11 650 809)**	**4 637 169**	**(7 013 640)**	**72 893 162**	**79 906 802**
Gain on disposal of assets and liabilities	-	-	**-**	40 954	**40 954**
Actuarial gains/losses	-	-	**-**	(198 938)	**(198 938)**
Impairment of Assets	-	-	**-**	(4 712 884)	**(4 712 884)**
Debt impairment	-	-	**-**	(16 949 236)	**(16 949 236)**
Assets written off	-	-	**-**	(2 367 615)	**(2 367 615)**
Profit on sale of assets	-	-	**-**	1 180 000	**1 180 000**
	-	**-**	**-**	**(23 007 719)**	**(23 007 719)**
Surplus before taxation	**(11 650 809)**	**4 637 169**	**(7 013 640)**	**49 885 443**	**56 899 083**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(11 650 809)**	**4 637 169**	**(7 013 640)**	**49 885 443**	**56 899 083**

Reconciliation

Nquthu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Position					
Assets					
Current Assets					
Inventories	139 232	(249 315)	**(110 083)**	1 137 090	**1 247 173**
Operating lease asset	107 609	(41 843)	**65 766**	54 368	**(11 398)**
Receivables from non-exchange transactions	44 149 306	10 202 977	**54 352 283**	39 509 133	**(14 843 150)**
Other receivables from exchange transactions	-	-	**-**	1 556 188	**1 556 188**
VAT receivable	32 916 239	(416 020)	**32 500 219**	-	**(32 500 219)**
Receivable from Exchange Transactions	11 208 013	(485 390)	**10 722 623**	12 764 609	**2 041 986**
Cash and cash equivalents	16 995 899	36 665 699	**53 661 598**	74 705 555	**21 043 957**
	105 516 298	**45 676 108**	**151 192 406**	**129 726 943**	**(21 465 463)**
Non-Current Assets					
Investment property	42 922 726	(1 584 228)	**41 338 498**	75 347 421	**34 008 923**
Property, plant and equipment	711 239 066	66 798 248	**778 037 314**	728 950 965	**(49 086 349)**
Intangible assets	16 295	(5 513)	**10 782**	-	**(10 782)**
Heritage assets	78 912	-	**78 912**	78 888	**(24)**
	754 256 999	**65 208 507**	**819 465 506**	**804 377 274**	**(15 088 232)**
Total Assets	**859 773 297**	**110 884 615**	**970 657 912**	**934 104 217**	**(36 553 695)**
Liabilities					
Current Liabilities					
Payables from exchange transactions	(64 119 507)	(23 436 428)	**(87 555 935)**	(54 551 035)	**33 004 900**
Consumer deposits	(2 169 507)	(143 789)	**(2 313 296)**	574 451	**2 887 747**
Employee benefit obligation	-	-	**-**	(734 000)	**(734 000)**
Unspent conditional grants and receipts	-	(3 674 907)	**(3 674 907)**	(48 660)	**3 626 247**
Provisions	(10 074 240)	(2 959 400)	**(13 033 640)**	(9 933 117)	**3 100 523**
	(76 363 254)	**(30 214 524)**	**(106 577 778)**	**(64 692 361)**	**41 885 417**
Non-Current Liabilities					
Employee benefit obligation	-	-	**-**	(5 425 000)	**(5 425 000)**
Provisions	(3 383 714)	2 488 106	**(895 608)**	(2 373 301)	**(1 477 693)**
	(3 383 714)	**2 488 106**	**(895 608)**	**(7 798 301)**	**(6 902 693)**
Total Liabilities	**(79 746 968)**	**(27 726 418)**	**(107 473 386)**	**(72 490 662)**	**34 982 724**
Net Assets	**939 520 265**	**138 611 033**	**1 078 131 298**	**1 006 594 879**	**(71 536 419)**
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Housing Development fund	(141 359)	(10 304)	**(151 663)**	161 936	**313 599**
Accumulated surplus	(807 246 875)	(83 147 845)	**(890 394 720)**	(860 302 709)	**30 092 011**
Total Net Assets	**(807 388 234)**	**(83 158 149)**	**(890 546 383)**	**(860 140 773)**	**30 405 610**

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

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Property rates	43 374 339	-	**43 374 339**	36 301 394	**(7 072 945)**
Sale of goods and services	26 104 383	-	**26 104 383**	36 986 502	**10 882 119**
Grants	258 962 610	6 087 434	**265 050 044**	247 590 004	**(17 460 040)**
Interest income	6 053 818	3 099 988	**9 153 806**	8 907 222	**(246 584)**
Construction contract	-	-	**-**	21 188 935	**21 188 935**
	334 495 150	**9 187 422**	**343 682 572**	**350 974 057**	**7 291 485**
Payments					
Employee costs and suppliers	(293 609 897)	(2 813 768)	**(296 423 665)**	(267 413 744)	**29 009 921**
Constuction Contract	-	-	**-**	(25 903 870)	**(25 903 870)**
	(293 609 897)	**(2 813 768)**	**(296 423 665)**	**(293 317 614)**	**3 106 051**
Net cash flows from operating activities	**40 885 253**	**6 373 654**	**47 258 907**	**57 656 443**	**10 397 536**
Cash flows from investing activities					
Purchase of property, plant and equipment	(90 933 016)	-	**(90 933 016)**	(78 259 547)	**12 673 469**
Proceeds from sale of property, plant and equipment	-	-	**-**	129 690	**129 690**
Proceeds from sale of investment property	-	-	**-**	1 510 000	**1 510 000**
Net cash flows from investing activities	**(90 933 016)**	**-**	**(90 933 016)**	**(76 619 857)**	**14 313 159**
Cash flows from financing activities					
Housing Development fund	-	-	**-**	10 273	**10 273**
Net increase/(decrease) in cash and cash equivalents	(50 047 763)	6 373 654	**(43 674 109)**	(18 953 141)	**24 720 968**
Cash and cash equivalents at the beginning of the year	72 467 863	40 753 158	**113 221 021**	93 658 676	**(19 562 345)**
Cash and cash equivalents at the end of the year	**22 420 100**	**47 126 812**	**69 546 912**	**74 705 535**	**5 158 623**
Reconciliation					

Accounting Policies

1. Significant account policies

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

1.1 Basis of preparations

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

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period

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.

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:

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

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

The impairment for trade receivables is 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.

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.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

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 15.

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

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 52.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

An impairment loss 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.

Cost model

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

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

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

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

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

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.

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	3-10 years
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	5-12years
IT equipment	Straight-line	5 Years
Infrastructure Roads & Stormwater	Straight-line	5-80 years
Community	Straight-line	30 years

1.7 Property, plant and equipment (continued)

Infrastructure electricity	Straight-line	30 years
Investment property	Straight-line	30 years

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

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

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

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.8 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited 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
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) 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; and
(c) 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 end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

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.

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

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

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

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

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

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

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

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

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.

Accounting Policies

1.9 Intangible assets (continued)

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

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	5
Intangible assets under development	Straight-line	5

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

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

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

1.10 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Heritage assets (continued)

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Derecognition

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

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

1.11 Financial instruments

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

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

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

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

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of 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.

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

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

Accounting Policies

1.11 Financial instruments (continued)

Classification

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of fair value through surplus or deficit category.

The municipality derecognises a financial asset when and only when; the rights to the cash flows from the financial asset expire; or it transfers the financial asset and the transfer qualifies for derecognition. The municipality first needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfers a financial asset if and only if: the rights to receive cashflows from the asset have expired, or if the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a "pass through" arrangement; and either the municipality has transferred substantially all the risks and rewards of the asset.

The municipality removes a financial liability (or part of financial liability) from its statement of position when and only when it is extinguished i.e. when the obligation specified in the contract is discharged or called or expires. An exchange between the existing borrower and lender of debt instruments with suitability different terms is accounted for as an extinguishing of the original financial liability and the recognition of a new financial liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed in the Statement of Financial Performance

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 Equivalent	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.11 Financial instruments (continued)

Initial recognition

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

.
Initial measurement of financial assets and financial liabilities.

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

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

.
Financial assets measured at amortised cost
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recgnised in surplus or deficit.

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

Derecognition

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

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

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

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

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

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

1.12 Statutory receivables

Identification

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

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

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

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

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

Recognition

1.12 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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.

Accounting Policies

1.12 Statutory receivables (continued)

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.

1.13 Tax

Exemption

The Nquthu Local Municipality is exempted from tax in terms of section 10(1)(a) of the income tax act

1.14 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.

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.

1.15 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.

1.16 Construction contracts

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

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

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

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

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

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

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

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

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

1.16 Construction contracts (continued)

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

1.17 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, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

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

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

1.18 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

1.19 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.

1.19 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

Accounting Policies

1.19 Provisions and contingencies (continued)

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.

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.

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).

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.22 Revenue from non-exchange transactions (continued)

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

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

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

Fines

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

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

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

1.23 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.

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Accounting Policies

1.24 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.25 Comparative figures

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

1.26 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).

1.27 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).

1.28 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 municipality'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).

Accounting Policies

1.29 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.

1.30 Segment information

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

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

Measurement

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

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

1.31 Budget information

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

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

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

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

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

1.32 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.

Accounting Policies

1.32 Related parties (continued)

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.

1.33 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Grap 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2025	Unlikely there will be a material impact

3. Inventories

Consumable stores	1 137 090	1 278 888

Carrying value of inventories at the beginning of the year	1 278 888	1 528 203
Inventory purchased during the year	750 956	2 065 869
Inventory recognised as an expense during the year	(892 754)	(2 315 184)
	1 137 090	**1 278 888**

Inventory has been recorded using the weighted average cost method. Inventory is carried as lower of cost and current replacement value. Stoke take was conducted on 30 June 2025

Inventory pledged as security

There is no inventory was pledged as security

4. Operating lease asset

Current assets	54 368	65 555

The Municipality as Lessor:

Operating Leases relate to the following:

Lease of premises owned by the municipality to Vodacom (PTY) Ltd with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period
.
Lease of premises owned by the municipality to Electoral Commission with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to ATC South Africa with lease terms of 9 years and 11 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Lease of premises owned by the municipality to Unjani Clinic with lease terms of 60 months, with no option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period

Operating leases have been straightlined in accordance with GRAP 13 requirements

Operating lease receivable	**2025**	**2024**
Within 1 year	118 256	168 097
Within 2-5 year	483 043	522 401
Greater than 5 years	46 024	124 921
	647 323	**815 419**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivable from non-exchange transactions

Gross balances		
Statutory Receivables - VAT Control(Receivable) due from SARS	3 147 621	1 766 290
Fines - Illegal Connections	529 535	282 222
Statutory Receivable - Property Rates	97 487 944	71 486 122
Statutory Receivable - Traffic Fines	1 922 160	2 286 170
	103 087 260	**75 820 804**
Less: Allowance for impairment		
Fines - Illegal Connections	(105 225)	(61 031)
Statutory Receivable - Property rates	(62 667 232)	(45 452 099)
Statutory Receivables - Traffic Fines	(805 670)	(798 898)
	(63 578 127)	**(46 312 028)**
Net balance		
Statutory Receivable - Vat Control (Receivable) from SARS	3 147 621	1 766 290
Fines - Illegal Connections	424 310	221 191
Statutoty Receivable - Property rates	34 820 712	26 034 023
Statutory Receivable - Traffic Fines	1 116 490	1 487 272
	39 509 133	**29 508 776**

Figures in Rand	2025	2024

5. Receivable from non-exchange transactions (continued)

Summary of debtors by customer category

Property rates		
Current (0 -30 days)	1 052 645	284 505
31 - 60 days	3 846 117	278 088
61 - 90 days	3 669 721	2 851 483
91 - 120 days	3 607 646	2 707 463
121 - 180 days	7 036 933	5 306 688
> 180 days	78 274 882	60 057 895
	97 487 944	71 486 122
Less: Allowance for impairment	(62 667 232)	(45 452 099)
	34 820 712	**26 034 023**

Fines		
Current (0 -30 days)	46 100	77 600
31 - 60 days	44 600	193 000
61 - 90 days	38 100	68 950
91 - 120 days	53 300	67 000
121 - 180 days	104 690	227 299
> 180 days	1 635 370	1 652 321
	1 922 160	2 286 170
Less: Allowance for impairment	(805 670)	(798 898)
	1 116 490	**1 487 272**

Summary of Debtors by classification		
Public Service Purpose	35 924 650	26 809 866
Business	5 482 417	4 975 990
Residential	2 750 495	2 894 314
Agriculture Properties	47 875 670	31 734 584
Vacant Properties	5 271 155	4 896 079
Other	183 557	175 289
	97 487 944	71 486 122
Less: Allowance for impairment	(62 667 232)	(45 452 099)
	34 820 712	**26 034 023**

Fines - Illegal Connections		
Current (0 -30 days)	17 550	11 467
31 - 60 days	19 846	-
61 - 90 days	20 000	-
120 - 180 days	100 911	31 336
> 180 days	371 228	239 419
	529 535	282 222
Less: Allowance for impairment	(105 225)	(61 031)
	424 310	**221 191**

Vat Control (Receivable) SARS		
Current (0 -30 days)	3 147 641	1 766 310

Figures in Rand	2025	2024

5. Receivable from non-exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	46 312 028	35 064 089
Contributions to allowance	17 266 099	12 779 274
Reversal of allowance	-	(1 531 335)
	63 578 127	**46 312 028**

5. Receivable from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates Taxes are imposed in accordance with the Municipal Property Rates Act 6 of 2004. The Act gives the Municipality to levied Property Rates taxes on all properties within the Municipal jurisdiction.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Value Added Taxation (VAT) is levied in terms of the Value Addded Taxation Act 89 of 1991.

Determination of transaction amount

Municipal Property Rates taxes is determined by using the municipal property valuation roll and is imposed on a Property that is within the Municipal Jurisdiction on usage.

Municipal Traffic fines are determined based on the tariffs for offences in accordance with the National Road Traffic Act.

Value Added Taxation is levied on Vatable Supplies of goods and services, and is the Cash Portion attributable to VAT 201 Returns submitted to SARS awaiting payment from SARS.

Interest or other charges levied/charged

Interest on property rate has been charged as 8% in accordance with debt policy of the municipality.

There is no interest charged on Traffic fines debtor

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

Statutory receivables are assessed for impairment in accordance with GRAP 108. Refe to the impairment methodology document.

Discount rate applied to the estimated future cash flows

A discount rate of 8% was used against the municipality's future cash flow to be derived from gross receivable

Statutory receivables past due but not impaired

Statutory receivables that are between 0 to 30 days are not considered impaired, as they are still within the acceptable payment terms and do not exhibit indicators of credit loss. At 30 June 2025, 35 693 286 (2024: 25 372 423 were past due but not impaired.

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

1 month past due	2 310 352	57 999
2 months past due	1 906 708	1 129 557
3 months past due	1 628 977	1 026 742
4-5 months past due	3 077 144	2 029 039
6 months past due and above	26 770 105	21 129 086

Statutory receivables impaired

As of 30 June 2025, Statutory receivables of 74 608 644 (2024: 68 626 324) were impaired and provided for.

The amount of the provision was 62 667 232 as of 30 June 2025 (2024: 45 452 099).

Figures in Rand	2025	2024

5. Receivable from non-exchange transactions (continued)

The ageing of these loans is as follows:

1 month past due	2 384 091	1 068 977
2 months past due	2 343 994	2 304 197
3 months past due	2 281 688	2 064 970
4-5 months past due	4 687 762	4 127 377
Over 6 months	62 911 109	59 060 803

Factors the entity considered in assessing statutory receivables impaired

The municipality took into account past trends in terms of collections,
Financial difficulties faced by ratepayers due to the current economic cliamte.
Probability of recovery considering processes available to the municipality.

Reconciliation of provision for impairment for statutory receivables

Opening balance	46 250 997	32 733 856
Provision for impairment	17 221 905	13 517 141
	63 472 902	**46 250 997**

6. Receivables from Exchanges transactions

Gross balances		
Electricity	6 635 554	4 801 394
Rentals	2 301 670	2 197 705
Refuse	6 725 620	6 830 836
Input Vat Accrual	4 868 820	7 303 443
	20 531 664	**21 133 378**
Less: Allowance for impairment		
Electricity	(578 135)	(1 057 644)
Rentals	(1 560 417)	(1 374 751)
Refuse	(5 628 503)	(5 651 523)
	(7 767 055)	**(8 083 918)**
Net balance		
Electricity	6 057 419	3 743 750
Rentals	741 253	822 954
Refuse	1 097 117	1 179 313
Input Vat Accrual	4 868 820	7 303 443
	12 764 609	**13 049 460**
Electricity		
Current (0 -30 days)	3 657 185	2 568 614
31 - 60 days	665 124	299 450
61 - 90 days	398 371	157 100
91 - 120 days	160 057	112 562
121 - 180 days	368 925	245 050
> 180 days	1 385 892	1 418 618
	6 635 554	**4 801 394**

Figures in Rand	2025	2024

6. Receivables from Exchanges transactions (continued)

Rental		
Current (0 -30 days)	157 307	149 732
31 - 60 days	62 798	61 693
61 - 90 days	65 465	55 411
91 - 120 days	56 943	68 819
121 - 180 days	111 544	110 484
> 180 days	1 847 613	1 751 566
	2 301 670	**2 197 705**

Refuse		
Current (0 -30 days)	379 143	296 372
31 - 60 days	101 285	100 327
61 - 90 days	97 686	93 167
91 - 120 days	86 905	91 961
121 - 180 days	156 277	165 635
> 180 days	5 904 324	6 083 374
	6 725 620	**6 830 836**

Summary of debtors by customer category

Electricity		
Residential	173 429	150 703
Business	2 951 669	2 908 501
Public Service Purpose	3 442 041	1 663 783
Other	68 415	78 407
	6 635 554	4 801 394
Less: Allowance for impairment	(578 135)	(1 057 644)
	6 057 419	**3 743 750**

Refuse		
Residential	5 054 932	5 281 146
Business	344 797	339 663
Vacant Land	1 172 440	1 091 090
Other	153 451	118 937
	6 725 620	6 830 836
Less: Allowance for impairment	(5 628 503)	(5 651 523)
	1 097 117	**1 179 313**

Rentals		
Residential	69 472	62 392
Business	1 986 701	2 028 511
Other	245 497	106 802
	2 301 670	2 197 705
Less: Allowance for impairment	(1 560 417)	(1 374 751)
	741 253	**822 954**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(8 083 918)	(7 044 162)
Contributions to allowance	(185 666)	(1 039 756)
Reversal of allowance	502 529	-
	(7 767 055)	**(8 083 918)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from Exchanges transactions (continued)

Consumer debtors pledged as security

Consumer debtors were pledged as security.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2025, 2 104 318 (2024: 1 432 110) were past due but not impaired.

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

1 month past due	582 449	367 112
2 months past due	318 204	67 065
3 months past due	79 706	77 400
4-5 months past due	191 896	70 108
Over 6 months	932 064	850 425

Consumer debtors impaired

As of 30 June 2025, consumer debtors of 9 350 402 (2024: 16 211 278) were impaired and provided for.

The amount of the provision was 7 767 055 as of 30 June 2025 (2024: 8 085 011).

The ageing of these loans is as follows:

1 months past due	246 011	845 844
2 months past due	242 777	537 920
3 months past due	223 657	340 082
4-5 months	443 863	762 303
Over 6 months	8 194 094	13 725 129

7. Other receivables from exchange transaction

Prepayments	1 350 020	1 360 498
The prepayment pertains to the acquisition of firearms and the SALGA membership		
Employee Debtor	206 168	35 332
Employee debtor comprise amounts recoverable from councillors in respect of overpayments relating to upper limit adjustments, as well as recoveries from employees for overtime and standby allowance erroneously paid to individuals not entitles to such benefit		
	1 556 188	**1 395 830**
Current assets	1 556 188	1 395 830

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 344 710	7 225 354
Short-term deposits	73 360 845	86 433 322
	74 705 555	**93 658 676**

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Absa - Call Account - 927-785-1394	2 023 003	1 894 541	1 765 601	2 023 003	1 894 541	1 765 601
Absa - Call Account - 930-069-5892	16 552 594	1 727 503	59 116	16 552 594	1 727 503	59 116
Absa - Call Account - 933-821-7106	-	-	34 490	-	-	34 490
Absa Bank-Call Account 937-050-646	-	-	18 381 816	-	-	18 381 816
Absa Bank - Call Account- 937-065-2142	-	-	5 646 509	-	-	5 646 509
Absa Bank - Call Account- 208-117-9642	-	21 778 310	-	-	21 778 310	-
Absa - Primary Account - 405-356-2762	1 361 935	7 292 454	428 107	1 367 892	7 292 454	428 107
Absa Bank-Investment Account 914-284-5014	96 511	535 914	281 893	96 511	535 914	281 893
Absa Bank-Investment Account 208-087-5617	-	-	15 521 247	-	-	15 521 247
Bank - Notice Select 937-076-2765	-	-	1 424 715	-	-	1 424 715
Absa Bank - Notice Select 936-6596-4328	24 857	23 663	22 376	24 857	23 663	22 376
FNB BANK - Investment Account - 718-4846-2554	-	10 241 567	9 377 603	-	10 241 567	9 377 603
FNB BANK - Investment Account - 623-8231-1408	10 845 157	10 086 341	9 334 533	10 845 157	10 086 341	9 334 533
FNB BANK - Investment Account - 718-4846-0889	-	8 660 463	7 929 879	-	8 660 463	7 929 879
FNB BANK - Investment Account - 744-2905-2166	-	5 970 710	15 199 556	-	5 970 710	15 199 556
Standard Bank - Investment- 3085-8556-9014	7 756	7 303	6 856	7 756	7 303	6 856
Standard Bank - Investment 3085-8556-9063	27 549 828	25 438 674	23 438 340	27 549 828	25 438 674	23 438 340
Nedbank-investment Account 03 7165 014 039(5)	1 330	1 233	1 161	1 330	1 233	1 161
Standard Bank - Investment 3085-8556-9064	16 236 627	-	-	16 236 627	-	-
Total	**74 699 598**	**93 658 676**	**108 853 798**	**74 705 555**	**93 658 676**	**108 853 798**

The difference of R5 969.7 between the cashbook balance and the bank statement balance as at year end relates to a customer payment received through the speed point facility. The payment was processed was made by the customer on 30 June 2025, however due to timing bank processing, the amount reflect in the municipal bank account on the following business day

There is no cash and cash equivalent pledged as collateral for liabilities or contingent liabilities.

The following bank accounts were closed during the year:

Bank Name	**Account number**
Nedbank	03/7165014039/000146
Absa Bank	20-8117-9642
Absa Bank	20-8169-6276
FNB	71-84846-8554
FNB	74-42905-2166
FNB	71-84846-0889

9. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	76 901 713	(1 554 292)	75 347 421	77 328 786	(1 584 240)	75 744 546

Reconciliation of investment property - 2025

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	75 744 546	(334 750)	(7 253)	(55 122)	75 347 421

Reconciliation of investment property - 2024

	Opening balance	Additions	Depreciation	Total
Investment property	41 405 390	34 406 000	(66 844)	75 744 546

Pledged as security

No investment property has been pledged as security for liabilities.

No investment property is carrying existing restrictions.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	157 357	211 258

There were no direct operating expenses incurred from renting the property

There were no contractual obligation to purchase, construct or develop the investment property. There were also no contractual obligation for repairs and maintenance

10. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 655 276	-	13 655 276	13 655 276	-	13 655 276
Buildings	47 922 578	(15 389 368)	32 533 210	42 816 474	(13 593 782)	29 222 692
Plant and machinery	17 916 981	(10 210 915)	7 706 066	17 194 465	(9 374 997)	7 819 468
Furniture and fixtures	6 339 741	(3 480 843)	2 858 898	4 922 948	(3 045 726)	1 877 222
Transport assets	39 250 093	(24 338 090)	14 912 003	38 795 846	(22 460 028)	16 335 818
IT equipment	5 043 698	(3 145 344)	1 898 354	4 486 942	(2 899 734)	1 587 208
Infrastructure - Roads and Stormwater	426 684 260	(127 079 178)	299 605 082	403 801 998	(113 394 233)	290 407 765
Community	371 120 200	(59 906 419)	311 213 781	338 909 706	(50 110 894)	288 798 812
Electricity Infrastructure	57 051 642	(13 939 238)	43 112 404	55 337 695	(12 036 640)	43 301 055
Leased assets - Computer equipment	-	-	-	-	-	-
Refuse	4 303 068	(2 847 177)	1 455 891	4 240 981	(2 733 993)	1 506 988
Total	**989 287 537**	**(260 336 572)**	**728 950 965**	**924 162 331**	**(229 650 027)**	**694 512 304**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Adjustment of landfill site provision	Work in Progress	Depreciation	Impairment loss	Total
Land	13 655 276	-	-	-	-	-	-	13 655 276
Buildings	29 222 692	5 106 105	-	-	-	(1 795 587)	-	32 533 210
Plant and machinery	7 819 468	902 255	(10 977)	-	-	(1 004 392)	(288)	7 706 066
Furniture and fixtures	1 877 222	1 492 752	(1 407)	-	-	(508 719)	(950)	2 858 898
Motor vehicles	16 335 818	783 353	(88 737)	-	-	(2 118 431)	-	14 912 003
IT equipment	1 587 208	905 233	(44 198)	-	-	(539 486)	(10 403)	1 898 354
Infrastructure - Roads and Stormwater	290 407 765	26 213 459	(1 468 441)	-	5 176 931	(16 529 130)	(4 195 502)	299 605 082
Community	288 798 812	50 497 987	(250 969)	-	(16 428 967)	(11 091 185)	(311 897)	311 213 781
Electricity Infrastructure	43 301 055	2 312 867	(581 024)	-	-	(1 733 255)	(187 239)	43 112 404
Leased Assets	-	-	-	-	-	-	-	-
Landfill site	1 506 988	-	-	62 087	-	(113 184)	-	1 455 891
	694 512 304	**88 214 011**	**(2 445 753)**	**62 087**	**(11 252 036)**	**(35 433 369)**	**(4 706 279)**	**728 950 965**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Donation received	Disposals	Adjustment of landfill site provision	Work in Progress	Depreciation	Impairment loss	Total
Land	5 891 616	-	7 763 660	-	-	-	-	-	13 655 276
Buildings	30 886 031	-	-	-	-	-	(1 651 745)	(11 594)	29 222 692
Machinery and equipment	6 196 582	2 594 815	-	(299)	-	-	(971 630)	-	7 819 468
Furniture and office equipment	1 607 715	591 988	-	(1 115)	-	-	(321 366)	-	1 877 222
Transport assets	18 176 835	607 870	-	(60 087)	-	-	(2 388 800)	-	16 335 818
Computer equipment	1 805 526	287 361	-	(16 316)	-	-	(489 363)	-	1 587 208
Roads and stormwater infrastructure	264 083 745	65 976 924	799 606	(38 330)	-	(20 728 872)	(15 700 049)	(3 985 259)	290 407 765
Community	227 711 972	67 652 770	-	(2 388 942)	-	4 584 694	(8 189 394)	(572 288)	288 798 812
Electricity infrastructure	64 060 979	1 903 352	18 451 004	(1 837)	-	(39 809 781)	(1 302 662)	-	43 301 055
Leased assets - Computer equipment	-	-	-	-	-	-	-	-	-
Landfill site	1 401 697	-	-	-	235 896	-	(130 605)	-	1 506 988
	621 822 698	**139 615 080**	**27 014 270**	**(2 506 926)**	**235 896**	**(55 953 959)**	**(31 145 614)**	**(4 569 141)**	**694 512 304**

10. Property, plant and equipment (continued)

Pledged as security

No property, plant and equiment has been pledged as security for liabilities
No property, plant and equipment is carrying existing restrictions.

Assets taking longer to complete
There are assets under construction that are taking significantly longer to complete
Carrying value of property, plant and equipment that is taking significantly longer period of time to complete than expected

Project Name	Reason(s)	2025	2024
Ngonini Sportfield	Budget Constraints	615 821	508 899
Borehole and Water pump	Budget Constraints	137 400	137 400
Sidanyana Road	Budget Constraints	1 065 303	1 065 303
		1 818 524	**1 818 524**

The following projects have been reallocated to the 2026/27 financial year budget for completion;
a) Ngonini Sportfield
b) Borehole and Water pump
c) Sidanyana Road.

Halted Projects
As at 30 June 2025, the municipality halted the construction of the following projects due to the reasons spefied below;

Project Name	Reason(s)	2025	2024
Mthushana Creche	Budget Constraints	119 669	119 669
Incubator unit 5&6	Reassessment of priorities	2 387 331	2 387 331
		2 507 000	**34 994 960**

In the prior financial year, the halted project **Incubator Unit 5&6** was disclosed with an expenditure amount of R238,331, instead of 2 387 331. This misstatement was due to typographical error. This disclosure misstatement did not affect the financial position or performance figures presented but has been corrected in the current year for disclosure purposes in line with the requirements of GRAP 17. Additionally, the Supply Chain Management (SCM) processes to appoint a service provider for the completion of the project have since been finalised. A new service provider was appointed subsequent to 30 June 2025, and the project is expected to resume shortly.

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure - Roads and Stormwater	Included within Infrastructure - Community	Total
Opening balance	20 828 335	65 626 043	86 454 378
Additions/capital expenditure	31 297 111	42 774 562	74 071 673
Transferred to completed items	(26 120 180)	(59 307 876)	(85 428 056)
	26 005 266	**49 092 729**	**75 097 995**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure Electricity	Included within Roads and stormwater	Included within Community Assets	Total
Opening balance	39 818 133	41 487 654	63 533 644	144 839 431
Additions/capital expenditure	18 182 601	13 845 469	72 923 235	104 951 305
Prior year correction	(25 293 803)	-	-	(25 293 803)
Reclassification	-	103 353	(103 353)	-
WIP written-off	-	(33 800)	(2 388 942)	(2 422 742)
Transferred to completed items	(32 706 931)	(34 574 341)	(68 338 541)	(135 619 813)
	-	**20 828 335**	**65 626 043**	**86 454 378**

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	2025	2024
Employee related costs	3 170 798	1 733 980
Contracted services	7 961 762	29 133 926
Depreciation - R&M Assets	841 735	229 711
	11 974 295	**31 097 617**

11. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	607 574	(607 574)	-	611 664	(600 822)	10 842

Reconciliation of intangible assets - 2025

	Opening balance	Written off	Amortisation	Total
Computer software, internally generated	10 842	(5 473)	(5 369)	-

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, internally generated	16 285	(5 443)	10 842

Pledged as security

No Intangible assets has been pledged as security for liabilities

No intangible assets is carrying existing restrictions.

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	78 888	-	78 888	78 888	-	78 888

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	78 888	78 888

Pledged as security

No heritage assets has been pladged as security

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Payables from exchange transactions

Trade payables	27 929 053	31 288 927
Payments received in advanced	2 807 614	2 531 516
COIDA	5 625 530	7 385 023
Massification Electrification Grant	-	2 044 934
Retentions	11 535 004	28 495 947
Human Settlement- Housing funds	1 641 783	1 743 030
Unallocated deposit	1 116 234	1 018 427
Intergrated National Electrification Programme Grant	-	2 670 001
Bonus Accrual	2 760 278	2 548 835
Output Vat Accrual	1 135 538	1 448 163
	54 551 034	**81 174 803**

14. Consumer deposits

Electricity	434 453	434 853
Rentals	71 955	65 134
Refuse	68 043	69 043
	574 451	**569 030**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(6 159 000)	(5 526 000)
Non-current liabilities	(5 425 000)	(4 664 000)
Current liabilities	(734 000)	(862 000)
	(6 159 000)	**(5 526 000)**

As at 30 June 2025, the number of members entitled to receive long service leave awards from the municipality were;

	Number of eligible employees	Weighted average earning	Salary weighted average age	Weighted past Service
Female	122	266 051	41.7	9.4
Male	135	266 171	43.3	9.3
	257	**266 144**	**42.5**	**9.3**

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive

The table below reflects a summary of the benefit policy:

Completed Service (In years)	Long Service Award (% of Annual earnings)	Description
. 5	2.0%	5 / 249 x annual earnings
10	4.0%	10/ 249 x annual earnings
15	8.0%	20/ 249 x annual earnings
20,25,30,35,40,45	12.0%	30/ 249 x annual earnings

In the month that each “Completed Service” milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/249th of annual earnings per day.

An employee with five or more years’ service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee’s most recent service milestone, divided by five.

The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

The fair value of plan assets includes:

Assumptions

Average retirement age		61	
Mortality during employment		85 to 90	
Withdrawal from Service	Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

The table below shows the maturity analysis for the next 40 years

Future year	Expected Benefit vesting (R millions)
1	0.819
2	0.718
3	0.993
4	0.970
5	1.069
6 to 10	6.217
11 to 15	7.748
16 to 20	7.640
21 to 30	8.033
31 to 40	0.916

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

	2025	2024
Opening balance	(5 526 000)	(4 541 000)
Benefits paid	809 938	432 018
Net expense recognised in the statement of financial performance	(1 442 938)	(1 417 018)
	(6 159 000)	**(5 526 000)**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	(658 000)	(568 000)
Interest cost	(586 000)	(503 000)
Actuarial (gains) losses	(198 938)	(346 018)
	(1 442 938)	**(1 417 018)**

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,10 %	11,50 %
CPI Inflation rate	4,10 %	5,60 %
General earning inflation rate	5,10 %	6,60 %
Net discount rate	4,80 %	4,60 %

15. Employee benefit obligations (continued)

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

.

The annual escalation rates below are in addition to the General Earnings Inflation assumption of 5.1% per annum for all employees.

Promotional earning scale

Age band	Additional Promotional Scale
20 - 24	5.0%
25 - 29	4.0%
30 - 34	3.0%
35 - 39	2.0%
40 - 44	1.0%
45+	0.0%

Average Retirement Age

The normal retirement age of employees is 63. It has been assumed that employees will retire at age 61 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted for female lives.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

The basis on which the discount rate has been determined is as follows:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.68% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 4.49%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025.

The basis used to determine the General Earnings Inflation Rate, is as follows:

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 5.58% was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.1%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+10.1%-0.50%)/(1+5.3%))-1.

Thus, a general earnings inflation rate of 5.1% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.48%. It has been assumed that the next general earnings increase will take place on 1 July 2025

.

Other assumptions

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

The results of the valuation are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumptions which tend to have the greatest impact on the results are:
(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed rates of withdrawal of employees from service.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Disaster relief grant	4 209	-
Library Volunteer	17 333	-
Sportfield Maintenannce	27 118	27 118
	48 660	**27 118**

Movement during the year

Balance at the beginning of the year	27 118	388 834
Additions during the year	58 714 000	74 417 174
Income recognition during the year	(58 692 458)	(74 778 890)
	48 660	**27 118**

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 for reconciliation of grants from National/Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Total
Provision for landfill site	2 336 676	341 086	2 677 762
Provision for leave pay	9 101 200	527 456	9 628 656
	11 437 876	**868 542**	**12 306 418**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Landfill site	1 865 370	471 306	2 336 676
Provision for leave pay	8 208 894	892 306	9 101 200
	10 074 264	**1 363 612**	**11 437 876**

	2025	2024
Non-current liabilities	2 373 301	2 057 677
Current liabilities	9 933 117	9 380 199
	12 306 418	**11 437 876**

Environmental rehabilitation provision

The municipality is required to provide for the rehabilitation of the Nondweni landfill site after the end of its useful life. The cost to rehabilitate the landfill site has been estimated by the engineers to be R2 677 762 and the remaining life is 29.12 years. Due to the uncertainty in timing and actual amount of the rehabilitation cost, management have made the best estimate to raise a provision based on the report. The detailed report is available for inspection at the registered office of the Municipality.

There are various limitations and assumptions that have a direct bearing on the cost estimates provided as indicated below:

-Costs are based on previous tender prices and generic costs and may vary depending on material availability, fuel price etc.;
-The previous year’s cost was escalated since no changes were reported;
-Evaluation is based on approximate landfill size or the fenced area since the co-ordinates in the licence document does not correlate with the aerial view of the site (Google Earth used for evaluation);
-The design is based on the requirements of the licence issued;
-No site visit was conducted, cost estimate is therefor based on the information supplied by the Municipality as well as licence conditions;
-The estimated closure cost is based on a generic closure design not taking site specific condition into consideration and may vary significantly once the site has been upgraded.

18. Housing Development fund

This fund is regulated by the agreement and directives that are issued by the department of Human Settlements and has a dedicated bank account

	2025	2024
Opening Balance	151 663	141 342
Interest	10 273	10 321
	161 936	**151 663**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Service charges

Sale of electricity	32 857 662	27 498 535
Solid waste	1 681 290	1 466 516
	34 538 952	**28 965 051**

20. Construction contracts

Contracts in progress at statement of financial position date

Revenue	21 188 935	35 033 993
Expenditure	(21 188 935)	(35 033 993)
	-	-

Construction contracts relate to agreements entered between the Municipality and the Department of Mineral and Energy in respect of housing projects and electrification project respectively. The Municipality is a project developer in these arrangements. These arrangements are accounted for in line with GRAP 11 - Construction contracts

Construction contract expenses consists mainly of contracted services wherein the Municipality procures the services of building contractors and other consultants.

Construction contract revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on the note for Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed in Note 14: Payables from exchange transactions.

Advances received in excess of work completed are included in trade and other payables.

21. Rental of facilities and equipment

Premises		
Rental income	860 471	972 385

22. Other income

Commission	285 909	207 848
Insurance Proceeds	148 080	-
Skills Development Levy refund	215 225	170 851
Sale of Tender Documents	665 442	85 892
Advertisement	-	700
Cemetery and Burial	44 846	33 452
Photocopies	62 153	38 787
Building Plan	24 920	10 559
Clearance certificate	11 721	4 869
Town planning and servitudes	1 024	1 941
Buyers Card	74	1 972
Discount received	-	17 700
Retention reversal	7 775 363	-
	9 234 757	**574 571**

During the 2025 financial year, the municipality reversed retention liabilities that had been outstanding for more than two years. Prior to the write-off, the municipality published a public notice inviting all service providers with unclaimed monies older than two years to submit claims. No valid claims were received within the stipulated period.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Investment revenue

Interest revenue		
Interest on short-term investments	8 907 222	10 996 880
Interest charged on trade and other receiveables	797 553	734 074
	9 704 775	**11 730 954**

24. Property rates

Rates received

Residential	1 986 236	1 855 946
State	44 024 381	38 500 438
Commercial	11 439 098	11 095 802
	57 449 715	51 452 186
Property rates - penalties imposed	3 632 966	2 656 575
	61 082 681	**54 108 761**

Valuations

Residential	750 888 500	749 683 500
Commercial	436 662 000	437 372 000
Agriculture Properties	940 387 000	940 387 000
Municipal	151 377 000	152 112 000
Industrial Properties	945 000	945 000
Mining Properties	1 035 000	1 035 000
Public Service Purpose	929 626 000	944 581 000
Vacant Properties	261 726 315	111 581 000
Worship properties	14 933 000	14 933 000
	3 487 579 815	**3 352 629 500**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.014 2025 (2024: 0.014) is applied to property valuations to determine assessment rates. Rebates of R 205 000 (2024: R 205 000) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Monday, 30 June 2025. Interest at prime plus 8% per annum (2024: 8%).

The new general valuation will be implemented on 01 July 2003.

25. Licences and permits (non-exchange)

Filming Fees	7 965	2 407
Hoarding (Collecting/Storing)	1 200	5 136
Trading	17 024	14 044
Road and Transport	836 130	988 105
	862 319	**1 009 692**

Figures in Rand	2025	2024

26. Government grants & subsidies

Operating grants		
Equitable share	188 876 000	179 521 000
Cybercadet Grant	533 083	508 000
EPWP Grant	1 478 004	1 162 000
Library Support	2 060 972	1 964 000
Library Modular	1 500 612	1 430 000
Library Volunteer	96 000	367 941
Finance Management Grant	1 800 000	1 850 000
	196 344 671	**186 802 941**
Capital grants		
Sportfiled maintenance	-	101 775
Municipal Infrastructure Grant	46 128 000	39 222 000
Small Town Rehabilitation	-	10 422 733
Municipal Disater Grant	5 095 791	-
	51 223 791	**49 746 508**
	247 568 462	**236 549 449**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58 692 462	57 028 449
Unconditional grants received	188 876 000	179 521 000
	247 568 462	**236 549 449**

Municipal Infrastructure Grant

Current-year receipts	46 128 000	39 222 000
Conditions met - transferred to revenue	(46 128 000)	(39 222 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Library Volunteer

Balance unspent at beginning of year	-	259 941
Current-year receipts	113 333	108 000
Conditions met - transferred to revenue	(96 000)	(367 941)
	17 333	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Library Modular

Current-year receipts	1 500 612	1 430 000
Conditions met - transferred to revenue	(1 500 612)	(1 430 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Sportfield Maintenance

Balance unspent at beginning of year	27 118	128 893
Conditions met - transferred to revenue	-	(101 775)
	27 118	**27 118**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Library Support

Current-year receipts	2 060 972	1 964 000
Conditions met - transferred to revenue	(2 060 972)	(1 964 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Cybercadet

Current-year receipts	533 083	508 000
Conditions met - transferred to revenue	(533 083)	(508 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Program

Current-year receipts	1 478 004	1 162 000
Conditions met - transferred to revenue	(1 478 004)	(1 162 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Finance Management Grant

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

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Small Town Rehabilitation

Figures in Rand	2025	2024

26. Government grants & subsidies (continued)

Current-year receipts	-	10 422 733
Conditions met - transferred to revenue	-	(10 422 733)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Disaster Relief Grant

Current-year receipts	5 100 000	-
Conditions met - transferred to revenue	(5 095 791)	-
	4 209	**-**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

27. Fines, Penalties and Forfeits

Illegal Connections Fines	567 448	398 937
Municipal Traffic Fines	857 630	1 147 840
	1 425 078	**1 546 777**

28. In-kind donation and assistance

	2025	**2024**
Donation Income	216 980	60 515 762

During the current financial year, the municipality recognised donation income for assets amounting to R216 980, received from the Department of Arts and Culture.

In the prior year, the municipality recognised in-kind donation income amounting to R18 346 102 relating to electrical infrastructure transferred by the Department of Human Settlements. In addition, the municipality recognised donation income of R7 763 660 for land and R34 406 000 for investment property.These assets were recognised at thier fair value.

Figures in Rand	2025	2024

29. Employee related costs

Basic	81 602 523	72 747 983
Bonus	5 744 025	5 274 284
Medical aid - company contributions	3 605 019	3 158 109
UIF	586 802	550 077
WCA	843 957	781 166
Overtime payments	2 023 237	1 493 662
Long-service awards	1 244 000	1 071 000
Car allowance	3 977 806	3 341 485
Housing benefits and allowances	122 084	104 508
Leave Pay	693 148	1 154 600
Standby Allowance	2 842 043	2 946 596
Pension	9 798 059	8 690 150
Bargaining Council	42 100	37 654
	113 124 803	**101 351 274**

Remuneration of municipal manager

Annual Remuneration	1 017 844	1 124 091
Car Allowance	151 225	-
Performance Bonuses	66 790	53 880
Contributions to UIF, Medical and Pension Funds	14 325	14 041
	1 250 184	**1 192 012**

In the prior year, the remuneration packages of the Municipal Manager (MM) did not include a separately structured car allowance or travel allowance component. In the current year, remuneration has been restructured to allocate a portion of total package to a travel allowance.

Remuneration of chief finance officer

Annual Remuneration	747 506	930 882
Car Allowance	216 000	-
Performance Bonuses	45 698	44 239
Contributions to UIF, Medical and Pension Funds	11 929	11 004
	1 021 133	**986 125**

In the prior year, the remuneration packages of the Chief Financial Officer (CFO) did not include a separately structured car allowance or travel allowance component. In the current year, remuneration has been restructured to allocate a portion of total package to a travel allowance.

Remuneration of director Corporate and Community Services

Annual Remuneration	900 078	855 205
Car Allowance	180 000	180 000
Performance Bonuses	51 347	49 706
Contributions to UIF, Medical and Pension Funds	12 086	11 614
	1 143 511	**1 096 525**

Remuneration of director Planning and Economic development

Annual Remuneration	843 506	768 615
Car Allowance	72 000	72 000
Performance Bonuses	45 698	-
Contributions to UIF, Medical and Pension Funds	12 217	11 004
Housing Allowance	18 000	18 000
Pension Allowance	30 000	30 000

Figures in Rand	2025	2024

29. Employee related costs (continued)

	1 021 421	**899 619**

Remuneration of director Technical Services

Annual Remuneration	641 380	585 701
Car Allowance	120 000	120 000
Performance Bonuses	45 698	44 239
Contributions to UIF, Medical and Pension Funds	12 121	11 542
Housing Allowance	202 126	202 126
	1 021 325	**963 608**

30. Remuneration of councillors

Mayor	1 043 885	936 139
Deputy Mayor	841 506	751 989
Mayoral Committee Members	2 260 954	2 004 467
Speaker	843 024	751 989
Councillors	10 285 188	9 190 771
Section 79 MPAC	456 110	411 108
	15 730 667	**14 046 463**

In-kind benefits

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

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

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

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

Councillors are paid standard amounts as per the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjection with the Public Office Bearers Act and the Minister of Provincial and Local Governement's determination in accordance with this Act, the disclosure of councillors remuneration per person was not considered material

31. Depreciation and amortisation

Property, plant and equipment	35 433 369	31 145 614
Investment property	55 122	66 844
Intangible assets	5 369	5 443
	35 493 860	**31 217 901**

32. Finance costs

Interest on Landfill site provision	278 999	235 410

33. Lease rentals on operating lease

Equipment		
Contractual amounts	1 002 379	484 162

The municipality is leasing photocopiers. Lease payments for photocopiers are not subject to escalation. No restriction are imposed by lease arrangement

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Bulk purchases

Electricity - Eskom	45 257 411	31 026 209

In the prior year, the bulk electricity purchases reflected in the note for electricity losses differ from the the total bulk purchases reported in the income statement. The variance arises from adjustments and corrections made by ESKOM to account for prior period estimate and rebilled amounts due to a meter malfunction. These adjustments were necessary to accurately calculate electricity losses

Electricity losses

Units purchased (R)	45 257 411	35 411 214
Units sold (R)	(32 279 549)	(30 880 878)
Own consumption (R)	(684 095)	(516 892)
Free basic electricity (R)	(1 990 045)	(1 703 052)
Total loss	**10 303 722**	**2 310 392**

Units		
Purchases	20 735 836	20 215 829
Units sold	(15 188 344)	(14 454 784)
Own consumption	(110 154)	(110 095)
Free basic electricity	(1 142 850)	(1 092 050)
Total	**4 294 488**	**4 558 900**

Percentage Loss:		
Technical losses	21 %	23 %

35. Contracted services

Outsourced Services		
Administrative and Support Staff	1 186 411	1 480 260
Animal Care	195 000	97 500
Burial Services	637 500	562 550
Business and Advisory	601 385	376 271
Cleaning Services	1 451 537	-
Fire Services	-	2 312 508
Internal Auditors	2 106 389	2 966 884
Security Services	13 583 020	13 897 255
Drivers Licence Cards	831 375	-
Consultants and Professional Services		
Business and Advisory	3 087 071	3 760 247
Infrastructure and Planning	1 449 844	1 489 341
Laboratory Services	58 800	128 800
Legal Cost	194 577	166 775
Contractors		
Building	39 720	377 930
Electrical	1 393 869	183 545
Maintenance of Unspecified Assets	7 961 762	29 133 926
Pest Control and Fumigation	414 673	562 812
	35 192 933	**57 496 604**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. General expenses

Advertising	972 752	1 548 389
Auditors remuneration	3 655 011	3 641 429
Bank charges	363 341	282 493
Ward Committees	3 060 495	2 677 800
Commission paid	519 407	408 519
Motor Vehicle Licence and Registration	495 616	582 782
Entertainment	71 480	51 125
Youth support programs	2 667 071	2 929 437
Events	3 479 403	7 237 345
Insurance	2 332 439	2 105 768
Vehicle Tracking	75 889	87 712
IT expenses	508 642	611 841
Free Basic Electricity	2 644 649	2 022 787
Levies	1 046 973	927 659
Fuel and oil	3 998 019	4 679 334
Printing and stationery	171 307	276 243
Protective clothing	496 256	549 974
Software expenses	3 544 079	2 878 182
Subscriptions and membership fees	1 335 593	1 409 558
Telephone and fax	934 535	706 894
Transport and freight	900 500	1 226 400
Travel - local	3 548 741	3 628 283
Travel - overseas	-	68 843
Travel and Subsistence	1 017 325	1 369 574
Assets expensed	54 743	-
Water and Electricity	1 847 660	1 453 779
Poverty relief	4 509 001	4 996 097
Training	18 812	19 957
Fines and Penalties	71 916	248 421
Traditional leaders seating allowance	15 265	2 635
Storage of Files (Archiving)	55 427	38 088
Brokers Fees	33 250	25 000
	44 445 597	**48 692 348**

37. Auditors' remuneration

Fees	3 655 011	3 641 429

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Cash generated from operations

Surplus	49 885 443	86 235 297
Adjustments for:		
Depreciation and amortisation	35 493 860	31 217 901
Profit on sale of assets	(40 954)	-
Debt impairment	16 949 236	12 287 695
Assets written off	2 367 615	2 506 925
Gain or loss on disposal of assets	(1 180 000)	-
Donations	(216 980)	(60 515 762)
Retention written off	(7 775 363)	-
Finance costs	278 999	235 410
Other Non-cash items	(384 083)	(433 520)
Bad debts written off	1 183 560	3 162 770
Movements in operating lease assets and accruals	11 187	49 747
Movements in Long service award policy changes	1 244 000	985 000
Movements in leave provision	527 456	935 329
Impairment of Assets	4 712 884	4 569 141
Changes in working capital:		
Inventories	141 798	249 315
Receivable from exchange transactions	(779 637)	(3 983 367)
Receivables from non-exchange transactions	(25 885 124)	(9 802 037)
Other Receivables from exchange transactions	(160 358)	1 675 270
Payables from exchange transactions	(18 848 407)	(2 301 609)
Consumer deposits	5 421	23 994
Unspent grants	21 542	(361 716)
	57 552 095	**66 735 783**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	55 767 726	34 092 676

Total capital commitments		
Already contracted for but not provided for	55 767 726	34 092 676

Commitment per class of PPE

Class of Property, Plant and Equipment		
• Infrastructure - Roads and Stormwater	13 194 079	6 851 545
• Commmunity Assets	42 573 646	27 241 131
	55 767 725	**34 092 676**

40. Contingencies

Litigation in is progress regarding the following matters to which the municipality is a party. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. As at the reporting date, the outcome of the cases is uncertain. The best estimate of the financial exposure by the municipality determined in concurrence with the municipality's legal representatives is as follows:

Nquthu Local Municipality vs IMATU obo S. Kunene
The Municipality has lodged an appeal against an arbitration award granted in favour of Ms S. Kunene, represented by the Independent Municipal and Allied Trade Union (IMATU). The matter is currently pending a set-down date from the Registrar. Should the appeal not succeed, the Municipality may be liable for legal costs, which have been estimated at R450,000.

N. Mbatha vs Nquthu Local Municipality
Ms N. Mbatha has instituted legal proceedings against the Municipality, alleging that she sustained injuries as a result of incomplete work, which she attributes to the negligence of the Municipality. The matter is currently ongoing. Estimated legal costs and potential liability amount to approximately R2,500,000.

Nquthu Local Municipality vs Inkosi T.J. Ngobese
The Municipality has initiated legal proceedings against Inkosi T.J. Ngobese following allegations that he instructed members of the community to unlawfully occupy municipal land without the requisite consent. The matter is currently under legal review. Estimated legal costs associated with the case amount to R250,000

Nquthu Local Municipality vs ST Thethwayo
The Municipality is challenging an arbitration award issued by the Bargaining Council, which directed it to compansate an employee for a standby allowance. The Municipality disputes the employee's entitlement to the allowance and has initiated legal proceedings to review th award. The estimated costs amounts to R80 000.

Parties	**Estimated Cost**
Nquthu Local Municipality vs IMATU obo S. Kunene	450 000
N. Mbatha vs Nquthu Local Municipality	2 500 000
Nquthu Local Municipality vs Inkosi T.J. Ngobese	250 000
Nquthu Local Municipality vs ST Thethwayo	80 000
Total	**3 280 000**

41. Related parties

Relationships	
Members of Key Management	Refer to note 29
Councillors	Refer to note 30

42. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 860 302 718 and that the municipality's total assets exceed its liabilities by 860 464 654.

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.

43. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	7 409 396	10 588 682
Add: Unauthorised expenditure - current	5 678 871	7 409 396
Less: Approved/Condoned/authorised by council	(7 409 396)	(10 588 682)
Closing balance	**5 678 871**	**7 409 396**

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 7 409396 from the total unauthorised expenditure amount as it was proven without reasonable doubt that the amount was not recoverable

Figures in Rand	2025	2024

43. Unauthorised expenditure (continued)

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

Non-cash	278 999	235 410
Cash	5 390 872	7 173 777
	5 669 871	**7 409 187**

Analysed as follows: non-cash

Finance charges	278 999	235 410

Analysed as follows: cash

Bulk purchases	278 633	-
Contracted services	393 249	-
General expenditure	4 718 990	6 980 254
Employee related costs	-	193 523
	5 390 872	**7 173 777**

44. Fruitless and wasteful expenditure

Opening balance as previously reported	-	467 811
Correction of prior period error	-	56 474
Add: Expenditure incurred - current	422 922	178 779
Less: Amount written off - current	(189 569)	(703 064)
Less: Amount recovered	(27 190)	-
Closing balance	**206 163**	**-**

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 189 569 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

44. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Telkom interest	6	135
Eskom Interest	60	844
Umzinyathi District Municipality - interest	353	27
SALGA BC - Fine	-	16 129
SARS - Penalties	-	161 644
COID - Interest	184 514	-
Councillor Overpayment	123 920	-
Employee Overpayment	109 433	-
Penalties on late renewal of motor Vehicle licence	4 635	-
	422 921	**178 779**

Fruitles and wasteful expenditure relating to overpayment to councillors and employees has been identified and recognised as debtor balances. Recovery processes have been initiated, and an amount of R27 190.17 relating to employee overpayment had already been recovered by 30 June 2025.

45. Irregular expenditure

Opening balance as previously reported	44 236 180	142 890 856
Add: Irregular expenditure - current	54 180 563	154 224 619
Add: Irregular expenditure - prior period	65 887 350	-
Less: Amount written off - current	(117 427 631)	(119 499 947)
Less: Amount written off - prior period	(44 236 180)	(133 379 348)
Closing balance	**2 640 282**	**44 236 180**

Notes to the Annual Financial Statements

Figures in Rand

45. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Non-compliance with SCMR- various: This expenditure is deemed to be irregular due to tender process / competitive bid not being adhered to		47 353 897	71 197 365
Contravention of paragraph 52 of SCM Polocy: Preferrential point system not applied		32 328 364	13 603 564
Contravention of regulation 8(2) of PPR 2017		-	2 384 716
Contravention of regulation of SCMR 29		9 284 438	26 156 282
Non-compliance with SCM procurement - Deviations		5 095 791	558 853
Tax Matters		-	457 874
Contravention of Regulation 18 (a) of SCM		-	2 007 231
Non-compliance with MFMA - Section 116		22 527 156	15 156 535
Other		3 478 267	22 702 200
		120 067 913	**154 224 620**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 161 663 811 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

46. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	3 655 011	3 641 429
Amount paid - current year	(3 655 011)	(3 641 429)
	-	-

Figures in Rand	2025	2024

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

PAYE and UIF

Opening balance	-	895 429
Current year subscription / fee	17 394 704	14 836 403
Amount paid - current year	(17 394 704)	(15 731 832)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	13 403 078	11 848 259
Amount paid - current year	(13 403 078)	(11 848 259)
	-	-

VAT

VAT receivable	4 016 550	2 689 198
VAT payable	(868 907)	(922 908)
	3 147 643	**1 766 290**

VAT output payables and VAT input receivables are shown in note 5.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor CS Skosana	678	3 063	3 741
Councillor Hoffman	284	58	342
	962	**3 121**	**4 083**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor S.D Maimulo	91	-	91
Councillor C.N Skhosana	804	1 508	2 312
Councillor S Hoffman	758	-	758
	1 653	**1 508**	**3 161**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Deviation from Supply chain management regulations

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

Incident		
Emergency	9 256 285	-
Impractical to follow SCM	1 554 433	-
Sole service provider	1 492 980	2 334 375
	12 303 698	**2 334 375**

47. Segment information

General information

Identification of segments

The municipality is organised and reports to management and governance structures on the basis of two major functional areas:Community Services and Technical Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The Municipality has other departments namely Budget and Treasury, Corporate Services,Planning and Economic development and Council that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municpality that generates significant economic benefits or service potential.

Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Technical Services	Provision of Electricity and refuse removal
Community Services	Licence and Permits and traffic fines

47. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community Services	Technical Services	Total
Revenue			
Licence and Permits	844 094	-	844 094
Service Charges	-	32 819 730	32 819 730
Interest Revenue	109 104	669 312	778 416
Governement Grants and Subsidies	9 286 458	47 606 004	56 892 462
Fines, Penalties and forfeits	857 630	567 448	1 425 078
Other Income	215 225	44 846	260 071
Total segment revenue	**11 312 511**	**81 707 340**	**93 019 851**
Unallocated revenue			293 663 559
Entity's revenue			**386 683 410**
Expenditure			
Employee Related Cost	33 776 129	28 141 047	61 917 176
General Expenses	13 378 185	2 644 649	16 022 834
Contracted Services	733 395	9 163 214	9 896 609
Bulk Purchase	-	45 257 411	45 257 411
Lease rental	1 002 379	-	1 002 379
Total segment expenditure	**48 890 088**	**85 206 321**	**134 096 409**
Total segmental surplus/(deficit)	**(37 577 577)**	**(3 498 981)**	**(41 076 558)**

	Community Services	Technical Services	Total
47. Segment information (continued)			
allocateted Revenue			93 019 851
Allocated Expenses			(134 096 409)
Unallocated expenses			(179 693 848)
Actuarial loss			(198 938)
Debt impairment			(16 949 236)
Impairment of Assets			(4 712 884)
Assets Written off			(2 367 615)
Profit on sale			1 220 954
Total revenue reconciling items			293 663 559
Entity's surplus (deficit) for the period			**49 885 434**
Assets			
Receivables from exchange	741 253	12 332 989	13 074 242
Receivables from non-exchange Transactions	1 011 266	526 535	1 537 801
Property, plant and equipment	63 810 943	204 714 674	268 525 617
Total segment assets	**65 563 462**	**217 574 198**	**283 137 660**
Unallocated assets			650 966 548
Total assets as per Statement of financial Position			**934 104 208**
Liabilities			
Payables from Exchange Transaction	4 715 771	11 535 044	16 250 815
Provision for landfill site	-	2 677 762	2 677 762
Consumer deposit	71 955	502 496	574 451
Total segment liabilities	**4 787 726**	**14 715 302**	**19 503 028**
Unallocated liabilities			54 136 535
Total liabilities as per Statement of financial Position			**73 639 563**

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

47. Segment information (continued)

2024

	Community Services	Technical Services	Total
Revenue			
Licence and permits	992 321	-	992 321
Service Charges	-	28 965 050	28 965 050
Interest revenue	-	665 144	665 144
Rental of facilites	972 385	-	972 385
Government grants and Subsidies	7 281 941	67 135 233	74 417 174
Fines, Penalties and forfeits	1 147 840	398 937	1 546 777
Total segment revenue	**10 394 487**	**97 164 364**	**107 558 851**
Unallocated revenue			323 448 544
Entity's revenue			**431 007 395**
Expenditure			
General Expenses	9 259 891	8 164 868	17 424 759
Contracted services	3 783 923	29 758 401	33 542 324
Bulk Purchases	-	31 026 209	31 026 209
lease rental	484 162	-	484 162
Employee related cost	36 161 466	30 283 490	66 444 956
Total segment expenditure	**49 689 442**	**99 232 968**	**148 922 410**
Total segmental surplus/(deficit)	**(39 294 955)**	**(2 068 604)**	**(41 363 559)**
Total revenue reconciling items			323 448 544
Allocated Revenue			107 558 851
Allocated Expenses			(148 922 410)
Unallocated expenses			(176 139 909)
Actuarial gains			(346 018)
Debt impairment			(12 287 695)
Assets written off			(2 506 925)
Impairment of Assets			(4 569 141)
Entity's surplus (deficit) for the period			**86 235 297**

47. Segment information (continued)

	Community Services	Technical Services	Total
Assets			
Receivable from exchange transactions	822 954	4 835 747	5 658 701
Receivable from non-exchange transaction	2 568 393	-	2 568 393
Property, plant and Equipment	69 707 063	161 198 817	230 905 880
Total segment assets	**73 098 410**	**166 034 564**	**239 132 974**
Unallocated assets			633 215 518
Total assets as per Statement of financial Position			**872 348 492**
Liabilities			
Payables from Exchange transaction	(9 735 621)	(19 552 485)	(29 288 106)
Provision for landfill site	-	(2 336 676)	(2 336 676)
consumer depositd	(39 694)	(503 896)	(543 590)
Total segment liabilities	**(9 775 315)**	**(22 393 057)**	**(32 168 372)**
Unallocated liabilities			(74 162 079)
Total liabilities as per Statement of financial Position			**(106 330 451)**

Information about geographical areas

The municipality’s operations are in the KwaZulu-Natal Province.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Prior period error adjustment

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

Statement of financial position

2024

	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions	34 044 800	(6 302 313)	1 766 309	29 508 796
Property plant and Equipment	692 867 911	1 644 393	-	694 512 304
Payables from Exchange transactions	(84 933 697)	7 251 985	(3 493 097)	(81 174 809)
Investment property	41 338 546	34 406 000	-	75 744 546
Accumulated Surplus	(761 971 263)	(48 446 011)	-	(810 417 274)
Receivables from exchange transaction	5 746 017	3 102 504	4 200 919	13 049 440
Unspent conditional grant	(7 841 646)	5 769 594	2 044 934	27 118
Vat Receivable	1 945 222	2 573 848	(4 519 065)	-
	(78 804 110)	**-**	**-**	**(78 749 879)**

Statement of financial performance

2024

	As previously reported	Correction of error	Restated
Donation Income	-	60 515 762	60 515 762
Construction contract revenue	15 470 427	19 563 566	35 033 993
Interest Revenue	10 240 211	1 490 743	11 730 954
Government grants and Subsidies	251 834 163	(15 284 714)	236 549 449
Depreciation and amortisation	(31 133 276)	(84 625)	(31 217 901)
Construction contract expenditure	(15 470 427)	(19 563 566)	(35 033 993)
Surplus for the year	**230 941 098**	**46 637 166**	**277 578 264**

Errors

Notes to the Annual Financial Statements

48. Prior period error adjustment (continued)

Statement of Financial Position

Receivables from Non-exchange Transactions - In the prior, certain property rates payments were receipted to incorrect accounts, resulting in their missclassifaction as income received in advanced. The correction of this error has resulted in a decrease in both receivables from non-exchange transactions and income received in advance.

VAT Control (Receivable) from SARS has been reclassified to statutory receivables under receivables from non-exchange transactions, in line with the requirement of GRAP 108. consequently, the prior year figures have been reclassified for comparibility. The reclassification of R 1 766 309 relates specifically to VAT control.

Receivables from exchange transactions - In the prior financial year, VAT receivable and VAT payable were offset and presented as a single line item on the face of the statement financial position. In the current year VAT receivable has been reclassified to receivables from exchange transactions and VAT payable has been reclassified to trade and other payables from exchange transaction.

The correction of R3 105 504 and the reclassification of R4 200 919 arose from the reclassification of VAT from the VAT receivable line item.

Property, plant and Equipment - In the prior year, the Department of Human Settlements completed electrical infrastructure on newly developed vacant sites owned by the municipality. These donated assets were not recognised. The correction of this error has resulted in an increase in both property, plant and equipment and donation income. Additionally, In the prior year, the municipality incorretly recognised an asset relating to an electricification project that was under construction in areas where the municipality is not licensed to provide electricity, as Eskom is the designated service provider. As a result, the municipality did not have control over the asset, and its recognition was not in accordance with the requirement of GRAP 17. In terms of GRAP 11 (construction contract), such expenditure should have been accounted for as a construction contract expenditure. The project has subsequently been completed and handed over to ESKOM.

Investment Property - In the prior year, the municipality did not recognise land donated by the Department of Human Settlements. This omission has since been corrected, resulting in an increase in investment property and donation income

Payables from exchange transactions - In the prior, certain property rates payments were receipted to incorrect accounts, resulting in their missclassifaction as income received in advanced. The correction of this error has resulted in a decrease in both receivables from non-exchange transactions and income received in advance.

In the prior financial year, VAT receivable and VAT payable were offset and presented as a single line item on the face of the statement financial position. In the current year VAT receivable has been reclassified to receivables from exchange transactions and VAT payable has been reclassified to trade and other payables from exchange transaction.

Unspent Grants - In the prior year, the municipaluty incorrectly accounted for VAT and Interest earned from the investment of the Massification Grant. This error has since been corrected, resulting in a decrease in a unspent grants and a corresponding increase in interest income.

VAT Receivable - In the prior year, the municipality incorrectly disclosed the net VAT receivable as a single line item in the Statement of financial position. In the current year, this has been corrected by separately disclosing VAT receivable, payable and control

Statement of Financial Performance

Donation Income - In the prior year, the Department of Human Settlements completed electrical infrastructure on newly developed vacant sites owned by the municipality. The donation income was not recognised. The correction of this error has resulted in an increase in both property, plant and equipment and donation income.

Construction contract revenue - In the prior year, the municipality incorretly recognised an asset relating to an electricification project that was under construction in areas where the municipality is not licensed to provide electricity, as Eskom is the designated service provider. As a result, the municipality did not have control over the asset, and its recognition was not in accordance with the requirement of GRAP 17. In terms of GRAP 11 (construction contract), such transaction should have been accounted for as a construction contract. The project has subsequently been completed and handed over to ESKOM.

48. Prior period error adjustment (continued)

Interest income - In the prior year, the municipaluty incorrectly accounted for Interest earned from the investment of the Massification Grant. This error has since been corrected, resulting in a decrease in a unspent grants and a corresponding increase in interest income.

Government grants and Subsidies - In the prior year, the municipality incorrectly recognised grant revenue in respect of electrification projects undertaken in areas where the municipality is not licenced to provide electricity. In accordance with GRAP 11, construction contract revenue should have been recognised rather than government grant and subsidies.

Donation Income - In the prior year, the municipality did not recognise land donated by the Department of Human Settlements. This omission has since been corrected, resulting in an increase in investment property and donation income

Depreciation and amortisation - In the prior year, the municipality did not recognise electrical infrastructure donated by the Department of Human Settlements. Consequently, no depreciation was recorded for these assets.

Construction contract Expenditure - In the prior year, the municipality incorretly recognised an asset relating to an electricification project that was under construction in areas where the municipality is not licensed to provide electricity, as Eskom is the designated service provider. As a result, the municipality did not have control over the asset, and its recognition was not in accordance with the requirement of GRAP 17. In terms of GRAP 11 (construction contract), such expenditure should have been accounted for as a construction contract expenditure. The project has subsequently been completed and handed over to ESKOM.

49. Events after the reporting date

Subsequent to the reporting date of 30 June 2025 and the authorisation date of these financial statement for issue on 31 August 2025, the municipal council adopted resolutions to write off the following amounts;

#	Description	Resolution Ref	Resolution Date	Amount	Type of Event
1.	Traffic fines written off	SC/02/08/13	29 August 2025	R 1 183 560	Adjusting
2.	Irregular Expenditure	SC/02/08/06	29 August 2025	R 30 438 447	Adjusting
3.	Fruitless and wasteful	SC/02/08/06	29 August 2025	R 4 805	Adjusting

50. Bad debt written- off

During the 2025 financial year, the municipality resolved to write off irrecoverable debt relating to traffic fines older than two years. This decision was taken in accordance with the municipality’s Debt Impairment Policy, as the amounts were deemed unenforceable and irrecoverable.

An amount of R1 183 560 was written off. The debts were written off due to legal constraints in enforcing the collection of fines older than two years, thereby ensuring that the financial statements present a realistic assessment of the municipality’s receivables.

Impact on the current financial year:
a) Increase in expenditure
b) Decrease in receivables

51. Budget differences

Material differences between budget and actual amounts

The budget was prepared on the accrual basis of accounting with the prescripts of the Municipal budget regulation and the MFMA budget circulars. Variances which are greater than 10% between the final budget amounts and actual amount as referenced in the statement of comparison of budget and actual amounts have been deemed material, and explainations thereto are set out below

Statement of Financial Performance

51. Budget differences (continued)

1. Service charges - The variance is not material
2.Construction contract revenue -GRAP 11 compliance disclosure
3.Rental of facilites - The variance is not material
4.Other Income - The 347% variance is primarily due to retention that were written off but had not been provided for in the budget
5.Interest revenue - The variance is not material
6.Property rates - The variance is not material
7.Penalties imposed on property rates - The variance of 170% is attributable to a significant increase in receivable balances, resulting in higher-than-projected penalites imposed during the year
8.Licences and Permits - The variance of 16% is attributable to lower-than-anticipated revenue from licences and permits.
9.Government grant and subsidies – The variance of 14% is attributable to additional grant funding received during the year that was not included in the original projections.
10.Fines and Penalites - The variance of 43% is attributable to more-than- anticipated fines were issued.
11.Employee related cost - The variance is not material
12.Councillors remuneration - The variance is not material.
13.Depreciation and amortisation -The variance is not material
14. Finance Cost - The variance of 100% is attributable to the fact that no provision was made for this line item in the budget
15. Lease rental on operating lease - The variance of 65% is attributable to higher-than-anticipated usage of photocopying machine.
16. Bad debt written off - The variance of 91% is attributable to lower-than-anticipated bad debts written off
17.Inventory Consumed -The 32% variance is attributable to a budget misallocation, as certain general expenses were incorrectly budgeted for under inventory consumed.
18.Bulk purchases - The variance is not material
19.Contracted Services The 28% variance is attributable to lower-than-anticipated expenditure on plant hire.
20. General Exepnses -The 12% variance is attributable to a budget misallocation, whereby some general expenses were budgeted under transfers and subsidies and inventory consumed.
21. Actuarila Gains/losses, impairment of assets, debt impairment, assets written off and profit on sale of assets - The variance arose because no provision were included in the budget for these items

Statement of Financial Position
22. Inventory -The variance is attributable to the land that was reclassified from investment property to land held for sale.
23. Operating lease asset - The variance of 17% is attributable to fewer operating lease agreement being concluded then initially anticipated in the budget
24. Receivable from non-exchange trnasaction- The variance of 27% arose because of reclassification of VAT receivable to receivable from exchange transaction and payable from exchange transaction.
25. Other receivables - The variance arose because no provision was made in the approved budget
26.VAT -The Variance of 100% is due to the reclassification of VAT receivable to receivable from exchange transaction and payable from exchange transaction.
27. Receivables from exchange transactions - The variance of 18% arose because of reclassification of VAT receivable to receivable from exchange transaction and payable from exchange transaction.
28.Cash and Cash Equivalent - The variance of 39% is attributabable to fewer withdrawals being made than budgeted, resulting in higher cash balances at year-end
30. Investment Property - The variance of 29% is is primarily due to donation of land received that was not included in the budget
31. Property, plant and equipment - The variance is not material
32. Intangible asset - The variance of 100% is attributable to intangible assets that were written off, for which no provision had been made in the approved budget.
33. Heritage Assets - The variance is not material.
34 Trade Payables - The variance arose because a higher provision for trade payables was made in the approved budget
35.Consumer deposit - The variance of 74% arose because fewer consumer deposit were received than budgeted.
36.Employee Benefit Obligation - The variance arose because no provision was made in the approved budget.
37.Unspent Conditional Grant - The variance of 99% is promarily due to massification electricifation that was budget for under unspent grants instead of trade and other payables from exchange transaction.
38.Provision - The variance of 36% is attributable to employees taking more annual leave than anticipated, which resulted in a lower provision for leave pay at year end.
.

Figures in Rand	2025	2024

52. Accounting by principals and agents

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

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

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

Municipality as an agent

KwaZulu Natal Department of Transport
The agreement requires the municipality to perform all the testing functions and licencing of motor vehicles on behalf of the department which consist of driving licence test centre functions.The municipality is an Agent to the agreement as they are responsible for perfoming testing functions on behalf of the Department. Thus a principal agent arrangement exist.The municipality is the agent in terms of GRAP 109

Financial implication
There are no funds receivable or payable to the department as at the end of the year. However the municipality pay out an amount of R79 to the department for the production of drivers licence card

Revenue recognised
The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R862 319 (2024: R1 009 692)

Entity as agent

Entity as principal

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

Ontec System
The agreement requires ONTEC System to manage the sale of prepaid electricity on behalf of the of the municipality. The municipality is Principal to the agreement as ONTEC System is responsible for manage the sale of prepaid electricity on behalf of the municipality. Thus a principal agent arrangement exist.The municipality is the principal in terms of GRAP 109

Fee paid

Fee paid as compensation to the agent	519 407	408 519

53. Change in estimate

Property, plant and equipment

During the current financial year, the municipality reviewed the estimated useful lives of certain items of property, plant and equipment. As a result of this review, the annual depreciation charge of 3 502 assets was reduced from R 7 037 198.54 to R5 363 762.01.

The effect of this change in estimate has been recognised prospectively, in accordance with Grap 3

The impact of the adjustment is that the depreciation charges on the Property, Plant and Equipment has decreased by R1 673 436.54 in the current year and an increase of R1 673 436.54 in future periods.

Class of Assets	Depreciation Charges 2024 after RUL Adjustment	Depreciation Charges 2024 before RUL Adjustment	Impact of Adjustment
Buildings	9 441	14 182	(4 740)
Community Assets	63 948	79 745	(15 797)
Electricity	87 643	131 424	(43 781)
Roads and Stormwater	4 034 873	5 108 490	(1 073 617)
Landfill site	55 337	80 256	(24 919)
Machinery and Equipment	195 306	284 849	(89 544)
Furniture and Office Equipment	36 572	54 753	(18 181)
Computer Equipment	199 260	261 455	(62 195)
Investment Property	25 765	37 268	(11 504)
Transport Assets	655 618	984 777	(329 158)
	5 363 763	**7 037 199**	**(1 673 436)**

Retention Liability

During the current year, the municipality reassessed its obligations relating to retention liabilities from construction contracts. Based on the review, certain retention balances were determined to be no longer payable due to expiry of claim periods.

This assessment represents a change in accounting estimate in terms of GRAP 3.

The impact of the change in current year's financial statement is as follows;
a) Decrease in Liabilites: R 7 775 363
b) Increase in Income: R 7 775 363

Impact on future financial years
It is impractical to estimate the potential impact of this change in accounting estimate on future financial years, as the effect will depend on the extent of any further unclaimed retention balances identified.

54. Risk management

Financial risk management

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. 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.

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

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

Payables from Exchange transactions	54 551 035	81 174 804
Consumer deposits	574 451	569 030
Unspent Conditional Grants and Receipts	48 660	27 118
	55 174 146	**81 770 952**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the 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 year end were as follows:

Financial instrument	2025	2024
Cash and Cash Equivalent	74 705 555	93 658 676
Receivables from Exchange transactions	12 660 241	13 049 440

Market risk

Interest rate risk

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

Cash and Cash Equivalent	51 085 333	58 454 130