uPHONGOLO 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: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

**Nature of business and principal activities**

The provision of services (electricity, water, and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment

**Members of Council**

| | |
|---|---|
| Mayor | Cllr BJ Thwala |
| Speaker | Cllr KE Nxumalo |
| Deputy Mayor | Cllr BES Ntshangase |
| EXCO Member | Cllr BR Shongwe |
| EXCO Member | Cllr SR Mhlongo |
| EXCO Member | Cllr NP Van Zuydan |
| Chief Whip | Cllr LS Ntshangase |
| MPAC Chair | Cllr JB Ngema |
| Other Councillors | Cllr MB Mthembu |
| | Cllr SA Xulu |
| | Cllr MP Mafuleka |
| | Cllr NP Mavuso |
| | Cllr CN Mavundla |
| | Cllr ZS Khumalo |
| | Cllr ZZ Buthelezi |
| | Cllr TA Ntshangase |
| | Cllr NG Ncube |
| | Cllr CM Nxumalo-Sibiya |
| | Cllr NT Gumbi |
| | Cllr GL Sibiya |
| | Cllr SV Dlamini-Nkambule |
| | Cllr JW Buthelezi |
| | Cllr FS Masango |
| | Cllr NA Nkosi |
| | Cllr ZB Motha |
| | Cllr MT Msibi |
| | Cllr VR Buthelezi |
| | Cllr XH Dhlamini |
| | Cllr WN Radebe |

**Grading of local authority**

Grade 2

**Municipal Manager**

Mr KWG Ngcobo (Acting)

**Chief Finance Officer (CFO)**

Mr SN Nkosi (Acting)

**Registered office**

61 Martin Street
Pongola
3170

**Postal address**

PO Box 191
Pongola
3170

**Bankers**

First National Bank

**Auditors**

Auditor-General of South Africa

**Attorneys**

Zuma & Partners Incorporated, Zondi & Assosciates Inc and Sengwayo Attorneys Incorporated

# Index

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



**Abbreviations used:**

| | |
|---|---|
| COID | Compensation for Occupational Injuries and Diseases |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |
| UIF | Unemployment Insurance Fund |
| WCA | Workmens Compensation Annuity |
| SDL | Skills Development Levy |
| UIFW | Unauthorized, Irregular, Fruitless and Wasteful |

# 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.

**I KWG Ngcobo**, acknowledges that I am 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 me to meet these responsibilities, I have 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.

I am 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.

I have 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, I am 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 its clients and 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.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) set out on pages 4 to 75, which have been prepared on the going concern basis were approved by the Accounting Officer on 28th of November2025 and were signed on its behalf by:

**Mr KWG Ngcobo (Acting)**
**Municipal Manager**

# Statement of Financial Position as at 30 June 2025

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 2 | 19 942 214 | 24 824 039 |
| Trade and other receivables from exchange transactions | 3 | 15 752 426 | 13 480 301 |
| Receivables from non-exchange transactions | 4 | 11 551 526 | 8 934 817 |
| VAT receivable | 5 | 4 174 478 | 594 638 |
| Prepayments | 6 | 1 964 685 | 1 750 493 |
| Current portion of non-current receivables | 7 | 750 000 | 750 000 |
| | | **54 135 329** | **50 334 288** |
| **Non-Current Assets** | | | |
| Investment property | 8 | 78 477 000 | 75 910 000 |
| Property, plant and equipment | 9 | 400 321 600 | 360 534 342 |
| Heritage assets | 10 | 70 945 | 70 945 |
| Intangible assets | 11 | 358 798 | 502 778 |
| Non-current portion of non-current receivables | 7 | 500 000 | 1 250 000 |
| | | **479 728 343** | **438 268 065** |
| Non-Current Assets | | 479 728 343 | 438 268 065 |
| Current Assets | | 54 135 329 | 50 334 288 |
| **Total Assets** | | **533 863 672** | **488 602 353** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Consumer deposits | 12 | 2 910 638 | 2 856 306 |
| Trade and other payables from exchange transactions | 13 | 48 032 068 | 40 990 227 |
| Trade and other payables from non-exhange transactions | 14 | 3 417 | 3 418 |
| Provisions: current portion | 15 | 2 249 038 | 2 126 935 |
| Employee benefits obligation - current portion | 16 | 284 954 | 289 109 |
| Long service award - current portion | 17 | 1 692 102 | 492 030 |
| | | **55 172 217** | **46 758 025** |
| **Non-Current Liabilities** | | | |
| Provisions: non-current portion | 15 | 12 326 902 | 10 919 711 |
| Employee benefit obligation: non-current portion | 16 | 2 993 084 | 2 401 865 |
| Long service award: non-current portion | 17 | 6 174 586 | 6 444 914 |
| Other financial liabilities | 18 | 341 542 | 341 542 |
| | | **21 836 114** | **20 108 032** |
| Non-Current Liabilities | | 21 836 114 | 20 108 032 |
| Current Liabilities | | 55 172 217 | 46 758 025 |
| **Total Liabilities** | | **77 008 331** | **66 866 057** |
| **Net Assets** | | **456 855 341** | **421 736 296** |
| Accumulated surplus | | 456 855 341 | 421 736 296 |
| **Total Net Assets** | | **456 855 341** | **421 736 296** |

* See Note 51

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 19 | 83 581 968 | 64 793 783 |
| Agency services | 20 | 1 351 361 | 1 134 948 |
| Interest earned from receivables | 21 | 1 082 446 | 946 050 |
| Interest earned from current and non-current assets | 22 | 4 461 911 | 4 543 135 |
| Licences and permits | 23 | 1 738 183 | 1 656 154 |
| Rental of facilities and equipment | 24 | 571 501 | 517 004 |
| Operational revenue | 25 | 8 275 344 | 9 038 040 |
| Construction contracts | 26 | 39 751 839 | 43 076 657 |
| Gains (losses) on disposal of capital assets | 27 | - | 493 433 |
| Fair value adjustments | 28 | 2 917 000 | 10 689 002 |
| **Total revenue from exchange transactions** | | **143 731 553** | **136 888 206** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 29 | 48 208 408 | 48 135 202 |
| **Transfer revenue** | | | |
| Fines, Penalties and Forfeits | 30 | 6 106 506 | 1 550 400 |
| Government grants & subsidies | 31 | 263 944 333 | 228 564 305 |
| **Total revenue from non-exchange transactions** | | **318 259 247** | **278 249 907** |
| **Total revenue** | | **461 990 800** | **415 138 113** |
| **Expenditure** | | | |
| Employee related costs | 32 | (144 600 745) | (132 335 952) |
| Remuneration of councillors | 33 | (11 592 749) | (11 294 304) |
| Bulk purchases | 34 | (55 233 237) | (48 394 007) |
| Inventory consumed | 35 | (29 585 831) | (23 069 839) |
| Debt Impairment | 36 | (13 551 151) | (23 528 767) |
| Depreciation, amortisation and impairment | 37 | (35 151 595) | (24 994 438) |
| Finance costs | 38 | (2 481 341) | (2 366 883) |
| Operating lease | 39 | (4 981 386) | (6 179 189) |
| Contracted Services | 40 | (32 353 384) | (29 114 329) |
| Irrecoverable debts written off | 41 | (5 398 382) | (4 846 952) |
| Operational costs | 42 | (50 036 996) | (43 196 927) |
| Transfer of infrastructure asset | 43 | - | (21 166 354) |
| Construction contract expenditure | 26 | (39 751 839) | (43 076 658) |
| Actuarial gains/losses | 44 | (929 870) | (777 050) |
| Gains (losses) on disposal of capital assets | 27 | (1 223 252) | - |
| **Total expenditure** | | **(426 871 758)** | **(414 341 649)** |
| **Surplus for the year** | | **35 119 042** | **796 464** |

* See Note 51

# Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|---|---|
| Opening balance as previously reported | 420 879 296 | 420 879 296 |
| Correction of prior period errors Note 50 | 60 539 | 60 539 |
| **Balance at 01 July 2023** | **420 939 835** | **420 939 835** |
| Surplus for the year | 796 464 | 796 464 |
| Total changes | 796 464 | 796 464 |
| **Restated* Balance at 01 July 2024** | **421 736 299** | **421 736 299** |
| Surplus for the year | 35 119 042 | 35 119 042 |
| Total changes | 35 119 042 | 35 119 042 |
| **Balance at 30 June 2025** | **456 855 341** | **456 855 341** |

* See Note 51

# Cash Flow Statement

| Figures in Rand | Note(s) | 2025 | 2024 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 118 674 638 | 108 750 740 |
| Grants | | 263 944 333 | 228 280 667 |
| Interest income | | 4 461 911 | 4 543 135 |
| Construction contract revenue | | 3 109 565 | 2 817 391 |
| | | 390 190 447 | 344 391 933 |
| **Payments** | | | |
| Employee costs | | (143 494 066) | (130 613 194) |
| Suppliers | | (160 419 766) | (146 641 716) |
| Finance costs | | (2 215) | (13 832) |
| Remuneration of councillors | | (11 592 749) | (11 294 304) |
| Construction contract expenditure | | (3 109 565) | (2 817 391) |
| | | (318 618 361) | (291 380 437) |
| **Net cash flows from operating activities** | 45 | **71 572 086** | **53 011 496** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 9 | (76 046 567) | (36 878 581) |
| Proceeds from sale of property, plant and equipment | 9 | 405 810 | 1 213 923 |
| Movements in retentions | 13 | (867 486) | 1 598 643 |
| **Net cash flows from investing activities** | | **(76 508 243)** | **(34 066 015)** |
| **Cash flows from financing activities** | | | |
| Movement in liability | | 54 332 | 14 298 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(4 881 825)** | **18 959 779** |
| Cash and cash equivalents at the beginning of the year | | 24 824 039 | 5 864 260 |
| **Cash and cash equivalents at the end of the year** | 2 | **19 942 214** | **24 824 039** |

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | |
| **Revenue** | | | | | |
| **Revenue from exchange transactions** | | | | | |
| Service charges | 67 024 253 | 16 184 632 | **83 208 885** | 83 581 968 | **373 083** |
| Agency services | 1 283 549 | - | **1 283 549** | 1 351 361 | **67 812** |
| Interest earned from receivables | 2 242 189 | - | **2 242 189** | 1 082 446 | **(1 159 743)** |
| Interest from from current and non-current assets | 4 566 948 | 385 968 | **4 952 916** | 4 461 911 | **(491 005)** |
| Licences and permits | 1 779 639 | - | **1 779 639** | 1 738 183 | **(41 456)** |
| Rental of facilities and equipment | 728 998 | - | **728 998** | 571 501 | **(157 497)** |
| Operational revenue | 4 204 599 | 74 199 | **4 278 798** | 8 275 344 | **3 996 546** |
| Construction contract revenue | 4 474 000 | 44 409 027 | **48 883 027** | 39 751 839 | **(9 131 188)** |
| Fair value adjustments | - | - | **-** | 2 917 000 | **2 917 000** |
| **Total revenue from exchange transactions** | **86 304 175** | **61 053 826** | **147 358 001** | **143 731 553** | **(3 626 448)** |
| **Revenue from non-exchange transactions** | | | | | |
| **Taxation revenue** | | | | | |
| Property rates | 48 254 922 | - | **48 254 922** | 48 208 408 | **(46 514)** |
| **Transfer revenue** | | | | | |
| Fines, Penalties and Forfeits | 1 721 859 | - | **1 721 859** | 6 106 506 | **4 384 647** |
| Government grants & subsidies | 259 238 998 | 4 706 000 | **263 944 998** | 263 944 333 | **(665)** |
| **Total revenue from non-exchange transactions** | **309 215 779** | **4 706 000** | **313 921 779** | **318 259 247** | **4 337 468** |
| **Total revenue** | **395 519 954** | **65 759 826** | **461 279 780** | **461 990 800** | **711 020** |
| **Expenditure** | | | | | |
| Employee related costs | (145 244 163) | 707 573 | **(144 536 590)** | (144 600 745) | **(64 155)** |
| Remuneration of councillors | (12 231 252) | (437 129) | **(12 668 381)** | (11 592 749) | **1 075 632** |
| Bulk Purchases | (47 068 202) | (937 357) | **(48 005 559)** | (55 233 237) | **(7 227 678)** |
| Inventory consumed | (17 822 662) | (7 542 580) | **(25 365 242)** | (29 585 831) | **(4 220 589)** |
| Debt Impairment | (5 859 647) | - | **(5 859 647)** | (13 551 151) | **(7 691 504)** |
| Depreciation and amortisation | (26 005 614) | - | **(26 005 614)** | (35 151 595) | **(9 145 981)** |
| Finance costs | (1 630 850) | - | **(1 630 850)** | (2 481 341) | **(850 491)** |
| Operating lease | (2 270 451) | (1 452 368) | **(3 722 819)** | (4 981 386) | **(1 258 567)** |
| Contracted services | (29 742 368) | (9 397 772) | **(39 140 140)** | (32 353 384) | **6 786 756** |
| Irrecoverable debts written off | - | - | **-** | (5 398 382) | **(5 398 382)** |
| Operational cost | (38 415 058) | (2 382 018) | **(40 797 076)** | (50 036 996) | **(9 239 920)** |
| Construction contract expenditure | (3 890 435) | (44 526 157) | **(48 416 592)** | (39 751 839) | **8 664 753** |
| Actuarial gains/losses | - | - | **-** | (929 870) | **(929 870)** |
| Gains (losses) on disposal of capital assets | - | - | **-** | (1 223 252) | **(1 223 252)** |
| **Total expenditure** | **(330 180 702)** | **(65 967 808)** | **(396 148 510)** | **(426 871 758)** | **(30 723 248)** |
| **Surplus before taxation** | **65 339 252** | **7 955 425** | **73 294 677** | **35 119 042** | **(38 175 635)** |
| **Surplus for the year** | **65 339 252** | **7 955 425** | **73 294 677** | **35 119 042** | **(38 175 635)** |

# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | |
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 6 823 126 | 3 301 820 | **10 124 946** | 19 942 214 | **9 817 268** |
| Trade and other receivables from exchange transactions | 20 988 247 | (2 297 072) | **18 691 175** | 15 752 426 | **(2 938 749)** |
| Receivables from non-exchange transactions | (3 489 038) | 15 766 192 | **12 277 154** | 11 551 526 | **(725 628)** |
| VAT receivable/(payable) | 26 853 262 | (14 973 347) | **11 879 915** | 4 174 478 | **(7 705 437)** |
| Prepayments | - | - | **-** | 1 964 685 | **1 964 685** |
| Current portion of non-current receivables | - | 750 000 | **750 000** | 750 000 | **-** |
| | **51 175 597** | **2 547 593** | **53 723 190** | **54 135 329** | **412 139** |
| **Non-Current Assets** | | | | | |
| Investment property | 66 681 680 | - | **66 681 680** | 78 477 000 | **11 795 320** |
| Property, plant and equipment | 444 083 618 | 14 788 470 | **458 872 088** | 400 321 600 | **(58 550 488)** |
| Heritage assets | 70 945 | - | **70 945** | 70 945 | **-** |
| Intangible assets | 1 796 184 | - | **1 796 184** | 358 798 | **(1 437 386)** |
| Non-current portion of non-current receivables | - | 1 250 000 | **1 250 000** | 500 000 | **(750 000)** |
| | **512 632 427** | **16 038 470** | **528 670 897** | **479 728 343** | **(48 942 554)** |
| **Total Assets** | **563 808 024** | **18 586 063** | **582 394 087** | **533 863 672** | **(48 530 415)** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Consumer deposits | 2 623 151 | - | **2 623 151** | 2 910 638 | **287 487** |
| Trade and other payables from exchange transactions | 4 676 362 | 6 308 949 | **10 985 311** | 48 032 068 | **37 046 757** |
| VAT payable | 11 142 870 | 2 438 825 | **13 581 695** | - | **(13 581 695)** |
| Trade and other payables from non-exhange transactions | - | - | **-** | 3 417 | **3 417** |
| Provisions: current portion | 982 346 | - | **982 346** | 2 249 038 | **1 266 692** |
| Employee benefits obligation - current | - | - | **-** | 284 954 | **284 954** |
| Long service award - current portion | 600 195 | - | **600 195** | 1 692 102 | **1 091 907** |
| | **20 024 924** | **8 747 774** | **28 772 698** | **55 172 217** | **26 399 519** |
| **Non-Current Liabilities** | | | | | |
| Other financial liabilities | - | - | **-** | - | **-** |
| Provisions: Non-current portion | 13 487 370 | - | **13 487 370** | 12 326 902 | **(1 160 468)** |
| Employee benefit obligation - non-current portion | 1 946 095 | - | **1 946 095** | 2 993 084 | **1 046 989** |
| Long services award: non-current portion | 3 392 467 | - | **3 392 467** | 6 174 586 | **2 782 119** |
| Other financial liabilities | 341 542 | - | **341 542** | 341 542 | **-** |
| | **19 167 474** | **-** | **19 167 474** | **21 836 114** | **2 668 640** |
| **Total Liabilities** | **39 192 398** | **8 747 774** | **47 940 172** | **77 008 331** | **29 068 159** |
| **Net Assets** | **524 615 626** | **9 838 289** | **534 453 915** | **456 855 341** | **(77 598 574)** |
| Accumulated surplus | 524 274 086 | 9 955 425 | **534 229 511** | 456 855 341 | **(77 374 170)** |

# Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual |
|---|---|---|---|---|---|
| **Cash Flow Statement** | | | | | |
| **Cash flows from operating activities** | | | | | |
| **Receipts** | | | | | |
| Sale of goods and services | 112 605 741 | 5 228 537 | **117 834 278** | 118 674 638 | **840 360** |
| Grants | 259 238 998 | 22 195 587 | **281 434 585** | 263 944 333 | **(17 490 252)** |
| Interest income | 4 566 948 | 385 968 | **4 952 916** | 4 461 911 | **(491 005)** |
| Construction contract revenue | 4 474 000 | (898 000) | **3 576 000** | 3 109 565 | **(466 435)** |
| | **380 885 687** | **26 912 092** | **407 797 779** | **390 190 447** | **(17 607 332)** |
| **Payments** | | | | | |
| Employee related costs | (146 512 927) | 912 683 | **(145 600 244)** | (143 494 066) | **2 106 178** |
| Suppliers | (150 050 869) | (9 868 169) | **(159 919 038)** | (160 419 766) | **(500 728)** |
| Finance costs | (258 588) | - | **(258 588)** | (2 215) | **256 373** |
| Construction contract expenditure | (4 474 000) | 898 000 | **(3 576 000)** | (3 109 565) | **466 435** |
| Remuneration of Councillors | (12 130 423) | (537 958) | **(12 668 381)** | (11 592 749) | **1 075 632** |
| | **(313 426 807)** | **(8 595 444)** | **(322 022 251)** | **(318 618 361)** | **3 403 890** |
| **Net cash flows from operating activities** | **67 458 880** | **18 316 648** | **85 775 528** | **71 572 086** | **(14 203 442)** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | (62 740 199) | (16 362 223) | **(79 102 422)** | (76 046 567) | **3 055 855** |
| Proceeds from sale of property, plant and equipment | - | - | **-** | 405 810 | **405 810** |
| Movement in retentions | - | - | **-** | (867 486) | **(867 486)** |
| **Net cash flows from investing activities** | **(62 740 199)** | **(16 362 223)** | **(79 102 422)** | **(76 508 243)** | **2 594 179** |
| **Cash flows from financing activities** | | | | | |
| Movement in liabilities | - | - | **-** | 54 332 | **54 332** |
| Net increase/(decrease) in cash and cash equivalents | 4 718 681 | 1 954 425 | **6 673 106** | (4 881 825) | **(11 554 931)** |
| Cash and cash equivalents at the beginning of the year | 3 451 840 | - | **3 451 840** | 24 824 039 | **21 372 199** |
| **Cash and cash equivalents at the end of the year** | **8 170 521** | **1 954 425** | **10 124 946** | **19 942 214** | **9 817 268** |

### 1. Significant accounting policies

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

### 1.1 Basis of preparation

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

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

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

The municipality changes an accounting policy only if the change:

(a) Is required by a standard of GRAP or

(b) Results in the financial statements providing reliable and more relevant information about the effects of transaction, other events or conditions on the performance or cash flow.

The following GRAP standards have been approved and effective to the municipality:

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies , Changes in Accounting Estimates and Errors

GRAP 4 The effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing costs

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After Reporting Date

GRAP 16 Investment Property

GRAP 17 Property, Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non-cash-generating Assets

GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)

## Significant Accounting Policies

**1.1 Basis of preparation (continued)**

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 31 Intangible Assets

GRAP 34 Separate Financial Statement

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE.

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 1 Presentation of Financial Statements - effective date not yet stated

GRAP 103 Heritage Assets - effective date not yet stated

Impact on the municipality's financial statements once implemented:

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

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 and and all values are rounded to the nearest rand.

**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 Significant judgements and sources of estimation uncertainty**

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

**Trade receivables**

The municipality assesses its financial instruments 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.

# Significant Accounting Policies

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

**Depreciation/Amortization and Impairment testing**

As described in the accounting policy disclosure relating to PPE and intangible assets with definite useful lives, the municipality depreciates/amortises the aforementioned assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives. The useful lives and residual values of the assets are based on industry knowledge.

The depreciation/amortization period and the depreciation/amortization method for intangibles assers are reviewed at each reporting date.

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 municipality assesses at each reporting dates whether there is any indications of impairment. If any such indications exists, the municipality conducts an impairment test.

**Provisions**

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

**Useful lives and residual value of Property, Plant and Equipment (PPE) and Intangible assets**

The municipality assesses at each reporting date whether there is any indication that the municipality expectations on 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.

**Employee 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 16.

### 1.5 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.

# Significant Accounting Policies

### 1.5 Investment property (continued)

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.

**Fair value**

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

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

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

### 1.6 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.

# Significant Accounting Policies

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

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

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

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

| Item | Depreciation method | Average useful life |
| --- | --- | --- |
| Land | | Indefinite |
| Landfill site | Straight-line | 20-25 years |
| Buildings | | |
| • Parkhomes | Straight-line | 05-10 years |
| • Residential | Straight-line | 10-33 years |
| • Ablutions | Straight-line | 25-50 years |
| • Car ports | Straight-line | 15-30 years |
| • Community halls | Straight-line | 25-50 years |
| • Testing centre | Straight-line | 25-50 years |
| • Libraries | Straight-line | 25-50 years |
| • Sport fields | Straight-line | 25-50 years |
| • Creches | Straight-line | 24-50 years |
| • Store rooms | Straight-line | 25-30 years |
| • Sportfileds structure | Straight-line | 25-30 years |
| • Sportfileds and courts | Straight-line | 20-30 years |
| • Returning walls | Straight-line | 30-60 years |
| • Tank stand | Straight-line | 40-50 years |
| • Septic tanks | Straight-line | 30-60 years |
| Electricity | | |
| • Cables | Straight-line | 25-45 years |
| • Panels | Straight-line | 03-14 years |
| • Fencing | Straight-line | 10-25 years |
| • High mast lights | Straight-line | 15-25 years |
| • Overheads lines | Straight-line | 20-30 years |
| • Meters | Straight-line | 20-30 years |
| • Substation equipment indoors | Straight-line | 30-40 years |
| • Substation equipment outdoors | Straight-line | 20-30 years |
| • Switchgears | Straight-line | 20-30 years |
| • Substation | Straight-line | 20-30 years |
| • Transformers | Straight-line | 25-50 years |
| • AC Meters | Straight-line | 20-25 years |
| • Floodlights | Straight-line | 25-40 years |
| • Panels | Straight-line | 20-25 years |
| Roads and stormwater | | |
| • Traffic calming | Straight-line | 10-30 years |
| • Road barriers | Straight-line | 10-30 years |
| • Kerb & channels | Straight-line | 40-50 years |
| • Roads asphalt Layer | Straight-line | 30-50 years |
| • Roads asphalt surfaces | Straight-line | 10-22 years |
| • Roads gravel surfaces | Straight-line | 03-25 years |
| • Pedestrians footpaths | Straight-line | 13-30 years |
| • Roads streetlights | Straight-line | 25-40 years |
| • Traffic lights | Straight-line | 15-20 years |
| • Traffic signs | Straight-line | 05-15 years |
| • Culverts | Straight-line | 25-40 years |
| • Drains concrete | Straight-line | 25-50 years |
| • Roads | Straight-line | 10-20 years |
| • Stormwater channels | Straight-line | 25 -50 years |
| • Road based structures | Straight-line | 30 -50 years |
| • Gabions | Straight-line | 30 -60 years |
| • Vehicle bridge-concrete | Straight-line | 60 -80 years |

**1.6 Property, plant and equipment (continued)**

| | | |
|---|---|---|
| Furniture and fittings | | |
| • Air conditioners | Straight-line | 03-30 years |
| • Office equipment | Straight-line | 05-30 years |
| • Other furniture | Straight-line | 05-30 years |
| • Paintings, sculptures and ornaments | Straight-line | 05-10 years |
| Transport assets | | |
| • Motor vehicles | Straight-line | 04-30 years |
| • Trailers & accessories | Straight-line | 05-30 years |
| • Trucks | Straight-line | 05-30 years |
| Other machinery and equipment | | |
| • Audio visual equipment | Straight-line | 05-30 years |
| • Domestic equipment | Straight-line | 03-30 years |
| • Electric wire and power distribution | Straight-line | 03-12 years |
| • Farm or agricultural equipment | Straight-line | 05-33 years |
| • Gardening equipment | Straight-line | 02-33 years |
| • Irrigation equipment | Straight-line | 10-15 years |
| • Kitchen appliances | Straight-line | 05-25 years |
| • Medical and allied equipment | Straight-line | 05-25 years |
| • Photographic equipment | Straight-line | 05-10 years |
| • Radio equipment | Straight-line | 05-25 years |
| • Roads equipment | Straight-line | 03-30 years |
| • Security equipment | Straight-line | 05-30 years |
| • Survey equipment | Straight-line | 03-12 years |
| • Telecommunication equipment | Straight-line | 05-11 years |
| • Workshop equipment | Straight-line | 05-30 years |
| • Pumps, fuels and tanks | Straight-line | 15-30 years |
| • Boreholes | Straight-line | 20-50 years |
| • Jungle gym | Straight-line | 05-10 years |
| Computer equipment | | |
| • Computer hardware | Straight-line | 04-25 years |
| • Computer network | Straight-line | 05-10 years |
| Solid waste disposal | | |
| • Bins containers | Straight-line | 10-15 years |

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 municipality assesses at each reporting dates whether there is any indications of impairment. If any such indications exists, the municipality conducts an impairment test.

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.

### 1.7 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 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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.

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

### 1.8 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Licenses | Straight-line | 02-30 years |
| Computer software | Straight-line | 02-30 years |

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

The municipality assesses at each reporting dates whether there is any indications of impairment. If any such indications exists, the municipality conducts an impairment test.

### 1.9 Heritage assets

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

**Recognition**

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

**Initial measurement**

Heritage assets are measured at cost.

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

**Subsequent measurement**

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

**Impairment**

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

**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).

### 1.10 Financial instruments

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

A financial asset is:
- cash;

# Significant Accounting Policies

**1.10 Financial instruments (continued)**

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

**Classification**

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

| Class | Category |
| --- | --- |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at cost |
| Statutory receivables from non-exchange transactions | 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 |
| --- | --- |
| Long-term loans | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at cost |

**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
- Financial instruments at cost

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost

### 1.10 Financial instruments (continued)

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

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

Financial assets measured at cost

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

**Derecognition**

Financial assets

The 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.

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

## Significant Accounting Policies

### 1.10 Financial instruments (continued)

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

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another 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.

### 1.11 Receivables from non-exchange transactions

**Identification**

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 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 receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

**Recognition**

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

## Significant Accounting Policies

**1.11 Receivables from non-exchange transactions (continued)**

- 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.

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.

## Significant Accounting Policies

### 1.11 Receivables from non-exchange transactions (continued)

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

**Derecognition**

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

### 1.12 Tax

The uPhongolo Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

### 1.13 Leases

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

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

**Finance leases - lessor**

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

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

**Finance leases - lessee**

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

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

**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.

# Significant Accounting Policies

### 1.13 Leases (continued)

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

**Operating leases - lessee**

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

### 1.14 Construction contract

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.

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

The municipality recognise the revenue for contruction contract as and when the conditions as per the memorandum of agreement has been met.

### 1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

### 1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

#### Designation

Asset are designated as non-cash-generating or cash-generating based on the municipality's objective of using the asset. Asset can either be used with the objective of generating a commercial return or delivering services.

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

#### Identification

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

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

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

### 1.17 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.

## Significant Accounting Policies

**1.17 Accounting by principals and agents (continued)**

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

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

**Identifying whether an entity is a principal or an agent**

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

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

**Binding arrangement**

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

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

**Assessing which entity benefits from the transactions with third parties**

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

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

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

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

**Recognition**

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

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

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

### 1.18 Employee benefits

**Identification**

**Employee benefits**

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

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

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

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

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

**Classification of plans**

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

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

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

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

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

State plans are plans established by legislation that operate as if they are multiemployer plans for all entities in economic categories laid down in legislation.

### 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.

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.

### 1.19 Provisions and contingencies (continued)

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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

### 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.

**Sale of goods**

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

### 1.21 Revenue from exchange transactions (continued)

**Rendering of services**

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

**Interest, royalties and dividends**

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

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

Interest is recognised in surplus or deficit using the effective interest rate method.

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

### 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.

# Significant Accounting Policies

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

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.

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.

**Property rates**

The municipality recognises property rates in terms of the Municipal Property Rates Act and the municipal rates policy.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. The taxable event for property tax is the passing of the date on which the tax is levied.

**Transfers**

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

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

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

# Significant Accounting Policies

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

**Government grants**

Grants and donations received, or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions. Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, the liability is transferred to revenue as and when the conditions attached to the grant are met.

Unconditional grants are recognised as revenue in full when the asset is recognised, at an amount equal to their fair value of the asset received.

**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 Investment income

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

### 1.24 Borrowing costs

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

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

### 1.25 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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

### 1.26 Fruitless and wasteful expenditure

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

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

### 1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned before year end and/or before the finalisation of financial statements must also be recognised appropriately recognised in the irregular expenditure register. In such an instance, no further actions also required with the exception of updating the note to the financial statement.

### 1.27 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which will be condoned at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.28 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.

Identification of segment

The municipality is organised and reports to management on the basis of three major functional areas: Finance & Admin, Community & Public Safety and Planning & Development. The segments were organised around the type of goods and services delivered. Management uses these same segments for determining strategic objectives. Supporting services segment was aggregated for reporting purposes.

The identification of these segments is consistent with the functional classification of local government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

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.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The necessary information is not available and the cost to develop it would be excessive.

Aggregated segments

Support services segment was aggregated as a practical limit has been reached beyond which segment information becomes too detailed. Management is of the view that such additional detailed segments are not useful and relevant.

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:

| | |
|---|---|
| Finance & administration | Provision of support services |
| Community & public safety | Provision of community facilities, refuse removal & protection services |
| Planning & development | Economic and infrastructure development |

Measurement

# Significant Accounting Policies

### 1.28 Segment information (continued)

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.

Information about geographical areas

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

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

### 1.29 Budget information

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.

Reasons were provided for variance more than 5%, as these were considered material.

### 1.30 Related parties

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

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

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.

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

### 1.31 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.

## Significant Accounting Policies

**1.31 Events after reporting date (continued)**

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

**1.32 Value Added Tax**

Recognition of asset and liability

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11,exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

**1.33 Impairment of non-cash-generating assets**

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

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

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

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

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

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

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

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

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

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

**Designation**

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

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

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

# Significant Accounting Policies

#### 1.33 Impairment of non-cash-generating assets (continued)

**Identification**

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

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

**Value in use**

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

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

**Depreciated replacement cost approach**

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

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

**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

## Significant Accounting Policies

**1.33 Impairment of non-cash-generating assets (continued)**

**Reversal of an impairment loss**

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

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

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

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

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

**Redesignation**

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

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

### 2. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 1 117 | 1 717 |
| Bank balances | 2 740 293 | 1 008 600 |
| Call accounts balances | 17 200 804 | 23 813 722 |
| | **19 942 214** | **24 824 039** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | Cash book balances | |
|---|---|---|---|---|
| | 30 June 2025 | 30 June 2024 | 30 June 2025 | 30 June 2024 |
| FNB - 62027530858 - Primary account | 2 739 239 | 1 008 602 | 2 739 239 | 1 008 602 |
| FNB - 62375342377 - Call account | - | - | - | - |
| FNB - 62377992104 - Call account | - | - | - | - |
| FNB - 62389585286 - Call account | - | 9 071 | - | 9 071 |
| FNB - 62389586507 - Call account | 20 | 20 | 20 | 20 |
| FNB - 62404561377 - Call account | - | - | - | - |
| FNB - 62404287345 - Call account | - | 3 578 977 | - | 3 578 977 |
| FNB - 62658357001 - Call account | 1 028 | 4 428 | 1 028 | 4 428 |
| FNB - 62305239718 - Call account | 180 085 | 117 057 | 180 085 | 117 057 |
| FNB - 74275780911 - Call account | 5 267 590 | 27 502 | 5 267 590 | 27 502 |
| FNB - 62230436405 - Call account | 8 582 702 | 20 069 340 | 8 582 702 | 20 069 340 |
| FNB - 62596797559 - Call account | - | 7 052 | - | 7 052 |
| FNB - 62253771896 - Call account | 3 156 942 | - | 3 156 942 | - |
| Cash on hand | - | - | 1 117 | 1 716 |
| Receipt recognised but not yet reflecting on the B/S | - | - | 13 491 | 274 |
| **Total** | **19 927 606** | **24 822 049** | **19 942 214** | **24 824 039** |

**Restricted cash balances**

| | | |
|---|---|---|
| Government grants & subsidies | 3 417 | 3 418 |

This funds are restricted for utilisation on Sub Rank. Refer to note 14.

### 3. Trade and other receivables from exchange transactions

| | | |
|---|---|---|
| **Gross balances** | | |
| Electricity | 19 237 030 | 17 388 083 |
| Refuse | 135 522 227 | 131 607 722 |
| Other | 5 059 213 | 4 696 861 |
| | **159 818 470** | **153 692 666** |
| **Less: Allowance for impairment** | | |
| Electricity | (10 067 073) | (7 056 593) |
| Refuse | (130 352 231) | (129 527 786) |
| Other | (3 646 740) | (3 627 986) |
| | **(144 066 044)** | **(140 212 365)** |
| **Net balance** | | |
| Electricity | 9 169 957 | 10 331 490 |
| Refuse | 5 169 996 | 2 079 936 |
| Other | 1 412 473 | 1 068 875 |
| | **15 752 426** | **13 480 301** |

**Electricity**

# Notes to the Annual Financial Statements

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

**3. Trade and other receivables from exchange transactions (continued)**

| | | |
| --- | --- | --- |
| Current (0 -30 days) | 8 801 853 | 8 602 151 |
| 31 - 60 days | 1 596 826 | 2 204 046 |
| 61 - 90 days | 441 860 | 669 990 |
| 91 - 120 days | 332 547 | 468 438 |
| 121 - 365 days | 8 063 944 | 5 443 459 |
| | **19 237 030** | **17 388 084** |

**Refuse**

| | | |
| --- | --- | --- |
| Current (0 -30 days) | 1 133 740 | 1 014 931 |
| 31 - 60 days | 897 040 | 1 068 428 |
| 61 - 90 days | 772 194 | 997 220 |
| 91 - 120 days | 763 909 | 983 677 |
| 121 - 365 days | 131 955 344 | 127 543 466 |
| | **135 522 227** | **131 607 722** |

**Other (specify)**

| | | |
| --- | --- | --- |
| Current (0 -30 days) | 509 226 | 55 731 |
| 31 - 60 days | 74 919 | (42 816) |
| 61 - 90 days | 41 523 | (271 444) |
| 91 - 120 days | 36 740 | 123 409 |
| 121 - 365 days | 4 396 804 | 4 831 981 |
| | **5 059 212** | **4 696 861** |

**Reconciliation of allowance for impairment of receivables from non-exchange transactions**

| | | |
| --- | --- | --- |
| Balance at beginning of the year | (140 212 365) | (129 758 657) |
| Contributions to allowance | (3 853 679) | (10 453 708) |
| | **(144 066 044)** | **(140 212 365)** |

**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, R2 328 295 (2024: R2 662 929) were past due but not impaired.

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

| | | |
| --- | --- | --- |
| Electricity | 162 697 | 1 441 309 |
| Refuse | 2 106 662 | 1 095 602 |
| Other | 58 936 | 126 018 |

**4. Receivables from non-exchange transactions**

| | | |
| --- | --- | --- |
| Fines | 15 419 958 | 14 695 458 |
| Propery rates | 168 146 241 | 156 053 906 |
| Impairment-Property Rates | (158 015 602) | (148 547 194) |
| Impairment-Traffic Fines | (13 999 071) | (13 267 353) |
| | **11 551 526** | **8 934 817** |

**Receivables from non-exchange included property rates ageing:**

| | | |
| --- | --- | --- |
| Current (0-30 days) | 5 237 807 | 3 850 993 |
| 31-60 days | 2 412 603 | 3 026 273 |
| 61-90 days | 1 822 602 | 2 344 337 |
| 91-120 days | 1 748 127 | 2 053 017 |
| 121+ days | 156 925 102 | 144 779 285 |
| | **168 146 241** | **156 053 905** |

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

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

**Receivables from non-exchange included traffic fines ageing:**

| | | |
|---|---|---|
| Current (0-30 days) | 22 300 | 144 700 |
| 31-60 days | 36 700 | 105 700 |
| 61-90 days | 64 300 | 82 100 |
| 91-120 days | 82 800 | 158 400 |
| 121+ days | 15 213 858 | 14 204 558 |
| | **15 419 958** | **14 695 458** |

**Receivables from non-exchange transactions past due but not impaired**

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R2 553 738 (2024: R7 887 540) were past due but not impaired.

The total amounts past due but not impaired is as follows:

| | | |
|---|---|---|
| Property rates | 2 553 738 | 7 887 540 |

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

| | | |
|---|---|---|
| Opening balance | (161 814 547) | (147 375 961) |
| Current year contribution to allowance | (10 200 126) | (14 438 586) |
| | **(172 014 673)** | **(161 814 547)** |

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are:

1) Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).

2) Traffic fines issued in terms of the Criminal Procedures Act.

Property rates

The Municipal Property Rates Act No. 06 of 2004 governs property rates billed. The Act regulates, the power of the municipality to impose rates on properties; to exclude certain properties from rating in the national interest; to make provisions for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through the municipalities rating policy, making provisions for fair and equitable valuation methods of properties; to make provisions for objections and appeals.

Determination of transaction amount

Traffic fines

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can:

(a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or

# Notes to the Annual Financial Statements

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

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

(b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

Property rates are levied in terms of the municipality's property rates policy, which is aligned to the Municipal Property Rates Act No. 6 of 2004.

The amount of rates levied by the municipality on properties, is the amount in the Rand

a) On the market value of the property;

b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;

c) In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine.

Refer to Note 29 for rate randage.

### 5. VAT receivable

| | | |
|---|---|---|
| VAT Receivables | 4 174 478 | 594 638 |

### 6. Prepayments

| | | |
|---|---|---|
| Insurance premium | 320 646 | 278 990 |
| SALGA membership levy | 1 644 039 | 1 471 503 |
| | **1 964 685** | **1 750 493** |

The above prepayment related to the payment made in advance for both SALGA membership levy and insurance premium paid to Guard Risk.

### 7. Current and non-current portion of non-current receivables

| | | |
|---|---|---|
| **Other current and non-current assets** | | |
| Current portion of the fruitless and wasteful expenditure recovery | 750 000 | 750 000 |
| Non-current portion of the fruitless and wasteful expenditure recovery | 500 000 | 1 250 000 |
| | **1 250 000** | **2 000 000** |

The fruitless and wasteful expenditure of R3 343 140.48 relating to payments made to TJM Consulting was investigated by MPAC through municipal attorneys and reached a settlement agreement of recovering R2 000 000 payables to municipality until 01 February 2027.

### 8. Investment property

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Vacant land | 78 477 000 | - | 78 477 000 | 75 910 000 | - | 75 910 000 |

**Reconciliation of investment property - Committemnt**

| | Opening balance | Disposals | Fair value adjustments | Total |
|---|---|---|---|---|
| Vacant land | 75 910 000 | (350 000) | 2 917 000 | 78 477 000 |

**Reconciliation of investment property - 2024**

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Vacant land | 65 220 998 | 10 689 002 | 75 910 000 |

**Pledged as security**

No investment property was pledged as security.

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.

**Details of valuation**

The effective date of the valuations was Monday, 30 June 2025. The valuations were performed by an independent valuer, Candice Cooper, of BPG Mass Appraisals (Pty) Ltd. BPG Mass Appraisals (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being fair valued.The valuation was based on open market value for existing use.These assumptions are based on current market conditions.

### 9. 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 | 71 359 065 | - | 71 359 065 | 71 359 065 | - | 71 359 065 |
| Buildings | 249 491 442 | (57 998 058) | 191 493 384 | 200 738 323 | (46 162 056) | 154 576 267 |
| Infrastructure | 253 250 680 | (141 137 045) | 112 113 635 | 235 146 202 | (127 749 215) | 107 396 987 |
| Solid Waste Infrastructure | 9 152 774 | (5 359 449) | 3 793 325 | 9 125 406 | (4 685 461) | 4 439 945 |
| Other Property, Plant and Equipment | 54 833 688 | (33 271 497) | 21 562 191 | 54 404 933 | (31 642 855) | 22 762 078 |
| **Total** | **638 087 649** | **(237 766 049)** | **400 321 600** | **570 773 929** | **(210 239 587)** | **360 534 342** |

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

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

| | Opening balance | Additions | Disposals | Change in estimates | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 71 359 065 | - | - | - | - | - | 71 359 065 |
| Buildings | 154 576 267 | 50 623 457 | (354 944) | - | (4 343 844) | (9 007 552) | 191 493 384 |
| Infrastructure | 107 396 987 | 21 144 441 | (535 894) | - | (14 128 683) | (1 763 216) | 112 113 635 |
| Solid Waste Infrastructure | 4 439 945 | - | - | 27 368 | (628 118) | (45 870) | 3 793 325 |
| Other Property, Plant and Equipment | 22 762 078 | 4 278 669 | (388 246) | - | (5 090 310) | - | 21 562 191 |
| | **360 534 342** | **76 046 567** | **(1 279 084)** | **27 368** | **(24 190 955)** | **(10 816 638)** | **400 321 600** |

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

| | Opening balance | Additions | Disposals | Project handed over | Change in estimates | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 71 359 065 | - | - | - | - | - | - | 71 359 065 |
| Buildings | 132 959 072 | 26 820 791 | - | - | - | (3 993 150) | (1 210 446) | 154 576 267 |
| Infrastructure | 136 286 241 | 6 594 316 | (52 480) | (21 166 354) | - | (14 160 787) | (103 949) | 107 396 987 |
| Solid Waste Infrastructure | 4 678 091 | - | - | - | 328 879 | (567 025) | - | 4 439 945 |
| Other Property, Plant and Equipment | 24 681 357 | 3 463 474 | (625 517) | - | - | (4 757 236) | - | 22 762 078 |
| | **369 963 826** | **36 878 581** | **(677 997)** | **(21 166 354)** | **328 879** | **(23 478 198)** | **(1 314 395)** | **360 534 342** |

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

| | Included within Infrastructure | Included within Community | Total |
|---|---|---|---|
| Opening balance | 5 847 241 | 68 294 943 | 74 142 184 |
| Additions/capital expenditure | 11 301 060 | 50 623 457 | 61 924 517 |
| Impairment | (1 752 151) | (347 017) | (2 099 168) |
| Transferred to completed items | (1 086 620) | (40 809 348) | (41 895 968) |
| | **14 309 530** | **77 762 035** | **92 071 565** |

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

# Notes to the Annual Financial Statements

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

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

| | Included within Infrastructure | Included within Community | Total |
|---|---|---|---|
| Opening balance | 36 387 491 | 42 261 178 | 78 648 669 |
| Additions/capital expenditure | 6 594 317 | 26 820 795 | 33 415 112 |
| Handed over | (21 166 354) | - | (21 166 354) |
| Transferred to completed items | (15 968 213) | (787 030) | (16 755 243) |
| | **5 847 241** | **68 294 943** | **74 142 184** |

**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** | | |
|---|---|---|
| Municipal buildings | 1 738 284 | 2 034 132 |
| Infrastructure maintenance | 26 030 394 | 19 443 920 |
| Fleet & other assets | 1 817 153 | 1 591 787 |
| | **29 585 831** | **23 069 839** |

Projects taking longer to complete:

1. Construction of Emkhiwaneni sportfield ward 09 - carrying value (R6 3328 113).

The project was halted and referred to the municipal attorneys for investigation which resulted in an impairment of R3 942 910. It was suspected that the actual work done and the cummulative expenditure did not correlate.

2. Emgome (Emdonini) community hall ward 9 - carrying value (R91 892).

The project was halted and impaired by an amount of R265 674 to take into account the deterioration on the structure. The service provider could not finish the project.

3. Ncotshane stormwater project 3 channel located in Mlenje Street - carrying value (R300 229).

4. Ncotshane stormwater project 4 stormwater outlet rehabilitation - carrying value (R104 025).

5. Ncotshane stormwater project 6 cutt-off channel - carrying value (R714 033).

6. Ncotshane stormwater project 1C upgrade main underground system - carrying value (R411 394).

7. Pongola municipal workshop (Technical) full view fencing - carrying value (R145 185).

8. Fencing of Ncotshane cemetery - carrying value (R154 289).

9. Fencing of Pongola cemetery - carrying value (R110 327).

10. Feasbility study -carrying value (R199 123).

12. Feasibility studies.

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

## 10. Heritage assets

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Work of arts | 23 996 | - | 23 996 | 23 996 | - | 23 996 |
| Other Heritage Assets | 46 949 | - | 46 949 | 46 949 | - | 46 949 |
| | **70 945** | **-** | **70 945** | **70 945** | **-** | **70 945** |

**Reconciliation of heritage assets Committemnt**

| | Opening balance | Total |
|---|---|---|
| Work of arts | 23 996 | 23 996 |
| Other Heritage Assets | 46 949 | 46 949 |
| | **70 945** | **70 945** |

**Reconciliation of heritage assets 2024**

| | Opening balance | Total |
|---|---|---|
| Work of arts | 23 996 | 23 996 |
| Other Heritage Assets | 46 949 | 46 949 |
| | **70 945** | **70 945** |

**Pledged as security**

No heritage assets pledged as security.

# Notes to the Annual Financial Statements

Figures in Rand

### 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 | 2 524 048 | (2 165 250) | 358 798 | 2 524 048 | (2 021 270) | 502 778 |

**Reconciliation of intangible assets - Committemnt**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 502 778 | (143 980) | 358 798 |

**Reconciliation of intangible assets - 2024**

| | Opening balance | Disposals | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 747 117 | (42 493) | (201 846) | 502 778 |

**Pledged as security**

No intangible assets pledged as security.

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.

### 12. Consumer deposits

| | | |
|---|---|---|
| Electricity | 2 910 638 | 2 856 306 |

# Notes to the Annual Financial Statements

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

## 13. Trade and other payables from exchange transactions

| | 2025 | 2024 |
|---|---|---|
| Trade payables | 16 312 103 | 14 786 576 |
| Retentions | 9 923 628 | 10 791 114 |
| Staff leave accrual | 10 229 099 | 8 842 287 |
| Payroll deductions | 5 187 998 | 344 317 |
| Bonus | 4 364 283 | 3 975 773 |
| Debtors with credit balance | 2 014 957 | 2 250 160 |
| | **48 032 068** | **40 990 227** |

## 14. Trade and other payables from non-exchange transactions

**Trade and other payables from non-exchange transactions comprises of:**

| | 2025 | 2024 |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Sub Rank Facility Grant | 3 417 | 3 417 |

## 15. Provisions

**Reconciliation of provisions: 2025**

| | Opening Balance | Change in provision | Current year interest | Transfer to Current or Non-Current | Total |
|---|---|---|---|---|---|
| Non current: Environmental rehabilitation | 10 919 711 | 27 368 | 1 480 597 | (100 774) | 12 326 902 |
| Current: Environmental rehabilitation | 1 480 598 | - | - | 100 774 | 1 581 372 |
| Current: Bonuses | 646 337 | 21 329 | - | - | 667 666 |
| | **13 046 646** | **48 697** | **1 480 597** | **-** | **14 575 940** |

**Reconciliation of provisions: 2024**

| | Opening Balance | Additions | Change in provision | Current year interest | Transfer to Current or Non-Current | Total |
|---|---|---|---|---|---|---|
| Non current: Environmental rehabilitation | 9 366 024 | - | 328 879 | 1 352 703 | (127 895) | 10 919 711 |
| Current: Environmental rehabilitation | 1 352 703 | - | - | - | 127 895 | 1 480 598 |
| Current: Bonuses | 332 515 | 313 822 | - | - | - | 646 337 |
| | **11 051 242** | **313 822** | **328 879** | **1 352 703** | **-** | **13 046 646** |

| | 2025 | 2024 |
|---|---|---|
| Non-current liabilities | 12 326 902 | 10 919 711 |
| Current liabilities | 2 249 038 | 2 126 935 |
| | **14 575 940** | **13 046 646** |

**Bonus provision:** The bonus provision is to provide for performance bonuses of the section 55 & 56 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employee takes place after year end.

**Environmental rehabilitation of landfill Site:** The rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the time of closure. The value of the provision is based on the present value of the expected future costs to rehabilitate the site.

**Environmental rehabilitation costs were calculated based on the following assumptions:**

| | 2025 | 2024 |
|---|---|---|
| **Assumptions** | | |
| Consumer price inflation (CPI) | 5.94 | 6.51 % |

### 15. Provisions (continued)

| | 2025 | 2024 |
|---|---|---|
| Discount rate | 11.37 % | 11.94 % |
| Net discount rate | 5.13 % | 5.10 % |
| | - | - |

The landfill site is 5 hectares and area expected to be rehabilitated is 3 hectares. The estimated closure date is 15 September 2034. The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 09 years. The value of the provision is created for the rehabilitation of the current operation site at the future estimated time for closure. The value of the provision is based on the expected future cost to rehabilitate the discount back to the reporting date at the cost of capital, which is 5.13%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purpose. The municipality estimates the useful life and makes assumption as to the useful life of the assets, which influence the provision for future costs.

### 16. Employee benefit obligation

**Defined benefit plans - General information**

**Medical Benefits**

An actuarial valuation was performed by One Pangaea & Solutions at 30 June 2025 to ascertain the municipality's liability in respect of the benefits to eligible beneficiaries who were employed by the municipality on the old conditions of service and have already retired.

The actuarial valuation is performed every year.

| **2025** | Opening balance | Service cost | Interest cost | Movement in benefit payments | Actuarial (gain)/loss over the financial year | Total |
|---|---|---|---|---|---|---|
| Non-current portion | 2 401 865 | - | 285 276 | (321 110) | 627 053 | 2 993 084 |
| Current portion | 289 109 | - | - | (4 155) | - | 284 954 |
| | **2 690 974** | **-** | **285 276** | **(325 265)** | **627 053** | **3 278 038** |

| **2024** | Opening balance | Service cost | Interest cost | Movement in benefit payments | Actuarial (gain)/loss over the financial year | Total |
|---|---|---|---|---|---|---|
| Non-current portion | 2 308 136 | - | 288 743 | (303 844) | 108 830 | 2 401 865 |
| Current portion | 265 262 | - | - | 23 847 | - | 289 109 |
| | **2 573 398** | **-** | **288 743** | **(279 997)** | **108 830** | **2 690 974** |

| **Carrying value** | 2025 | 2024 |
|---|---|---|
| Opening balance | (2 690 974) | (2 573 398) |
| Interest costs | (285 276) | (288 743) |
| Benefits paid | 325 265 | 279 997 |
| Actuarial (gain)/ loss | (627 053) | (108 830) |
| | **(3 278 038)** | **(2 690 974)** |

| **Net expense recognised in the statement of financial performance** | 2025 | 2024 |
|---|---|---|
| Interest costs | (285 276) | (288 743) |
| Actuarial (gain)/ loss | (627 053) | (108 830) |
| | **(912 329)** | **(397 573)** |

**Key assumptions used**

Assumptions used at the reporting date:

# Notes to the Annual Financial Statements

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

### 16. Employee benefit obligation (continued)

| | | |
|---|---|---|
| Discount rates used | 9.81 % | 11.20 % |
| Health care cost inflation | 5.98 % | 7.33 % |
| Change in the mortality assumption | 6.66 % | 7.26 % |
| Consumer price inflation | 4.48 % | 5.83 % |
| Net discount rate | 3.61 % | 3.61 % |
| | - % | - % |
| 1% increase discount rate in employer's accrued liability | 3 040 991 | 2 506 417 |
| 1% increase in the discount rate | 7.23 % | 6.86 % |
| | - % | - % |
| 1% decrease discount rate in employer's accrued liability | 3 548 950 | 2 901 884 |
| 1% decrease in the discount rate | 8.26 % | 7.84 % |
| | - | - |
| 1% increase medical inflation rate in employer's accrued liability | 3 574 088 | 2 922 413 |
| 1% decrease in the medical inflation rate | 9.03 % | 8.60 % |
| | - | - |
| 1% decrease medical inflation rate in employer's accrued liability | 3 016 000 | 2 486 086 |
| 1% increase in the medical inflation rate | 7.99 % | 7.61 % |

| **Amounts for the current and previous four years are as follows:** | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Present value of funded obligations | 3 278 039 | 2 690 974 | 2 573 398 | 3 196 154 | 2 090 106 |
| | **3 278 039** | **2 690 974** | **2 573 398** | **3 196 154** | **2 090 106** |

Benefits

The municipality has been unsuccessful in obtaining the necessary information to support proper defined plan accounting due to restrictions imposed by the multi employer plan. As a result of the restrictions, some of the entities defined benefit plans have not been treated as defined contribution plans as defined by GRAP 25, but are rather accounted for as defined contributions plans. This is in line with the GRAP 25 exemption which states that where information required for proper defined benefit plan accounting is not available in respect of multi employer state plans, these should be accounted for as defined contributions plan.

Pension benefits

The municipality's personnel are members of one of the pension funds listed below:

-KwaZulu Natal Joint Municipal Pension Fund.

-KwaZulu Retirement Fund

-Municipal Gratuity Fund

-Municipal Employees Pension Fund

-Government Employees Pension Fund

-Super Annuation Fund

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained, the funds are all treated as defined contribution plans, an independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and interim valuation on an annual basis.

Super Annuation fund : The interim valuation carried out on the Super Annuation Fund as at March 2025 reflected the following:

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

**16. Employee benefit obligation (continued)**

-The memorandum account in respect of the pensioners was fully funded.

-The ability in respect of active members was 100% funded.

Retirement and Provident Fund: The latest statutory valuation on the Retirement/Provident Fund (defined contribution) as at 30 June 2025 revealed the following: The memorandum account in respect of the pensioners was fully funded.

The ability in respect of active members was 100% funded.

**17. Long service award**

Employee who achieve 05 years' service has a choice of 05 days paid leave (once off) or encashment of leave.

Employee who achieve 10 years' service has a choice of 10 days paid leave (once off) or encashment of leave.

Employee who achieve 15 years' service has a choice of 20 days paid leave (once off) or encashment of leave.

Employee who achieve 20 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

Employee who achieve 25 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

Employee who achieve 30 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

Employee who achieve 35 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

Employee who achieve 40 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

Employee who achieve 45 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

The above-mentioned leave is granted in addition to the annual leave entitlement and maximum accumulated granted in terms of the National Conditions of Service. The leave may be taken, converted to cash fully or partially or accumulated. The leave is only applicable to those employees who have achieved the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2025. It has been assumed that the staff turnover rate will be insignificant based on historical data.

The valuation of the liability was performed in line with GRAP 25: Employee benefits, by One Pangea Expertise and Solutions as at 30 June 2025.

The actuarial valuation is performed every year.

| 2025 | Opening balance | Service cost | Interest cost | Movement in benefit payments | Actuarial (gain)/ loss | Total |
|---|---|---|---|---|---|---|
| Non-current portion | 6 444 914 | 681 617 | 713 253 | (1 968 015) | 302 817 | 6 174 586 |
| Current portion | 492 030 | - | - | 1 200 072 | - | 1 692 102 |
| | **6 936 944** | **681 617** | **713 253** | **(767 943)** | **302 817** | **7 866 688** |

| 2024 | Opening balance | Service cost | Interest cost | Movement in benefit payments | Actuarial (gain)/ loss | Total |
|---|---|---|---|---|---|---|
| Non-current portion | 5 430 577 | 595 728 | 711 605 | (961 216) | 668 220 | 6 444 914 |
| Current portion | 506 343 | - | - | (14 313) | - | 492 030 |
| | **5 936 920** | **595 728** | **711 605** | **(975 529)** | **668 220** | **6 936 944** |

**Changes in the present value of the long-service obligation are as follows:**

| | 2025 | 2024 |
|---|---|---|
| Opening balance | (6 936 944) | (5 936 920) |
| Service cost | (681 617) | (595 728) |

# Notes to the Annual Financial Statements

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

### 17. Long service award (continued)

| | | |
|---|---|---|
| Interest cost | (713 253) | (711 605) |
| Benefit payment | 767 943 | 975 529 |
| Actuarial (gain)/ loss | (302 817) | (668 220) |
| | **(7 866 688)** | **(6 936 944)** |

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

| | | |
|---|---|---|
| Service cost | (681 617) | (595 728) |
| Interest cost | (713 253) | (711 605) |
| Actuarial (gain)/ loss | (302 817) | (668 220) |
| | **(1 697 687)** | **(1 975 553)** |

**Principal actuarial assumption used**

| | | |
|---|---|---|
| Discount rate | 9.39 % | 10.66 % |
| Salary inflation rate | 5.18 % | 6.50 % |
| Net discount rate | 4.00 % | 3.91 % |

| | | |
|---|---|---|
| 1% increase discount rate on employer’s accrued liability | 7 445 733 | 6 532 415 |
| 1% increase in the salary increase rate | 8 351 621 | 7 404 040 |
| 1% decrease discount rate in employer’s accrued liability | 8 336 575 | 7 389 915 |
| 1% decrease in the salary increase rate | 7 425 844 | 6 513 751 |

### 18. Other financial liabilities

| | | |
|---|---|---|
| Other financial liabilities | 341 542 | 341 542 |

**Non-current liabilities**

| | | |
|---|---|---|
| Designated at fair value | 341 542 | 341 542 |

The other financial liability relates to deposit made for the sale of erven.

### 19. Service charges

| | | |
|---|---|---|
| Service charges - Electricity | 71 577 441 | 53 395 362 |
| Service charges - Waste Management | 12 004 527 | 11 398 421 |
| | **83 581 968** | **64 793 783** |

### 20. Agency services

| | | |
|---|---|---|
| NPA Motor fees | 1 351 361 | 1 134 948 |

The municipality is the party to a principal-agent arrangement.

Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of driving licence test center functions. The municipality is an agent to the agreement as they are responsible for performing testing functions (testing functions, learners, vehicle registration, etc) on behalf of the Department. Thus a principal agent arrangement exist. The municipality is the agent in term of GRAP 109.

The aggregate amount of revenue recognised as a result of functions performed is R1 351 361 (2024: R1 134 948).

### 21. Interest earned from receivables

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
|---|---|---|
| Electricty | 35 978 | 31 503 |
| Refuse | 468 232 | 408 221 |
| Property rates | 565 272 | 494 973 |
| Other | 12 964 | 11 353 |
| | **1 082 446** | **946 050** |

## 22. Interest earned from current and non-current assets

| | | |
|---|---|---|
| **Interest revenue** | | |
| Primary bank account | 92 636 | 111 124 |
| Short-term investments and call accounts | 4 369 275 | 4 432 011 |
| | **4 461 911** | **4 543 135** |

## 23. Licences and permits

| | | |
|---|---|---|
| Licences and permits | 1 738 183 | 1 656 154 |

## 24. Rental of facilities and equipment

| | | |
|---|---|---|
| **Rental of facilities and equipment** | | |
| Rental of facilities | 571 501 | 517 004 |

## 25. Operational revenue

| | | |
|---|---|---|
| Electricity connection and reconnections fees | 258 191 | 108 402 |
| Tender document fees | 64 580 | 19 346 |
| Certificate clearance and validation | 24 819 | 27 340 |
| Dumping fees | 26 334 | 16 961 |
| Other Revenue | 190 378 | 4 088 700 |
| CETA Refunds | 5 865 660 | 671 245 |
| KZN Transport Refunds | 1 845 382 | 2 106 046 |
| Fruitless and wasteful expenditure recovered | - | 2 000 000 |
| | **8 275 344** | **9 038 040** |

## 26. Construction contract

| | | |
|---|---|---|
| **Construction contract revenue** | | |
| Integrated national electrification programme | 3 109 565 | 2 817 391 |
| Human Settlement Grant | 36 642 274 | 40 259 266 |
| | **39 751 839** | **43 076 657** |

| | | |
|---|---|---|
| **Construction contract expenditure** | | |
| Integrated national electrification programme | 3 109 565 | 2 817 391 |
| Human Settlement Grant | 36 642 274 | 40 259 266 |
| | **39 751 839** | **43 076 657** |

Construction contract narrations

Integrated National Electrification Programme Grant

The purpose of the grant is to address the electrification backlog of permanently occupied dwellings and the installation of bulk infrastructure in order to improve quality of supply. The conditions of this grant were met. This grant is accounted for in terms of GRAP 11. The transactions for this grant are disclosed exclusive of VAT as per National Treasury guidelines.

| | | |
|---|---|---|
| Balance unspent at the beginning of the year | - | - |
| Current-year allocation | 4 474 000 | 15 000 000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2025 | 2024 |
| --- | --- | --- |
| Conditions met - transferred to revenue | (3 576 000) | (3 240 000) |
| Funds withheld by funder | (898 000) | (11 760 000) |
| | - | - |

Human Settlement Grant

This grant relates to the implementation and provision of housing projects to the needy communities. There were no conditions to be met as there were no funds received in the current year. This grant is accounted for in terms of GRAP 11. The housing projects payment were paid directly to the implementing agent. No funds were received or paid by the municipality.

### 27. Gains (losses) on disposal of capital assets

| | | |
| --- | --- | --- |
| Gains (losses) on disposal of capital assets | (1 223 252) | 493 433 |

### 28. Fair value adjustments

| | | |
| --- | --- | --- |
| Investment property (Fair value model) | 2 917 000 | 10 689 002 |

### 29. Property rates

**Rates received**

| | | |
| --- | --- | --- |
| Residential | 6 404 371 | 13 081 945 |
| Commercial | 22 086 507 | 15 139 452 |
| Public benefits organisations | 4 343 | 624 841 |
| Agricultural property | 9 646 047 | 6 744 643 |
| Vacant land | 748 630 | 779 117 |
| Public services purposes | 10 167 695 | 12 455 184 |
| Public services infrastructure | 896 | 191 439 |
| Property reduction rebate | (850 081) | (881 419) |
| | **48 208 408** | **48 135 202** |

| **Property rates randages** | | |
| --- | --- | --- |
| Residential Property | 0.00739400 | 0.01893700 |
| Business and Commercial Property | 0.01996300 | 0.02367119 |
| Industrial property | 0.01996300 | 0.02367119 |
| Vacant Land | 0.01367800 | 0.02367119 |
| Agricultural Property | 0.00184800 | 0.00473424 |
| Mining Property | 0.01996300 | 0.02367119 |
| Unauthorized Development | 0.03696900 | 0.05681086 |
| Public Service Infrastructure | 0.00184800 | 0.00473424 |
| Public Benefit Organisation | 0.00184800 | 0.00473424 |
| Public Service Purpose | 0.02218100 | 0.02367119 |

**Valuations**

| | | |
| --- | --- | --- |
| Residential | 1 258 840 000 | 841 028 000 |
| Commercial | 1 116 120 000 | 649 809 000 |
| Public benefits organisations | 458 396 600 | 572 759 800 |
| Small holdings and farms | 5 235 337 000 | 1 430 049 000 |
| Other | 119 341 000 | 229 162 000 |
| Public services purposes | 141 235 000 | 42 175 500 |
| | **8 329 269 600** | **3 764 983 300** |

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2024. Rebates of R60 000.00 are granted to residential and 30% to public services infrastructure. Rates are levied on a monthly basis on property owners.

# Notes to the Annual Financial Statements

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

### 29. Property rates (continued)

Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

### 30. Fines, Penalties and Forfeits

| | | |
| --- | --- | --- |
| Traffic Fines | 1 059 400 | 1 550 400 |
| Retentions Forfeits | 5 047 106 | - |
| | **6 106 506** | **1 550 400** |

### 31. Government grants & subsidies

| | | |
| --- | --- | --- |
| **Operating grants** | | |
| Equitable share | 192 178 000 | 182 291 000 |
| Expanded Public Works Programme Grant | 1 990 000 | 2 169 000 |
| Financial Management Grant | 3 000 000 | 3 000 000 |
| Provincialisation of Libraries Grant | 2 050 000 | 1 964 000 |
| Community Libraries Services Grant | 531 000 | 508 000 |
| Municipal Infrastructure Grant | 2 034 800 | 1 547 700 |
| Integrated Spatial Development Economic Plan | - | 275 508 |
| | **201 783 800** | **191 755 208** |
| **Capital grants** | | |
| Municipal Infrastructure Grant | 38 661 200 | 29 406 300 |
| Sport Development Grant | 23 499 333 | 7 402 797 |
| | **62 160 533** | **36 809 097** |
| | **263 944 333** | **228 564 305** |

**Equitable Share**

| | | |
| --- | --- | --- |
| Current-year receipts | 192 178 000 | 182 291 000 |
| Conditions met - transferred to revenue | (192 178 000) | (182 291 000) |
| | - | - |

No conditions had to be met for this grant in the financial year.

**Expanded Public Works Programme Grant**

| | | |
| --- | --- | --- |
| Current-year receipts | 1 990 000 | 2 169 000 |
| Conditions met - transferred to revenue | (1 990 000) | (2 169 000) |
| | - | - |

The Expanded Public Works Programme is a special performance based incentive provided to municipalities that contribute to the employment creation efforts of the EPWP through the employment of previously unemployed people. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Financial Management Grant**

| | | |
| --- | --- | --- |
| Current-year receipts | 3 000 000 | 3 000 000 |
| Conditions met - transferred to revenue | (3 000 000) | (3 000 000) |
| | - | - |

# Notes to the Annual Financial Statements

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

**31. Government grants & subsidies (continued)**

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Provincialisation of Libraries Grant**

| | | |
|---|---|---|
| Current-year receipts | 2 050 000 | 1 964 000 |
| Conditions met - transferred to revenue | (2 050 000) | (1 964 000) |
| | - | - |

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Community Libraries Services Grant**

| | | |
|---|---|---|
| Current-year receipts | 531 000 | 508 000 |
| Conditions met - transferred to revenue | (531 000) | (508 000) |
| | - | - |

This grant is used to pay salaries for Cyber Cadets and subsidise operational costs associated with libraries. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Municipal Infrastructure Grant**

| | | |
|---|---|---|
| Current-year receipts | 2 034 800 | 1 547 700 |
| Conditions met - transferred to revenue | (2 034 800) | (1 547 700) |
| | - | - |

This grant is used to pay salaries for PMU staff and subsidise operational costs associated with PMU support. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Integrated Spatial Development Economic Plan**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 275 508 |
| Conditions met - transferred to revenue | - | (275 508) |
| | - | - |

The purpose of this grant is to develop an Integrated Spatial Development Plan for the municipality. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Municipal Infrastructure Grant**

| | | |
|---|---|---|
| Current-year receipts | 38 661 200 | 29 406 300 |
| Conditions met - transferred to revenue | (38 661 200) | (29 406 300) |
| | - | - |

This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of the community within the municipal boundaries. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Sport Development Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 8 130 |
| Current-year receipts | 23 499 333 | 7 394 667 |
| Conditions met - transferred to revenue | (23 499 333) | (7 402 797) |

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

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

| | | |
|---|---|---|
| | - | - |

The grant intends to promote and develop the sport and recreational activities in the municipality. The conditions of this grant has been met. No funds were withheld or surrendered as at the 30th of June 2025.

**Sub-Rank Facility Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 3 417 | 3 417 |

The purpose of this grant is to construct the Sub-Rank Facility in Pongola Town. The conditions of this grant were not met (refer to note 14). No Funds were withheld or surrendered as at 30th of June 2025.

### 32. Employee related costs

| | | |
|---|---|---|
| Basic salaries and wages | 97 043 493 | 89 740 452 |
| Once-off allowance | 324 000 | 168 958 |
| Performance and other bonus | 7 236 939 | 6 460 731 |
| Medical aid | 4 950 275 | 4 446 141 |
| UIF | 682 206 | 661 902 |
| Standby allowance | 2 180 730 | 1 181 583 |
| Leave provision | 2 498 171 | 3 142 030 |
| Shift allowance | 237 148 | 185 511 |
| Remote allowance | 207 113 | 195 727 |
| Pension and provident fund | 14 058 577 | 12 342 869 |
| Car allowances | 10 102 271 | 8 808 597 |
| Overtime | 2 346 288 | 2 157 593 |
| Long-service awards | 403 237 | 595 728 |
| Acting allowances | 339 998 | 632 482 |
| Cellphone allowance | 1 608 885 | 1 392 240 |
| Housing benefits | 66 864 | 63 985 |
| Danger allowance | 270 000 | 118 000 |
| Industrial Council | 44 550 | 41 423 |
| | **144 600 745** | **132 335 952** |

**Remuneration of Municipal Manager: MB Khali**

| | | |
|---|---|---|
| Annual remuneration | 1 113 168 | 1 108 994 |
| Allowances | 386 749 | 385 160 |
| Once-off gratuity | 20 340 | 20 340 |
| | **1 520 257** | **1 514 494** |

The Municipal Manager Mr MB Khali was suspended by Council on the 28th of March 2025, Mr MVM Mbatha was appointed on acting capacity from 28 March 2025.

**Remuneration of Chief Financial Officer: KWG Ngcobo**

| | | |
|---|---|---|
| Annual remuneration | 913 969 | 897 657 |
| Allowances | 378 527 | 376 706 |
| Once-off gratuity | 20 340 | 10 170 |
| | **1 312 836** | **1 284 533** |

**Remuneration of former Director Planning and Economic Development: MVM Mbatha**

| | | |
|---|---|---|
| Annual Remuneration | - | 615 618 |
| Car Allowance | - | 251 825 |
| Leave payout | - | 227 885 |

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

**32. Employee related costs (continued)**

| | | |
| --- | --- | --- |
| Once-off gratuity | - | 20 340 |
| | **-** | **1 115 668** |

**Remuneration of Director Corporate Services: SSP Xaba**

| | | |
| --- | --- | --- |
| Annual remuneration | 913 969 | 892 142 |
| Allowances | 378 527 | 376 486 |
| Once-off gratuity | 20 340 | 5 817 |
| | **1 312 836** | **1 274 445** |

**Remuneration of Director Community Service: BCX Dladla**

| | | |
| --- | --- | --- |
| Annual remuneration | 913 969 | 892 142 |
| Allowances | 378 527 | 376 486 |
| Once-off gratuity | 20 340 | 5 817 |
| | **1 312 836** | **1 274 445** |

**Remuneration of former Director Technical Services: M Buthelezi**

| | | |
| --- | --- | --- |
| Annual remuneration | - | 39 345 |
| Allowances | - | 14 400 |
| Leave days payouts | - | 34 942 |
| Once-off Gratuity | - | 4 773 |
| | **-** | **93 460** |

**Remuneration of Director Technical Services: Mr. MVM Mbatha**

| | | |
| --- | --- | --- |
| Annual remuneration | 913 969 | 294 924 |
| Allowances | 413 257 | 125 397 |
| Once-off gratuity | 20 340 | - |
| | **1 347 566** | **420 321** |

**Remuneration of Director Planning and Local Economic Development: Mr. BM Dlamini**

| | | |
| --- | --- | --- |
| Annual remuneration | 375 380 | - |
| Allowances | 154 987 | - |
| | **530 367** | **-** |

Mr. BM Dlamini was appointed as Director Planning and Economic Development from the 3rd of March 2025.

**33. Remuneration of councillors**

| **2025** | Basic Salary | Other benefits | |
| --- | --- | --- | --- |
| Mayor | 898 617 | 47 004 | 945 621 |
| Deputy Mayor | 421 078 | 186 401 | 607 479 |
| Speaker | 325 834 | 155 615 | 481 449 |
| Chief Whip | 259 720 | 134 584 | 394 304 |
| MPAC Chair | 395 344 | 47 004 | 442 348 |
| Executive Committee | 1 018 255 | 344 663 | 1 362 918 |
| Other Councillors | 5 615 483 | 1 743 147 | 7 358 630 |
| | **8 934 331** | **2 658 418** | **11 592 749** |

### 33. Remuneration of councillors (continued)

| 2024 | Basic Salary | Other benefits | |
|---|---|---|---|
| Mayor | 414 995 | 22 189 | 437 184 |
| Deputy Mayor | 752 871 | 49 608 | 802 479 |
| Speaker | 317 958 | 155 594 | 473 552 |
| Chief Whip | 298 092 | 148 972 | 447 064 |
| MPAC Chair | 383 820 | 49 608 | 433 428 |
| Executive Committee | 993 640 | 347 552 | 1 341 192 |
| Other Councillors | 5 551 295 | 1 808 110 | 7 359 405 |
| | **8 712 671** | **2 581 633** | **11 294 304** |

**In-kind benefits**

Municipality has 29 Councillors, both Mayor and Deputy Mayor are full-time Councillors. The Speaker and the Executive Committee Members are part-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor was elected on the 12th of November 2024, the Deputy Mayor and Chief Whip were elected on the 30th of January 2025.

The Mayor, Deputy Mayor, Speaker and Chief Whip each have the use of separate council owned vehicles for official duties.

The Mayor, Deputy Mayor, Speaker and Chief Whip each have full-time contracted bodyguards.

### 34. Bulk purchases

| | 2025 | 2024 |
|---|---|---|
| Electricity - Eskom | 55 233 237 | 48 394 007 |

**Electricity losses**

| | 2025 | 2024 |
|---|---|---|
| Units purchased | 27 500 105 | 25 421 084 |
| Units sold | (24 534 946) | (18 280 352) |
| **Total loss** | **2 965 159** | **7 140 732** |

| | 2025 | 2024 |
|---|---|---|
| Electricity losses in Rands comprises of: | | |
| Electricity losses | 4 488 408 | 11 836 955 |

| | 2025 | 2024 |
|---|---|---|
| Percentage Loss: | | |
| Electricity losses | 11 % | 28 % |

The municipality purchased 27 500 105 units(2024: 25 421 084 units) from Eskom and unit sold was 24 534 946 (2024: 18 280 352) to customers. This represents a loss of 2 965 159 units (2024: 7 140 732) which equates to R4 488 408 (2024: R11 836 955) and translates to a percentage of 11% (2024: 28%) electricity losses as a result of technical losses and illegal connections.

### 35. Inventory consumed

| | 2025 | 2024 |
|---|---|---|
| Storm water maintenance | 5 179 842 | 519 293 |
| Road maintenance | 15 410 936 | 13 408 733 |
| Fleet maintenance | 1 817 153 | 1 591 787 |
| Other assets maintenance | 1 738 284 | 2 034 132 |
| Electricital infrastructure maintenance | 5 439 616 | 5 515 894 |
| | **29 585 831** | **23 069 839** |

# Notes to the Annual Financial Statements

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

## 36. Debt impairment

| | | |
|---|---|---|
| Contributions to debt impairment provision | 13 551 151 | 23 528 767 |

## 37. Depreciation, amortisation and impairment

| | | |
|---|---|---|
| Depreciation | 24 191 011 | 23 478 198 |
| Impairment | 8 717 470 | 1 314 395 |
| Amortisation | 143 946 | 201 845 |
| | **33 052 427** | **24 994 438** |

## 38. Finance costs

| | | |
|---|---|---|
| Penalties on late payment | 2 215 | 13 832 |
| Landfill - capitalised | 1 480 597 | 1 352 703 |
| Actuarial interest cost | 998 529 | 1 000 348 |
| | **2 481 341** | **2 366 883** |

## 39. Operating lease

| | | |
|---|---|---|
| Transport assets | 3 322 935 | 5 555 779 |
| Computer equipment | 1 658 451 | 623 410 |
| | **4 981 386** | **6 179 189** |

| | | |
|---|---|---|
| **Present value of minimum lease payments due** | | |
| - within one year | 1 055 940 | 4 421 764 |
| - in second to fifth year inclusive | 177 930 | 1 521 170 |
| **Present value of minimum lease payments** | **1 233 870** | **5 942 934** |

## 40. Contracted services

| | | |
|---|---|---|
| IT services | 912 448 | 2 195 285 |
| Refuse removal and grass cutting | 855 807 | 1 207 837 |
| IDP services | 2 047 374 | 1 985 433 |
| Financial consultants and sytems | 2 921 387 | 3 696 897 |
| Legal cost | 10 954 254 | 4 457 473 |
| Electrical | 1 874 839 | 2 337 197 |
| Safeguard and security | 11 382 660 | 11 389 166 |
| Other contracted services | 1 404 615 | 1 845 041 |
| | **32 353 384** | **29 114 329** |

## 41. Irrecoverable debts written-off

| | | |
|---|---|---|
| Debtors written off | 5 398 382 | 4 846 952 |

The municipality developed and approved the indigent register. Above-mentioned debtors were written-off after being assessed as indigent household. Also included in the bedtors written off were traffic fines written off by the court.

## 42. Operational costs

| | | |
|---|---|---|
| Advertising | 725 162 | 285 319 |
| Auditors remuneration | 2 230 887 | 2 134 896 |
| Bank charges | 75 641 | 91 716 |
| Consulting and professional fees | 1 719 228 | 1 469 521 |
| Entertainment | 162 816 | 12 307 |

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

### 42. Operational costs (continued)

| | | |
|---|---|---|
| EPWP & Town Beautification | 206 720 | 195 660 |
| Insurance | 1 258 581 | 841 467 |
| IT Audit | - | 128 800 |
| License fees | 2 234 911 | 2 510 229 |
| Fuel and oil | 4 065 353 | 4 312 067 |
| Printing and stationery | 1 047 140 | 860 338 |
| Public participation | 1 876 373 | 3 828 674 |
| Research and development costs | 1 415 544 | 1 879 205 |
| Subscriptions and membership fees | 1 476 503 | (254 413) |
| Telephone and fax | 4 000 708 | 2 578 869 |
| Training | 6 152 049 | 1 550 505 |
| Travel - local | 6 222 557 | 7 176 785 |
| Refuse | 573 386 | 659 078 |
| Ward Commitee stipend | 2 643 000 | 2 641 500 |
| LED ward upliftment | 1 205 380 | 1 475 |
| SDL Fund | 1 310 209 | 1 202 518 |
| WCA | 646 922 | - |
| Other expenses | 8 787 926 | 9 090 411 |
| | **50 036 996** | **43 196 927** |

### 43. Transfer of infrastructure asset

| | | |
|---|---|---|
| **Transfer of infrastructure asset** | | |
| | - | 21 166 354 |

On the 04th of March 2021 the municipality entered into agreement with the KZN Department of Transport to upgrade the Belgrade Bus Route for the benefit of the community and as per community demand. The municipality was responsible for the costs incurred, the required upgrade of D1844 from its intersection with District Road D1867 at KM 0+000 to KM 2+000 upgrade has been completed and transferred to the KZN Department of Transport.

### 44. Actuarial losses

| | | |
|---|---|---|
| Gains/ (losses) from a change in fair value from employee benefit obligations | (627 053) | (108 830) |
| Losses from a change in fair value from long service awards | (302 817) | (668 220) |
| | **(929 870)** | **(777 050)** |

### 45. Cash generated from operations

| | | |
|---|---|---|
| Surplus | 35 119 042 | 796 464 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 35 151 595 | 24 994 438 |
| Fair value adjustments | (2 917 000) | (10 689 002) |
| (Gain)/ loss on sale of capital assets | 1 223 252 | (493 433) |
| Actuarial interest cost | 998 529 | 1 000 348 |
| Actuarial losses | 929 870 | 777 050 |
| Finance cost capitalised | 1 480 597 | 1 352 703 |
| Transfer of infrastructure assets | - | 21 166 354 |
| Other non-cash items | 867 488 | (258 460) |
| **Changes in working capital:** | | |
| Net receivables from exchange transactions | (2 272 125) | 471 708 |
| Net receivables from non-exchange transactions | (2 616 709) | 7 673 082 |
| Unspent conditional grant | - | (283 638) |
| Trade payables from exchange transactions | 7 041 841 | 6 069 343 |
| Net VAT payable/ (receivables) | (3 579 840) | 3 210 086 |
| Movements in LSA | (86 326) | (379 801) |
| Movement in bonuses | 21 329 | 313 822 |
| Movement in PEMA | (325 265) | (279 997) |
| Movement in other assets | 750 000 | (2 000 000) |

## Notes to the Annual Financial Statements

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

### 45. Cash generated from operations (continued)

| | | |
|---|---|---|
| Movement in prepayments | (214 192) | (429 572) |
| | **71 572 086** | **53 011 495** |

### 46. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 2 230 887 | 2 134 896 |

### 47. Commitments

| **2024/2025** | Community Assets | Infrastructure Assets | Machinery & Other Assets | Total |
|---|---|---|---|---|
| Commitments for the acquisition of property, plant and equipment | - | - | - | - |
| Commitments to construct or develop property, plant and equipment | 8 891 636 | 11 486 918 | | 20 378 554 |
| | **8 891 636** | **11 486 918** | **-** | **20 378 554** |

| **2023/2024** | Community Assets | Infrastructure Assets | Machinery & Other Assets | Total |
|---|---|---|---|---|
| Commitments for the acquisition of property, plant and equipment | - | - | 7 945 140 | 7 945 140 |
| Construction or development of property, plant and equipment | 15 965 207 | 7 656 983 | - | 23 622 190 |
| | **15 965 207** | **7 656 983** | **7 945 140** | **31 567 330** |

This committed expenditure relates to property, plant and equipment and will be financed by available retained surpluses, existing cash resources, funds internally generated and grants transfers etc.

Commitments are disclosed exclusive of VAT.

### 48. Contingencies

**Contingent liabilities**

| | | |
|---|---|---|
| Bongani Sielency Qwabe suing the municipality | 100 000 | 100 000 |

**Contingent assets**

| | | |
|---|---|---|
| Sehla JV | 4 513 647 | 4 513 647 |
| Brechoost Cc | 4 498 081 | - |
| | **9 011 728** | **4 513 647** |

### 49. Related parties

| Relationships | |
|---|---|
| Councillors | Refer to note 33 |
| Senior Managers | Refer to note 32 |

There were no related party transactions that were not at arms length during the financial period.

# Notes to the Annual Financial Statements



### 50. Change in estimate

**Property, plant and equipment**

During the current financial year, the municipality performed the conditional assessments on assets and valuation on landfill site. With assets that were nearing their useful lives or that had impairment indicators, the remaining useful life was adjusted to take into account the current situation. The result of adjustment in change in expected depreciation. In the current year, the depreciation increase/ decreased by R189 867 and in future years the depreciation will increase/ decrease by the same amount.

The result of adjustment was as result of a change in expected rehabilitation costs. In the current year, the provision for landfill site decreased by R27 368 and it is impracticable to estimate the future implication of this change in estimate.

### 51. Prior-year adjustments and reclassifications

Presented below are those items that have been affected by prior-year adjustments:

**Statement of financial position**

**2024**

| | As previously reported | Correction of error/ reclassification | Restated |
|---|---|---|---|
| Accummulated surplus on 1st of July 2023 | 420 879 296 | 60 539 | 420 939 835 |
| VAT receivables/ payables | (1 526 029) | 2 120 667 | 594 638 |
| Prepayments | - | 1 750 493 | 1 750 493 |
| Trade and other payables from exchange transactions | 37 158 511 | 3 831 716 | 40 990 227 |

Accummulated surplus adjustement was due to incorrect accounting for VAT on the MTN and Tracker debit orders in 2022/23 financial year. There was incorrect accounting for bulk invoice received in July 2023 which had June 2023 billing amounts.

**Statement of financial performance**

**2024**

| | As previously reported | Correction of error/ reclassification | Total | Restated |
|---|---|---|---|---|
| Employee related cost | 133 434 924 | - | (1 098 972) | 132 335 952 |
| Remuneration of councillors | 11 397 850 | - | (103 546) | 11 294 304 |
| Inventory consumed | - | - | 23 069 839 | 23 069 839 |
| Debt impairment | 24 892 294 | (1 363 527) | - | 23 528 767 |
| Operationg lease | - | - | 6 179 189 | 6 179 189 |
| Contracted services | - | - | 29 114 329 | 29 114 329 |
| Operational expenditure | 102 305 070 | (1 947 304) | (57 160 839) | 43 196 927 |
| Bulk purchases | 45 062 080 | 3 331 927 | - | 48 394 007 |

Employee related cost  was due to reclassification of SDL to be under operational cost as per revised mSCOA specimen.

Remunaration of councillors  was due to reclassification of SDL to be under operational cost as per revised mSCOA specimen.

Inventory consumed was due to reclassification of inventory consumed to be on the face other than within operational cost as per revised mSCOA specimen.

Debt impairment adjustment was due to non-consideration of VAT output leg when accounted for debt impaiment on vatable items.

**51. Prior-year adjustments and reclassifications (continued)**

Contracted services was due to reclassification of contracted servies to be on the face other than within operational cost as per revised mSCOA specimen.

Operating lease was due to reclassification of contracted services to be on the face other than within operational cost as per revised mSCOA specimen.

Operational expenditure adjustment was due to incorrect accounting for VAT on the MTN and Tracker debit orders.

Debt impairment adjustment was due to non-consideration of VAT output leg when accounted for debt impaiment on vatable items.

Bulk purchase adjustment was due to the bulk invoice dated July 2024 which also had June 2024 billing.

**Cash flow statement**

**2024**

| | As previously reported | Correction of error/ reclassification | Total |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Receipts | - | - | - |
| Sale of goods and services | 109 507 880 | (757 140) | 108 750 740 |
| Payments | - | - | - |
| Employee costs | (131 712 166) | 1 098 972 | (130 613 194) |
| Suppliers | (144 597 696) | (2 062 020) | (146 641 716) |
| Remuneration of councillors | (11 397 850) | 103 546 | (11 294 304) |
| Movement in retention | - | 1 598 643 | 1 598 643 |

The above adjustments in cashflow statement relates to correction of VAT on MTN debit orders, SDL on employee related cost and remunaration of councillors.

**Other notes disclosure**

| | As previously reported | Correction of error/ reclassification | Total |
|---|---|---|---|
| Commitments | | | |
| Commitments for the acquisition of property, plant and equipment | 7 945 104 | - | 7 945 104 |
| Construction or development of property, plant and equipment | 25 899 910 | (2 277 720) | 23 622 190 |
| | **33 845 014** | **(2 277 720)** | **31 567 294** |

| **Operating lease commitments** | As previously reported | Correction of error | Total |
|---|---|---|---|
| Present value of minimum lease payments due | - | - | - |
| - within one year | 3 434 904 | 986 860 | 4 421 764 |
| - in second to fifth year inclusive | 287 300 | 1 233 870 | 1 521 170 |
| | **3 722 204** | **2 220 730** | **5 942 934** |

| **Reconciliation of Work-in-Progress 2024** | As previously reported | Correction of error | Total |
|---|---|---|---|

**51. Prior-year adjustments and reclassifications (continued)**

| | | | |
|---|---|---|---|
| Opening balance | 42 261 178 | - | 42 261 178 |
| Additions/capital expenditure | 26 820 795 | - | 26 820 795 |
| Capitalised | (38 770) | (748 260) | (787 030) |
| | **69 043 203** | **(748 260)** | **68 294 943** |

Commitments: adjustment was due to ward 08 multipurpose payments not considered in the commitments schedule.

Operating lease commitment: adjustment was due to photocopy machine lease commitments not considered in 2024 AFS.

Reconsiliation of WIP: this was due to fencing of DLTC payment received in July 2024 while projects was already capitalised.

**52. Risk management**

**Financial risk management**

**Liquidity risk**

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

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

The table below analyses the municipality's financial liabilities 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.

| | | | | |
|---|---|---|---|---|
| Consumer deposits | | | 2 910 638 | 2 856 306 |
| Trade payables from exchange transactions | | | 45 072 876 | 38 440 067 |
| Other financial liabilities | - | - | 341 542 | 341 542 |

The municipality objective when managing its capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consist of debt, which includes borrowings (excluding financial liabilities) disclosed in note 13 and 16, cash and cash equivalents in note 02 and as disclosed in statement of financial position. There are no externally imposed capital requirements. There have been no changes on what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements for the previous year.

**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 equivalents | 19 942 214 | 24 824 039 |
| Receivables from exchange transactions | 15 752 426 | 13 480 301 |
| Current portion of non-current receivable | 750 000 | 750 000 |
| Prepayments | 1 964 685 | 1 750 493 |

### 52. Risk management (continued)

**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.

### 53. Going concern

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

In assessing the going concern, management noted some regression on ratios. However, the management is comfortable with the municipality's ability to continue operating as a going concern.

The following measures are being implemented by management to improve the municipality's cash flow going forward:

- Implementation of cost cutting measures.
- Strict monitoring of the credit control and debt collection policy.

Although there are some negative financial indicators, the municipality continues to adopt the going concern assumption as it is management's view that the municipality will continue to operate in its present form for the foreseeable future .

### 54. Events after the reporting date

Some of the UIFW expenditure and reduntant assets were written-off by Council on the 28th of August 2025 and the finanial statement were adjusted with the said events.

### 55. Unauthorised expenditure

| | 2025 | 2024 |
|---|---|---|
| Opening balance as previously reported | 137 760 769 | 79 446 923 |
| Employee related costs | 64 155 | 5 319 626 |
| Bulk purchases | 7 227 678 | 3 297 925 |
| Inventory consumed | 4 220 589 | - |
| Debt impairment | 7 691 504 | 19 306 358 |
| Depreciation and amortisation | 9 145 981 | 203 576 |
| Finance cost | 850 491 | 812 212 |
| Operating lease | 1 258 567 | - |
| Irrecoverable debts written-off | 5 398 382 | 4 846 952 |
| Operational cost | 9 239 920 | 5 001 403 |
| Transfer of infrastructure assets | - | 21 166 354 |
| Construction contract expenditure | - | 30 033 180 |
| Actuarial losses | 929 870 | 777 050 |
| Loss on disposal of capital assets | 1 223 252 | - |
| Less: Amount written-off by Council | (87 228 419) | (32 450 790) |
| **Closing balance** | **97 782 739** | **137 760 769** |

The above unauthorised expenditure within the votes was as a result of year-end accounting transactions exceeding the allocated budget. This unauthorised expenditure will be tabled in the adjustment budget when the annual report is tabled in accordance with Section 23(6) of the budget and reporting regulations.

# Notes to the Annual Financial Statements

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

### 56. Fruitless and wasteful expenditure

| | | |
| --- | --- | --- |
| Opening balance as previously reported | 4 527 914 | 7 957 779 |
| Add: fruitless and wasteful expenditure identified - current | 1 977 836 | 13 832 |
| Less: recoverable amount | - | (2 000 000) |
| Less: amount written off - prior period | (13 832) | (1 443 697) |
| **Closing balance** | **6 491 918** | **4 527 914** |

The fruitless and wasteful expenditure incurred during the current year has been presented to the Council. Investigation was conducted for prior years fruitless and wasteful expenditure, some were written-off as irrecoverable while some are under the process of recovering.

Fruitless and wasteful expenditure relates to interest, penalties on late payments and invalid payments made. The fruitless incurred in the 2024/25 could not be completely quantified by management, necessary amendment will made upon finalisation of the investigation.

**Details of fruitless and wasteful expenditure**

| | **Disciplinary steps taken/criminal proceedings** | | |
| --- | --- | --- | --- |
| Interest on late payments | Reported to Council | 2 215 | 13 832 |
| MTN payment of untraceable devices | Reported to Council | 1 975 621 | - |
| | | **1 977 836** | **13 832** |

### 57. Irregular expenditure

| | | |
| --- | --- | --- |
| Opening balance as previously reported | 14 759 588 | 15 199 051 |
| SCM processes not followed | 69 000 | 220 545 |
| Less: Amount written off - by Council | (220 545) | (660 008) |
| **Closing balance** | **14 608 043** | **14 759 588** |

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

| | **Disciplinary steps taken/criminal proceedings** | | |
| --- | --- | --- | --- |
| SCM processes not followed | Reported to Council | 69 000 | 220 545 |

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

### 57. Irregular expenditure (continued)

The figures reported above are inclusive of VAT. Investigation was conducted for prior years irregular expenditure, some were written-off as irrecoverable while some are under the process of recovering.

### 58. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government**

| | | |
|---|---|---|
| Opening balance | 1 333 626 | 1 333 626 |
| Current year subscription / fee | 5 000 | - |
| Amount paid - current year | (1 338 626) | - |
| | **-** | **1 333 626** |

**Audit fees**

| | | |
|---|---|---|
| Opening balance | - | - |
| Current year subscription / fee | 2 230 887 | 2 134 896 |
| Amount paid - current year | (2 230 887) | (2 134 896) |
| | **-** | **-** |

**PAYE and UIF**

| | | |
|---|---|---|
| Opening balance | (111 900) | 1 497 083 |
| Current year subscription / fee | 24 533 418 | 21 611 725 |
| Amount paid - current year | (22 326 483) | (23 220 708) |
| | **2 095 035** | **(111 900)** |

**Pension and Medical Aid Deductions**

| | | |
|---|---|---|
| Opening balance | 47 728 | 1 398 162 |
| Current year subscription / fee | 30 808 573 | 27 089 181 |
| Amount paid - current year | (28 247 887) | (28 439 615) |
| | **2 608 414** | **47 728** |

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

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

**VAT**

| | | |
|---|---|---|
| VAT receivable/ (payables) | 4 174 478 | 594 638 |

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

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

**Councillors' arrear consumer accounts**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.:

| 30 June 2025 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Cllr SR Mhlongo | 14 477 | 239 614 | 254 091 |
| Cllr MP Mafuleka | 1 231 | 63 929 | 65 160 |
| Cllr CN Nxumalo | 1 148 | 48 969 | 50 117 |
| Cllr BES Ntshangase | 704 | 35 611 | 36 315 |
| | **17 560** | **388 123** | **405 683** |

| 30 June 2024 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Cll SR Mhlongo | 15 451 | 218 591 | 234 042 |
| Cllr CN Nxumalo-Sibiya | 1 956 | 58 264 | 60 220 |
| Cllr BES Ntshangase | 895 | 32 602 | 33 497 |
| Cllr CN Mavundla | 2 259 | 1 027 | 3 286 |
| Cllr JB Ngema | 671 | 8 690 | 9 361 |
| Cllr MP Mafuleka | 1 601 | 58 820 | 60 421 |
| Cllr KE Nxumalo | 631 | - | 631 |
| | **23 464** | **377 994** | **401 458** |

### 59. Deviation from supply chain management regulations

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

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

| **Section 36 Deviations** | | |
|---|---|---|
| SCM Regulation 36(1)(a)(i)-Emergency | 2 424 982 | 1 293 268 |
| SCM Regulation 36(1)(a)(ii)-Single provider only | 215 444 | 196 932 |
| SCM Regulation 36(1)(a)(v)-Impractical to follow the procurement processes | 2 944 783 | 2 317 574 |
| | **5 585 209** | **3 807 774** |

### 60. Budget differences

**Material differences between budget and actual amounts**

Reason were provided for variance more than 5%, as these were considered material.

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

**60. Budget differences (continued)**

Statement of Financial Performance:

Revenue

Agency fees: The increase is due to lower demand.

Interest earned from receivables: Collection rate increased and incentives that were provided

Interest on current and non-current account: The budget was based on the mid-year assessment which indicated an increase as at December 2024 which then resulted in the budgeted amount being overstated

Rental of facilities and equipments: The budget was based on the Mid-year assessment which indicated an increase in rental of facilities as at December 2024 which then resulted in the budgeted amount being overstated

Operational revenue: The increase is due to CETA refunds.

Contruction contract: The budget was based on the Mid-year assessment as at December 2024 and the 2023/24 AFS which then resulted in the budgeted amount being overstate.d

Fair value adjustment: The fair value adjustment was not budgeted for.

Fines, penalties and forfeits: The increase is due forfits on retentions.

**Expenditure**.

Remuneration of councillors: The budget amount was overstated..

Bulk purchases: The budget was based on the Mid-year assessment which indicated an increase as at December 2024 which then resulted in the budgeted amount being overstate, change in customer demand as a result of alternative sources of energy.

Inventory consumed: The was due to demand in maintanence of infrastructure and municipal assets.

Debt impairment: The impairement of traffic fines increased as a result of fines withdrawals and struck of rolls.

Contracted services: The budget was based on the Mid-year assessment which indicated an increase as at December 2024 which then resulted in the budgeted amount being overstate.

Depreciation and amortisation: The conditional assessment on assets.

Finance costs: The amount includes intrest costs from actuarial valuation and interest from lanfill site provision

Operating lease: The budget was based on the Mid-year assessment which indicated an increase as at December 2024 which then resulted in the budgeted amount being understaten

Debtors written-off: The budget was understated, as there were incentives that were provided during the financial year

Operational cost: The budget was based on the Mid-year assessment which indicated an increase as at December 2024 which then resulted in the budgeted amount being understater

Contruction contract: The budget was based on the Mid-year assessment as at December 2024 and the 2023/24 AFS which then resulted in the budgeted amount being overstate.

Actuarial losses: The acturial losses were not budgeted for.

Loss on disposal of capital assets: The gains on disposal of capital assets were not budgeted for.

**Statement of Financial Position**.

Cash and cash equivalents: This was due to the increase on interest from call acounts and improvement in debt collection.

**60. Budget differences (continued)**

Receivable from exchange: payments were recieved than anticipated.

Statutory receivable from exchange: payments were recieved than anticipated.

Statutory receivable from exchange: payments were recieved than anticipated.

VAT receivable/(payable): VAT on MTN in the prior year.

Investment property: The fair value adjustment was not budgeted for.

Propery, plant, and equipment: There were assets written off and were asset dispossed.

Intangible assets: The budget was overstated.

Other non-current assets: The budget was overstated.

Payables from exchange transaction: Some invoices were submitted late.

Long service awards: The budget was understated.

Provisions: The budget was understated.

Employee benefits obligation: The budget was understated.

**Statement of cash flows**.

Sale of goods and services: This was to the implimentation of the revenue enhancement strategy.

Grants: The budget was oversated.

Cash and cash equivalents: This was due to the increase on interest from call acounts and improvement in debt collection.

**Changes from the approved budget to the final budget**

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters, addditional grants being provided and reduction on INEP grant.

**61. Segment information**

**General information**

# Notes to the Annual Financial Statements

Figures in Rand

### 61. Segment information (continued)

**Segment surplus or deficit, assets and liabilities**

**Committemnt**

| | Finance & Admin | Community & Public Safety | Planning & Development | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from exchange transactions | - | - | - | - |
| Service charges | - | 12 004 527 | 71 577 441 | 83 581 968 |
| Agency services | - | 1 351 361 | - | 1 351 361 |
| Interest earned from receivables | 578 236 | 468 232 | 35 978 | 1 082 446 |
| Interest from from current and non-current assets | 4 461 911 | - | - | 4 461 911 |
| Licences and permits | - | 1 680 529 | 57 654 | 1 738 183 |
| Rental of facilities and equipments | 496 897 | 74 604 | - | 571 501 |
| Operational revenue | 7 754 462 | 177 212 | 343 670 | 8 275 344 |
| Construction contract revenue | - | 36 642 274 | 3 109 565 | 39 751 839 |
| Fair value adjustments | 2 917 000 | - | - | 2 917 000 |
| Revenue from non-exchange transactions | - | - | - | - |
| Property rates | 48 208 408 | - | - | 48 208 408 |
| Fines, Penalties and Forfeits | 5 047 106 | 1 059 400 | - | 6 106 506 |
| Government grants & subsidies | 108 728 435 | 73 275 911 | 81 939 987 | 263 944 333 |
| **Total segment revenue** | **178 192 455** | **126 734 050** | **157 064 295** | **461 990 800** |
| **Municipaliy's revenue** | | | | **461 990 800** |
| **Expenditure** | | | | |
| Employee related costs | 54 902 452 | 60 570 449 | 29 127 844 | 144 600 745 |
| Remuneration of Councillors | 11 592 749 | - | - | 11 592 749 |
| Bulk purchases | - | - | 55 233 237 | 55 233 237 |
| Inventory consumed | 1 320 522 | 417 762 | 27 847 547 | 29 585 831 |
| Debt Impairment | 9 484 716 | 1 448 627 | 2 617 808 | 13 551 151 |
| Depreciation, amortisation and impairment | 5 031 998 | 12 953 178 | 17 166 419 | 35 151 595 |
| Finance costs | 1 000 744 | 1 480 597 | - | 2 481 341 |
| Operating lease | 4 981 386 | - | - | 4 981 386 |
| Contracted services | 27 564 704 | 1 549 026 | 3 239 654 | 32 353 384 |

### 61. Segment information (continued)

| | Finance & Admin | Community & Public Safety | Planning & Development | Total |
|---|---|---|---|---|
| Irrecoverable debts written off | - | 5 398 382 | - | 5 398 382 |
| Operational costs | 34 337 676 | 6 771 366 | 8 927 953 | 50 036 995 |
| Construction contract expenditure | - | 36 642 274 | 3 109 565 | 39 751 839 |
| Actuarial (gains) losses | 929 870 | - | - | 929 870 |
| (Gains)/ losses on disposal of assets | 1 223 252 | - | - | 1 223 252 |
| **Total segment expenditure** | **152 370 069** | **127 231 661** | **147 270 027** | **426 871 757** |
| **Total segmental surplus/(deficit)** | **25 822 386** | **(497 611)** | **9 794 268** | **35 119 043** |
| **Assets** | | | | |
| Current assets | - | - | - | - |
| Cash and cash equivalents | 19 942 214 | - | - | 19 942 214 |
| Trade and other receivables from exchange transactions | 1 412 474 | 5 169 996 | 9 169 956 | 15 752 426 |
| Receivables from non-exchange transactions | 10 827 026 | 724 500 | - | 11 551 526 |
| VAT receivable | 4 174 478 | - | - | 4 174 478 |
| Prepayments | 1 964 685 | - | - | 1 964 685 |
| Other current assets | 750 000 | - | - | 750 000 |
| Non-current assets | - | - | - | - |
| Investment property | 78 477 000 | - | - | 78 477 000 |
| Property, plant and equipment | 27 152 257 | 180 344 850 | 194 923 660 | 402 420 767 |
| Heritage assets | 70 945 | - | - | 70 945 |
| Intangible assets | 358 798 | - | - | 358 798 |
| Other non-current assets | 500 000 | - | - | 500 000 |
| **Total segment assets** | **145 629 877** | **186 239 346** | **204 093 616** | **535 962 839** |
| Additions to non-current assets | | | | 76 046 567 |
| **Total assets as per Statement of financial Position** | | | | **535 962 839** |
| **Liabilities** | | | | |
| Current liabilities | - | - | - | - |
| Consumer deposits | 2 910 638 | - | - | 2 910 638 |
| Trade and other payables from exchange transactions | 47 807 834 | - | - | 47 807 834 |

### 61. Segment information (continued)

| | Finance & Admin | Community & Public Safety | Planning & Development | Total |
|---|---|---|---|---|
| Trade and other payables from non-exchange transactions | - | - | 3 417 | 3 417 |
| Provisions: current portion | 667 666 | 1 581 372 | - | 2 249 038 |
| Employee benefits obligation - current portion | 284 954 | - | - | 284 954 |
| Long service award - current portion | 1 692 102 | - | - | 1 692 102 |
| Non-Current liabilities | - | - | - | - |
| Provisions: non-current portion | - | 12 326 902 | - | 12 326 902 |
| Employee benefit obligation: non-current portion | 2 993 084 | - | - | 2 993 084 |
| Long service award: non-current portion | 6 174 586 | - | - | 6 174 586 |
| Other financial liabilities | 341 542 | - | - | 341 542 |
| **Total segment liabilities** | **62 872 406** | **13 908 274** | **3 417** | **76 784 097** |
| **Total liabilities as per Statement of financial Position** | | | | **76 784 097** |

**2024**

| | Finance & Admin | Community & Public Safety | Planning & Development | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue from exchange transactions | - | - | - | - |
| Service charges | - | 11 398 421 | 53 395 362 | 64 793 783 |
| Agency services | - | 1 134 948 | - | 1 134 948 |
| Interest earned from receivables | 505 374 | 409 231 | 31 445 | 946 050 |
| Interest earned from call accounts | 4 543 135 | - | - | 4 543 135 |
| Licences and permits | - | 1 623 955 | 32 199 | 1 656 154 |
| Rental of facilities and equipment | 517 004 | - | - | 517 004 |
| Operational revenue | 4 371 208 | 298 369 | 4 368 463 | 9 038 040 |
| Construction contracts revenue | - | 40 259 266 | 2 817 391 | 43 076 657 |
| Gain on disposal of capital assets | 493 433 | - | - | 493 433 |
| Fair value adjustment | 10 689 002 | - | - | 10 689 002 |
| Revenue from non-exchange transactions | - | - | - | - |
| Property rates | 48 135 202 | - | - | 48 135 202 |
| Fines, penalties and forfeits | - | 1 550 400 | - | 1 550 400 |
| Grants and subsidies | 80 806 961 | 93 202 991 | 54 554 353 | 228 564 305 |

### 61. Segment information (continued)

| | | | | |
|---|---|---|---|---|
| **Total segment revenue** | **150 061 319** | **149 877 581** | **115 199 213** | **415 138 113** |
| **Entity's revenue** | | | | **415 138 113** |
| | | | | |
| **Expenditure** | | | | |
| Employee related costs | 50 502 546 | 56 252 167 | 25 581 239 | 132 335 952 |
| Remuneration of councillors | 11 294 304 | - | - | 11 294 304 |
| Bulk purchases | - | - | 45 062 080 | 45 062 080 |
| Inventory Consumed | 1 029 690 | 325 754 | 21 714 395 | 23 069 839 |
| Debt impairment | 14 217 627 | 8 950 136 | 361 004 | 23 528 767 |
| Depreciation, amortisation and impairment | 2 666 435 | 5 168 899 | 17 159 104 | 24 994 438 |
| Finance costs | 1 014 180 | 1 352 703 | - | 2 366 883 |
| Operating lease | 6 179 189 | - | - | 6 179 189 |
| Contracted services | 22 542 201 | 2 074 138 | 4 497 990 | 29 114 329 |
| Irrecoverable debts written-off | - | 4 846 952 | - | 4 846 952 |
| Operational costs | 30 730 496 | 6 421 088 | 7 795 836 | 44 947 420 |
| Transfer of infrastructure asset | - | - | 21 166 354 | 21 166 354 |
| Construction contract expenditure | - | 40 259 267 | 2 817 391 | 43 076 658 |
| Actuarial losses | - | - | 777 050 | 777 050 |
| **Total segment expenditure** | **140 176 668** | **125 651 104** | **146 932 443** | **412 760 215** |
| **Total segmental surplus/(deficit)** | **9 884 651** | **24 226 477** | **(31 733 230)** | **2 377 898** |
| | | | | |
| **Assets** | | | | |
| Current assets | - | - | - | - |
| Cash and cash equivalents | 24 824 039 | - | - | 24 824 039 |
| Trade and other receivable from exchange transactions | 4 763 212 | 2 092 767 | 6 624 322 | 13 480 301 |
| Receivables from non-exchange transactions | 8 033 540 | 901 277 | - | 8 934 817 |
| VAT receivable | 94 849 | - | - | 94 849 |
| Other current asset | 750 000 | - | - | 750 000 |
| Non-current asset | - | - | - | - |
| Investment property | 75 910 000 | - | - | 75 910 000 |
| Property, plant and equipment | 30 172 326 | 129 265 598 | 201 096 418 | 360 534 342 |
| Heritage asset | 70 945 | - | - | 70 945 |
| Intangible asset | 502 778 | - | - | 502 778 |
| Other non-current asset | 1 250 000 | - | - | 1 250 000 |

# Notes to the Annual Financial Statements

Figures in Rand

| | Finance & Admin | Community & Public Safety | Planning & Development | Total |
|---|---|---|---|---|
| **61. Segment information (continued)** | | | | |
| **Total segment assets** | **146 371 689** | **132 259 642** | **207 720 740** | **486 352 071** |
| Additions to non-current assets | | | | 36 878 581 |
| **Total assets as per Statement of financial Position** | | | | **36 878 581** |
| **Liabilities** | | | | |
| Current liabilities | - | - | - | - |
| Consumer deposits | 2 856 306 | - | - | 2 856 306 |
| Trade and other payables from exchange transactions | 37 158 511 | - | - | 37 158 511 |
| Trade and other payables from non-exchange transactions | - | - | 3 418 | 3 418 |
| Provision: current portion | 2 126 935 | - | - | 2 126 935 |
| Employee benefits obligation: current | 289 109 | - | - | 289 109 |
| Long service award: current | 492 030 | - | - | 492 030 |
| Non-Current liablities | - | - | - | - |
| Provision: non-current portion | - | 10 919 711 | - | 10 919 711 |
| Employee benefits obligation: non-current | 2 401 865 | - | - | 2 401 865 |
| Long service award: non-current | 6 444 914 | - | - | 6 444 914 |
| Other financial liabilities | 341 542 | - | - | 341 542 |
| **Total segment liabilities** | **52 111 212** | **10 919 711** | **3 418** | **63 034 341** |
| **Total liabilities as per Statement of financial Position** | | | | **63 034 341** |

Following a change in the mSCOA specimen for the composition of municipal reportable segments, the prior year segment reporting has been reclassified to be in line with the main statements and which was subsequently disclosed in the prior period adjustment note 51.