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

General Information

Legal form of entity	KZN275 - Local Municipality The Municipality's operations are governed by -Municipal Finance Management Act 56 of 2003, -Municipal Structures Act 117 of 1998, -Municipal Systems Act 32 of 2000, -Municipal Property Rates Act (act of 6 2004), -Division of Revenue Act (Act 1 of 2007) and various other acts and regulations.
Nature of business and principal activities	The provision of service, (sanitation and refuse removal and security) to communities within its municipal jurisdiction in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayor	Cllr. M Mthethwa
Deputy Mayor	Cllr. MZ Shobede
Speaker	Cllr. SJ Shezi
Chief WHIP	Cllr. MP Ndlovu
MPAC Chairperson	Cllr. NM Ncube
Other executive committee members	Cllr. MA Gina
	Cllr. LM Mkhwanazi
	Cllr. RBB Mkhwanzi
	Cllr. NPM Mlungwana
	Cllr. DR Ntuli
	Cllr. MB Shangase
	Cllr. S Vilana
Councillors	Cllr. JM Gumede
	Cllr. MR Gumede
	Cllr. PF Gumede
	Cllr. SM Khumalo
	Cllr. L Madondo
	Cllr. GM Masango
	Cllr. IM Masondo
	Cllr. VR Mazibuko
	Cllr. PPN Mbatha
	Cllr. B Mdluli
	Cllr. KD Mfeka
	Cllr. LS Mfekaye
	Cllr. SE Mkhize
	Cllr. MQ Mkhwanazi (deceased 17 September 2024)
	Cllr. S Mkhumbuzi
	Cllr. NJ Mlambo
	Cllr. SP Mngomezulu
	Cllr. SR Mngomezulu
	Cllr. ME Mnyango
	Cllr. LS Msweli
	Cllr. NS Mthimkhulu
	Cllr. BP Mthiyane
	Cllr. JB Mthiyane
	Cllr. DN Nene
	Cllr. SB Ngubane

General Information

	Cllr. PV Ntshalintshali Cllr. DR Ntuli Cllr. TQ Ntuli Cllr. XL Qwabe Cllr. TM Sibiya Cllr. MM Zikhali Cllr. TP Zikhali Cllr. JM Zungu Cllr. BM Zulu
Grading of local authority	Grade 3
Chief Financial Officer	Mr VK Gumede
Accounting Officer	Mr TV Xulu
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	P O Box 52 Mtubatuba 3935
Bankers	First National Bank
Auditors	Auditor-General South Africa Registered Auditors

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

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
SARS	South African Revenue Services
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
INEP	Integrated National Electrification Programme
CFO	Chief Financial Officer
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

I certify that the salaries, allowances and benefits of councilors as disclosed in the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of the Public Office Bearers Act, Act 20 of 1998.

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

Mr TV Xulu
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	3&4	52 340 768	34 427 234
Receivables from exchange transactions	5	3 016 901	2 328 139
Cash and cash equivalents	6	23 093 168	2 122 237
		78 450 837	**38 877 610**
Non-Current Assets			
Investment property	7	44 740 100	44 066 400
Property, plant and equipment	8	550 377 106	540 704 561
Intangible assets	9	-	125 013
Heritage assets	10	1 104 835	1 104 835
		596 222 041	**586 000 809**
Total Assets		**674 672 878**	**624 878 419**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	91 520 568	91 899 485
Unspent conditional grants and receipts	12	20 853 190	14 571 745
Long service awards	14	525 000	435 000
Bank overdraft	6	18 954 522	-
		131 853 280	**106 906 230**
Non-Current Liabilities			
Provisions	13	45 782 193	38 295 061
Long service awards	14	6 258 000	4 353 000
		52 040 193	**42 648 061**
Total Liabilities		**183 893 473**	**149 554 291**
Net Assets		**490 779 405**	**475 324 128**
Accumulated surplus		490 779 405	475 324 125
Total Net Assets		**490 779 405**	**475 324 125**

* See Note 46 & 45

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	5 821 662	5 638 155
Rendering of services	16	782 540	911 422
Construction contracts (INEP)		-	5 631 478
Rental of facilities and equipment	18	147 293	224 424
Licences and permits	19	3 001 009	2 858 190
Other income	20	958 722	459 180
Interest income- bank and receivables from exchange	21	4 966 865	7 573 157
Total revenue from exchange transactions		**15 678 091**	**23 296 006**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	59 715 719	57 379 605
Interest income - receivables from non-exchange	23	14 984 287	20 360 806
Transfer revenue			
Government grants & subsidies	24	298 557 354	292 385 565
Public contributions and donations	25	-	42 380 810
Fines, Penalties and Forfeits	26	3 069 900	1 686 072
Total revenue from non-exchange transactions		**376 327 260**	**414 192 858**
Total revenue		**392 005 351**	**437 488 864**
Expenditure			
Employee related costs	27	(147 985 399)	(135 019 750)
Remuneration of councillors	28	(18 636 483)	(17 388 707)
Construction contracts expenditure (INEP)	29	-	(5 631 478)
Depreciation and amortisation	30	(32 429 719)	(35 582 465)
Finance costs	31	(4 500 668)	(4 537 930)
Lease rentals on operating lease	32	(1 943 350)	(1 924 451)
Debt Impairment & bad debts written off	33	(19 903 993)	(45 983 276)
Contracted services	34	(94 608 617)	(80 142 302)
General Expenses	35	(45 903 833)	(43 452 677)
Total expenditure		**(365 912 062)**	**(369 663 036)**
Operating surplus		**26 093 289**	**67 825 828**
Gain (losses) on disposal of non-current assets	37	(8 779 176)	(792 501)
Fair value adjustments	38	893 700	897 300
Impairment loss	39	(2 752 538)	(1 801 778)
		(10 638 014)	**(1 696 979)**
Surplus for the year		**15 455 275**	**66 128 849**

* See Note 46 & 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	363 838 143	363 838 143
Adjustments		
Correction of errors 45	45 357 133	45 357 133
Balance at 01 July 2023 as restated*	**409 195 276**	**409 195 276**
Changes in net assets		
Surplus for the year	66 128 849	66 128 849
Total changes	66 128 849	66 128 849
Restated* Balance at 01 July 2024	**475 324 130**	**475 324 130**
Changes in net assets		
Surplus for the period	15 455 275	15 455 275
Total changes	15 455 275	15 455 275
Balance at 30 June 2025	**490 779 405**	**490 779 405**

Note(s)

* See Note 46 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Service charges rendering of services		3 893 208	18 115 990
Property rates		39 719 871	26 652 058
Grants		304 554 999	298 369 000
Interest income		9 078 362	9 014 738
Construction contracts INEP		-	5 915 278
Licence and permits		3 001 009	2 858 190
Rental income		42 377	65 680
Other income		958 722	459 180
Fines, Penalties and Forfeits		471 116	337 922
		361 719 664	361 788 036
Payments			
Employee costs and remuneration of councillors		(162 892 952)	(149 105 084)
Suppliers		(149 923 825)	(159 411 413)
		(312 816 777)	(308 516 497)
Net cash flows from operating activities	40	**48 902 887**	**53 271 539**
Cash flows from investing activities			
Purchase of property, plant and equipment		(46 886 478)	(53 039 439)
Proceeds from sale of property, plant and equipment		-	205 504
Proceeds from sale of investment property		-	818 211
Net cash flows from investing activities		**(46 886 478)**	**(52 015 724)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**2 016 409**	**1 255 815**
Cash and cash equivalents at the beginning of the year		2 122 237	866 422
Cash and cash equivalents at the end of the year	6	**4 138 646**	**2 122 237**

The accounting policies on pages 12 to 32 and the notes on pages 33 to 73 form an integral part of the annual financial statements.

* See Note 46 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	6 878 998	(127 883)	**6 751 115**	5 821 662	**(929 453)**	A1
Rendering of services	795 680	642 990	**1 438 670**	782 540	**(656 130)**	A2
Rental of facilities and equipment	157 873	44 733	**202 606**	147 293	**(55 313)**	A3
Licences and permits	3 384 507	(350 145)	**3 034 362**	3 001 009	**(33 353)**	A4
Other income	807 266	(261 206)	**546 060**	958 722	**412 662**	A5
Interest income- bank and receivables from exchange	5 072 106	(1 389 656)	**3 682 450**	4 966 865	**1 284 415**	A6
Total revenue from exchange transactions	**17 096 430**	**(1 441 167)**	**15 655 263**	**15 678 091**	**22 828**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	55 013 116	6 054 551	**61 067 667**	59 715 719	**(1 351 948)**	A7
Interest income from receivables from non-exchange	22 023 957	1 217 503	**23 241 460**	14 984 287	**(8 257 173)**	A8
Transfer revenue						
Government grants & subsidies	292 225 000	12 250 000	**304 475 000**	298 557 354	**(5 917 646)**	A9
Fines, Penalties and Forfeits	1 785 000	131 800	**1 916 800**	3 069 900	**1 153 100**	A10
Total revenue from non-exchange transactions	**371 047 073**	**19 653 854**	**390 700 927**	**376 327 260**	**(14 373 667)**	
Total revenue	**388 143 503**	**18 212 687**	**406 356 190**	**392 005 351**	**(14 350 839)**	
Expenditure						
Employee related costs	(134 791 692)	(434 094)	**(135 225 786)**	(147 985 399)	**(12 759 613)**	A11
Remuneration of councillors	(19 635 354)	1 663 674	**(17 971 680)**	(18 636 483)	**(664 803)**	A12
Depreciation and amortisation	(30 314 318)	(1 302 888)	**(31 617 206)**	(32 429 719)	**(812 513)**	A13
Impairment loss/ Reversal of impairments	-	-	**-**	(2 752 538)	**(2 752 538)**	A14
Finance costs	(1 050 000)	-	**(1 050 000)**	(4 500 668)	**(3 450 668)**	A15
Lease rentals on operating lease	-	-	**-**	(1 943 350)	**(1 943 350)**	A16
Debt Impairment & bad debts written off	(12 849 349)	1 273 099	**(11 576 250)**	(19 903 993)	**(8 327 743)**	A17
Contracted Services	(66 426 675)	(29 614 623)	**(96 041 298)**	(94 608 617)	**1 432 681**	A18
General Expenses	(43 125 717)	(4 813 187)	**(47 938 904)**	(45 903 833)	**2 035 071**	A19
Total expenditure	**(308 193 105)**	**(33 228 019)**	**(341 421 124)**	**(368 664 600)**	**(27 243 476)**	
Operating surplus	**79 950 398**	**(15 015 332)**	**64 935 066**	**23 340 751**	**(41 594 315)**	
Loss on disposal of assets and liabilities	-	-	**-**	(8 779 176)	**(8 779 176)**	A20
Fair value adjustments	-	-	**-**	893 700	**893 700**	A21
	-	**-**	**-**	**(7 885 476)**	**(7 885 476)**	
Surplus before capital expenditure	**79 950 398**	**(15 015 332)**	**64 935 066**	**15 455 275**	**(49 479 791)**	
Capital expenditure	55 361 792	(5 829 227)	**49 532 565**	(47 679 265)	**(97 211 830)**	A22

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	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**24 588 606**	**(9 186 105)**	**15 402 501**	**63 134 540**	**47 732 039**	
Reconciliation						
Basis difference						
Capital expenditure				47 679 265		
Actual Amount in the Statement of Financial Performance				**110 813 805**		

Refer to note 56 for the details on the budget vs actual differences.

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	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	53 678 125	298 480 067	**352 158 192**	52 340 768	**(299 817 424)**	
Receivables from exchange transactions	2 601 520	16 015 312	**18 616 832**	3 016 901	**(15 599 931)**	
Other receivables from exchange transactions	807 266	(261 206)	**546 060**	-	**(546 060)**	
Cash and cash equivalents	39 090 828	(42 058 844)	**(2 968 016)**	23 093 168	**26 061 184**	
	96 177 739	**272 175 329**	**368 353 068**	**78 450 837**	**(289 902 231)**	
Non-Current Assets						
Investment property	22 833 400	(660 400)	**22 173 000**	44 740 100	**22 567 100**	
Property, plant and equipment	496 074 507	1 232 436 159	**1 728 510 666**	550 377 106	**(1 178 133 560)**	
Intangible assets	191 212	2 905 091	**3 096 303**	-	**(3 096 303)**	
Heritage assets	1 504 835	(400 000)	**1 104 835**	1 104 835	**-**	
	520 603 954	**1 234 280 850**	**1 754 884 804**	**596 222 041**	**(1 158 662 763)**	
Total Assets	**616 781 693**	**1 506 456 179**	**2 123 237 872**	**674 672 878**	**(1 448 564 994)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(94 014 963)	223 628 776	**129 613 813**	91 520 568	**(38 093 245)**	
Unspent conditional grants and receipts	(8 314 900)	17 592 110	**9 277 210**	20 853 190	**11 575 980**	
Provisions	(5 075 074)	5 745 074	**670 000**	-	**(670 000)**	
Long service awards	-	-	**-**	525 000	**525 000**	
Bank overdraft	-	-	**-**	18 954 522	**18 954 522**	
	(107 404 937)	**246 965 960**	**139 561 023**	**131 853 280**	**(7 707 743)**	
Non-Current Liabilities						
Provisions	(32 865 061)	32 865 061	**-**	45 782 193	**45 782 193**	
Long service awards	(5 389 597)	9 742 597	**4 353 000**	6 258 000	**1 905 000**	
	(38 254 658)	**42 607 658**	**4 353 000**	**52 040 193**	**47 687 193**	
Total Liabilities	**(145 659 595)**	**289 573 618**	**143 914 023**	**183 893 473**	**39 979 450**	
Net Assets	**762 441 288**	**1 216 882 561**	**1 979 323 849**	**490 779 405**	**(1 488 544 444)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	471 722 095	1 795 429 789	**2 267 151 884**	490 779 407	**(1 776 372 477)**	

1. Significant account policies

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

1.1 Basis of preparations

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate.

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated per each receivable based on observable data available and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the receivables. In the event of no enough observable data for specific customers, the municipality uses the aggregate of all receivables data to measure the pattern of receivables collections over the past years to estimate expected recoverability.

1.5 Biological assets that form part of an agricultural activity (continued)

Fair value estimation

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Non cash generating assets are impaired based on depreciated replacement cost approach.

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 13 - Provisions.

Useful lives of non-current assets

The municipality's management determines the estimated useful lives and related depreciation charges for depreciable property plant and equipment and intangible assets. This estimate is based on industry norm. Management revises the depreciation charge prospectively where useful lives are different from previously estimated useful lives.

Effective interest rate

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

Allowance for doubtful debts

Allowance for impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.For non paying debtors in the year of assessment, allowance for impairment is calculated based on historical recovery rate for all receivables in the past 3 years.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

1.6 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 34).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 7).

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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	Not depreciated	Indefinite
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	2 - 15 years
Furniture and Office Equipment	Straight-line	3 - 20 years
Motor vehicles	Straight-line	5 - 10 years
Computer equipment	Straight-line	3 - 15 years
Community assets	Straight-line	10 - 30 years
Electrical infrastructure	Straight-line	15-25 years
Solid waste infrastructure	Straight-line	3 - 15 years
Roads & Storm water infrastructure	Straight-line	10 - 50 years

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

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

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

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

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

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

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

1.7 Property, plant and equipment (continued)

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 34).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

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.

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 to 5 years

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

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.

1.9 Heritage assets (continued)

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 34).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Financial instruments

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

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

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

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

1.10 Financial instruments (continued)

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
Other receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

1.11 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

Accounting Policies

1.11 Statutory receivables (continued)

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 through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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

Any previously recognised impairment loss is recognised 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 VAT

The Municipality is a registered VAT vendor and accounts for declaration and submission of VAT returns on a cash basis.

VAT as disclosed in the annual financial statements is prepared on the accrual basis.

1.13 Leases

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

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

1.13 Leases (continued)

Operating leases - lessor

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

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 Cash and cash equivalents

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.

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

1.15 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.

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.

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.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

Discount rate

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.16 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.

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.

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

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.

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.

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.

1.17 Employee benefits

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

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

Accounting Policies

1.17 Employee benefits (continued)

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

Short-term employee benefits

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

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

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

1.18 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.

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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 contingent liability is:
(a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or nonoccurrence
of one or more uncertain future events not wholly within the control of the entity; or
(b)a present obligation that arises from past events but is not recognised because:
-(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
-(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.18 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.19 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.

1.20 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.

Measurement

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

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

Rendering of services and construction contracts

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

1.21 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.

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.

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

Recognition

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

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

Measurement

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

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

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

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

Transfers

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

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

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

When an entity recognises an increase in net assets as a result of a non-exchange transaction, it recognises revenue.

The municipality recognises revenue from conditional grants when the condition is satisfied. Upon receipt of grants/transfers that are subject to condition(s), the municipality recognises a liability.

Fines

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

1.21 Revenue from non-exchange transactions (continued)

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.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Accounting Policies

1.24 Accounting by principals and agents (continued)

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.

1.25 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality’s approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

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

1.26 Fruitless and wasteful expenditure

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

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

Accounting Policies

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

1.28 Segment information

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

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

Measurement

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

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

1.29 Budget information

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

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

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

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

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

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

Comparative information is not required.

1.30 Related parties

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

Accounting Policies

1.30 Related parties (continued)

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

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

1.31 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.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	No effective date	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 Presentation on Financial Statements	No effective date determined	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	No effective date determined	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	No effective date determined	Unlikely there will be a material impact
• GRAP 107 Mergers	No effective date determined	Unlikely there will be a material impact

3. Receivables from non exchange transactions

	2025	2024
VAT receivable	9 169 049	6 007 158
Property rates	42 700 104	28 238 401
Traffic fines	471 615	181 675
	52 340 768	**34 427 234**

	2025	2024
VAT receivable consist of:		
VAT declared on VAT 201	1 904 070	776 688
Net VAT receivable accrual	7 264 979	4 852 115
	9 169 049	**5 628 803**

4. Receivables from non-exchange transactions detailed disclosure: Statutory receivables

Included in receivables from non-exchange (Note 3) are the following statutory receivables:

	2025	2024
Gross balances		
Property rates	266 624 921	244 133 964
Traffic fines	3 946 935	18 167 526
	270 571 856	**262 301 490**
Less: Allowance for impairment		
Property rates	(223 924 817)	(215 895 563)
Traffic fines	(3 475 320)	(17 985 851)
	(227 400 137)	**(233 881 414)**
Net balance		
Property rates	42 700 104	28 238 401
Traffic fines	471 615	181 675
	43 171 719	**28 420 076**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions detailed disclosure: Statutory receivables (continued)

Property rates		
Current (0 -30 days)	2 529 726	4 193 186
31 - 60 days	2 802 007	4 113 330
61 - 90 days	2 450 237	4 111 041
91 - 120 days	4 313 140	3 650 127
121 - 150 days	4 164 152	3 721 118
> 150 days	250 365 659	224 345 162
	266 624 921	**244 133 964**

Traffic fines		
Current (0 -30 days)	207 500	186 500
31 - 60 days	145 300	-
61 - 90 days	145 700	55 950
91 - 120 days	107 770	158 500
121 - 150 days	219 865	73 550
> 150 days	3 120 800	17 693 026
	3 946 935	**18 167 526**

Total		
Current (0 -30 days)	2 737 226	4 379 686
31 - 60 days	2 947 307	4 113 330
61 - 90 days	2 595 937	4 166 991
91 - 120 days	4 420 910	3 808 627
121 - 150 days	4 384 017	3 721 118
> 150 days	253 486 459	242 111 738
	270 571 856	262 301 490
Less: Allowance for impairment	(227 400 137)	(233 881 414)
	43 171 719	**28 420 076**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(233 881 414)	(200 153 138)
Contributions to allowance	6 481 277	(33 728 276)
	(227 400 137)	**(233 881 414)**

VAT declared through VAT 201		
VAT declared on VAT 201	1 904 070	776 688

Notes to the Annual Financial Statements

4. Receivables from non-exchange transactions detailed disclosure: Statutory receivables (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Property rates values are calculated based on market value of properties as per applicable valuation roll. Allowance for debt impairment on statutory receivables takes into consideration the risk profile and payment history of each customer. Non-paying customers are assessed collectively based on past history of recovery for all default customers from the base year, which should not be more than five years.

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act No 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa. Traffic fines charged are determined by The National Road Traffic Offence Charge Book.

Determination of transaction amount

The transaction amount for property rates and traffic fines is determined in accordance with GRAP 23 on Revenue from non-exchange transactions.

Interest or other charges levied/charged

Interest on property rate has been charged as 18% in accordance with debt policy of the municipality.

No interest charged on Traffic fines debtor.

Discount rate applied to the estimated future cash flows

The municipality's uses prime rate at the end of the reporting period to discount all future cash flows to be derived from gross receivables.

Statutory receivables past due but not impaired

All receivables past due were assessed for impairment.

Statutory receivables impaired

The amount of the provision was R227 400 137 as of 30 June 2025 (June 2024: R233 881 414).

5. Receivables from exchange transactions

	2025	2024
Gross balances		
Refuse removal	26 356 576	21 575 748
Security levies	-	43 937
	26 356 576	**21 619 685**
Less: Allowance for impairment		
Refuse removal	(23 339 675)	(19 258 914)
Security levies	-	(32 632)
	(23 339 675)	**(19 291 546)**
Net balance		
Refuse removal	3 016 901	2 316 834
Security levies	-	11 305
	3 016 901	**2 328 139**

Figures in Rand	2025	2024

5. Receivables from exchange transactions (continued)

Refuse removal		
Current (0 -30 days)	783 198	840 748
31 - 60 days	444 858	647 901
61 - 90 days	667 213	589 395
91 - 120 days	650 717	2 415 878
121 - 150 days	717 189	565 771
> 150 days	23 093 402	16 516 055
	26 356 577	**21 575 748**

Security levies		
Current (0 -30 days)	-	2 880
31 - 60 days	-	2 333
61 - 90 days	-	2 268
91 - 120 days	-	2 200
121 - 150 days	-	2 355
> 150 days	-	31 901
	-	**43 937**

Summary of debtors by customer classification

Total		
Current (0 -30 days)	783 198	843 629
31 - 60 days	444 858	650 234
61 - 90 days	667 213	591 663
91 - 120 days	650 717	2 418 078
121 - 150 days	717 189	568 126
> 150 days	23 093 401	16 547 955
	26 356 576	21 619 685
Less: Allowance for impairment	(23 339 675)	(19 291 546)
	3 016 901	**2 328 139**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 291 546)	(13 063 238)
Contributions to allowance	(4 048 129)	(6 228 308)
	(23 339 675)	**(19 291 546)**

Consumer receivables past due but not impaired

All receivables past due were assessed for impairment.

Consumer receivables impaired

The amount of the provision was R 23 339 675 as of 30 June 2025 (June 2024: R 19 291 546).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	-	1 757
Bank balances	-	829 993
Short-term deposits	23 071 297	1 289 362
Petty cash	21 871	1 125
Bank overdraft	(18 954 522)	-
	4 138 646	**2 122 237**

	2025	2024
Current assets	23 093 168	2 122 237
Current liabilities	(18 954 522)	-
	4 138 646	**2 122 237**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank - Cashback 62869585128	186 715	265 551	9 536	186 715	265 551	9 536
First National Bank - Primary 53093735184	(18 954 522)	829 993	81 800	(18 954 522)	829 993	81 800
First National Bank - Eskom 71044025057	191 600	191 600	191 600	191 600	191 600	191 600
First National Bank - Money Market 62424097831	1 931 858	15 942	206 156	1 931 858	15 942	206 156
First National Bank - Call Account 62424098376	7 098	152 334	7 130	7 098	152 334	7 130
First National Bank - Money Market 6242094986	19 753 689	176 365	4 698	19 753 689	176 365	4 698
First National Bank - 62848428117	48 525	45 778	76 037	48 525	45 778	76 037
First National Bank - Small Town Rehabilitation 62848429511	47 205	44 533	32 420	47 205	44 533	32 420
First National Bank - INEP 62848428480	145 186	136 662	7 654	145 186	136 662	7 654
First National Bank - Traffic fines 62451696995	563 632	79 056	38 494	563 632	79 056	38 494
First National Bank - Petty Cash 62393938249	21 871	1 125	43 391	21 871	1 125	43 391
Nedbank Bank - 037165025375	195 787	181 541	167 506	195 787	181 541	167 506
Cash on hand	-	-	-	-	1 757	-
Total	**4 138 644**	**2 120 480**	**866 422**	**4 138 644**	**2 122 237**	**866 422**

7. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44 740 100	-	44 740 100	44 066 400	-	44 066 400

Reconciliation of investment property - 2025

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	44 066 400	(220 000)	893 700	44 740 100

Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	44 049 100	(880 000)	897 300	44 066 400

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.

7. Investment property (continued)

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. Revaluations were performed by an independent valuer, Mr C Jacobs, a professional Valuer No. 5375 registered in terms of the Property Valuers Profession Act 47 of 2000. Mr Jacobs is not connected to the municipality and has recent experience in location and category of the investment property being valued.

Valuation Methodology
The valuation was based on open market value that adopted Sales Comparison Approach to determine the market value of the property.

Market commentary & analysis and assumptions
In order to arrive at an opinion of the market value of the properties, the valuer undertook research into the market for similar properties within the subject locality.

The following market factors impacted on the South African economy nationally and locally:

- Eskom loadshedding affecting productivity
- Interest rates increased limiting the buying power of the consumer
- Lack of service delivery
- Fuel price increased to new heights
- Food prices increase due to the higher fuel price
- Rates and Taxes impact the affordability of consumers
- Possibility of a Recession

Notes to the Annual Financial Statements

Figures in Rand

8. 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	89 253 000	-	89 253 000	89 253 000	-	89 253 000
Buildings	50 451 124	(18 313 528)	32 137 596	52 511 397	(17 774 058)	34 737 339
Plant and machinery	10 918 265	(7 019 817)	3 898 448	10 634 755	(7 005 690)	3 629 065
Furniture and Office Equipment	9 491 941	(5 918 442)	3 573 499	8 839 921	(5 533 992)	3 305 929
Transport assets	10 289 707	(5 142 906)	5 146 801	5 453 291	(3 740 062)	1 713 229
IT equipment	6 730 709	(4 029 831)	2 700 878	6 717 328	(3 485 426)	3 231 902
Infrastructure	415 610 879	(261 201 680)	154 409 199	405 261 008	(244 775 035)	160 485 973
Community assets	332 702 664	(73 444 979)	259 257 685	312 639 682	(68 291 558)	244 348 124
Total	**925 448 289**	**(375 071 183)**	**550 377 106**	**891 310 382**	**(350 605 821)**	**540 704 561**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions through acquisition	Additions through construction	Disposals	Landfill site revaluation	Depreciation	Impairment loss	Total
Land	89 253 000	-	-	-	-	-	-	89 253 000
Buildings	34 737 339	-	-	-	-	(2 436 536)	(163 207)	32 137 596
Plant and machinery	3 629 065	1 434 551	-	(204 456)	-	(960 712)	-	3 898 448
Furniture and Office Equipment	3 305 929	1 480 949	-	(83 388)	-	(1 129 991)	-	3 573 499
Transport assets	1 713 229	4 836 416	-	-	-	(1 402 844)	-	5 146 801
IT equipment	3 231 902	1 197 068	-	(131 806)	-	(1 596 286)	-	2 700 878
Infrastructure	160 485 973	-	4 889 459	(5 666)	5 572 380	(14 966 277)	(1 566 670)	154 409 199
Community assets	244 348 124	107 845	33 732 973	(7 971 703)	-	(9 936 892)	(1 022 662)	259 257 685
	540 704 561	**9 056 829**	**38 622 432**	**(8 397 019)**	**5 572 380**	**(32 429 538)**	**(2 752 539)**	**550 377 106**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions through acquisition	Additions through construction	Disposals	Donations	Depreciation	Impairment loss	Impairment reversal	Total
Land	77 253 000	12 000 000	-	-	-	-	-	-	89 253 000
Buildings	38 514 737	-	-	-	-	(3 236 578)	(540 820)	-	34 737 339
Plant and machinery	4 494 726	-	-	(87 774)	158 209	(936 096)	-	-	3 629 065
Furniture and Office Equipment	2 942 018	706 333	-	(7 494)	475 202	(810 425)	-	295	3 305 929
Transport assets	3 221 506	-	-	(1 127 792)	-	(380 485)	-	-	1 713 229
IT equipment	3 184 420	1 252 292	-	(57 556)	230 000	(1 394 660)	-	17 406	3 231 902
Infrastructure	157 368 087	-	23 911 534	-	-	(20 711 530)	(82 118)	-	160 485 973
Community assets	198 071 772	-	14 035 025	-	41 484 358	(8 046 490)	(1 196 541)	-	244 348 124
	485 050 266	**13 958 625**	**37 946 559**	**(1 280 616)**	**42 347 769**	**(35 516 264)**	**(1 819 479)**	**17 701**	**540 704 561**

Pledged as security

There was no property, plant and equipment pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Property, plant and equipment (continued)

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

	2025	2024
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Mtubatuba Sports Complex Ward 05	-	17 376 647
The main contractor was terminated due to non-performance in the prior year. A new contractor was appointed during the current year and the project is currently in progress.		
Machibini Sports Field	-	10 496 657
The main contractor was terminated due to non-performance. Another contractor was appointed during 2025 financial year and the project is in progress.		
Mtubatuba Tourism Centre & SMME Facility	-	29 900 731
The project is implemented in multiple phases over multiple years due to the funding arrangement from EDTEA & COGTA.		
Dukuduku Sports Field	-	5 425 481
The main contractor was terminated due to non-performance. Another contractor was appointed during 2025 financial year and the project is in progress.		
	-	**63 199 516**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	40 377 085	36 937 585	77 314 670
Additions/capital expenditure	4 889 459	33 732 973	38 622 432
Transferred to completed items	(8 977 064)	(58 680 543)	(67 657 607)
	36 289 480	**11 990 015**	**48 279 495**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	56 301 495	22 902 560	79 204 055
Additions/capital expenditure	23 911 534	14 035 025	37 946 559
Transferred to completed items	(39 835 944)	-	(39 835 944)
	40 377 085	**36 937 585**	**77 314 670**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	194 100	507 409
Plant machinery and other equipment	4 802 672	3 277 871
Infrastructure	21 825 684	18 354 321
	26 822 456	**22 139 601**

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

9. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	-	-	-	2 677 408	(2 552 395)	125 013

Reconciliation of intangible assets - 2025

	Opening balance	Disposals	Amortisation	Total
Computer software	125 013	(124 840)	(173)	-

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	191 213	(66 200)	125 013

Pledged as security

No intangible asset had been 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

10. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayors chain	84 000	-	84 000	84 000	-	84 000
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Monuments	1 020 835	-	1 020 835	1 020 835	-	1 020 835
Total	**1 104 835**	**-**	**1 104 835**	**1 104 835**	**-**	**1 104 835**

Reconciliation of heritage assets 2025

	Opening balance	Total
Mayors chain	84 000	84 000
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Monuments	1 020 835	1 020 835
	1 104 835	**1 104 835**

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayors chain	84 000	84 000
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Monuments	1 020 835	1 020 835
	1 104 835	**1 104 835**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Payables from exchange transactions

Trade payables	49 955 667	52 703 740
Payroll accruals	8 550 577	7 285 728
Accrued leave pay	15 906 005	15 639 286
Accrued bonus	3 043 941	2 841 580
Accrued expenses	778 159	217 839
Retentions	9 219 693	8 389 587
Debtors with credit balances	3 257 237	4 196 171
Third party collections	809 289	341 754
INEP payables	-	283 800
	91 520 568	**91 899 485**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Economic Development Tourism and Environment Affairs- Capital	-	293 119
Economic Development Tourism and Environment Affairs- Operational	139 610	139 610
Municipal Emergency Housing Grant	1 882 469	1 882 469
Housing Grant	1 232 377	1 232 377
Community Library Services Grant	-	1 857 450
Municipal Infrastructure Grant - Capital	1	1 989 716
Municipal Disaster Relief Grant	17 598 734	7 177 004
	20 853 191	**14 571 745**

Movement during the year

Balance at the beginning of the year	14 571 745	8 588 310
Additions during the year	63 147 000	61 953 000
Income recognition during the year	(49 688 552)	(55 969 565)
Grant withheld from equitable share	(7 177 003)	-
	20 853 190	**14 571 745**

See note 24 for reconciliation of grants from Government.

13. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Interest	Total
Environmental rehabilitation	38 295 061	5 572 379	1 914 753	45 782 193

Reconciliation of provisions - 2024

	Opening Balance	Interest	Reduction due to re-measurement	Total
Environmental rehabilitation	37 611 652	1 831 688	(1 148 279)	38 295 061

Environmental rehabilitation provision

In terms of the Municipality's licensing stipulations on waste landfill sites, provision is made for the estimated cost of rehabilitating the landfill sites for the potion of land used or contaminated at the reporting date. The provision has been determined based on an independent valuation performed by engineers as at 30 June 2025.

The Municipality operates two landfill sites.

The Nordale landfill site is located on Plot 105, ST Lucia Road, Mtubatuba. It occupies an area of approximately 32 000m2 and is located within the Mtubatuba Local Municipality which is part of uMkhanyakude District Municipality. The landfill is approximately 1.5km west of the Mtubatuba CBD and direct access to the site can be granted from the R618 Main to Eagle Drive. The site centre co-ordinates are -28.412018 South, 32.214252 East.

The Municipality was issued with a waste management licence for the operation with intention of closure, decommissioning and rehabilitation of Mtubatuba waste disposal site i.e Nordale landfill site on 25 January 2016 for a period of 5 years. On 21 January 2021, the license was renewed and extended for a period of three years. The licence expired and the site is currently used as a transfer station whilst the municipality is sourcing funds to start the rehabilitation process. The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

The St Lucia landfill is located at Erf 321, Mtubatuba, KwaZulu Natal, The landfill occupies an area of approximately 19 000m2 and is located within the Mtubatuba Local Municipality which is part of the uMkhanyakude District Municipality. The landfill is set within the boundary of the iSimangaliso World Heritage Park. The site centre co-ordinates are -28.364778 south, 32.415026 east. The licence has expired and the site is no longer operational.

Key assumptions

- The municipality has not commenced with the planning activities for the closure of the landfill site
- The provision is currently unfunded and no provision has been made in the 2025/6 MTREF for the rehabilitation activities
- The models assumes that cashflow will be at the end of 2027 even though the licence expired in 2024
- Estimated current costs were assessed against the discounted present value of expected future cash flows in order to reflect the effects of the time value of money

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Long service awards

The amounts recognised in the statement of financial position are as follows:		
Current portion of employee benefit obligation	525 000	435 000
Long term portion of employee benefit obligations	6 258 000	4 353 000
	6 783 000	**4 788 000**

Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	4 788 000	3 359 080
Service cost	645 000	387 791
Interest cost	562 000	366 448
Actuarial (gains) losses	1 228 000	1 076 681
Benefit payments	(440 000)	(402 000)
Closing balance	**6 783 000**	**4 788 000**

Valuation assumptions

Net Discount Rate

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Key assumptions used				
Discount rate	9.89%		11.44%	
CPI	4.53%		5.95%	
Salary increase rate	5.53%		6.95%	
Net Discount Rate	4.13%		4.19%	
		22		**26**

Long service bonus awards liability

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Mtubatuba advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Completed service (Years)	Total Long Service Benefit Award (% of Annual Salary)	Long Service bonus Awards (% of Annual Salary)
5	2%	(5/250) * Annual Salary
10	4%	(10/250) * Annual Salary
15	8%	(20/250) * Annual Salary
20,25,30,35,40 and 45	12%	(30/250) * Annual Salary

*A day of accumulated leave is worth 1/250 of the annual salary.

Valuation Method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Service charges

Refuse removal	5 821 662	5 638 155

16. Rendering of services

Business plans	11 985	101 737
Cemetery and burial	230 797	211 259
Clearance certificates	19 125	13 632
Photocopies and faxes	56 935	218 643
Commission fee (Note 17)	463 698	366 151
	782 540	**911 422**

17. Accounting by principals and agents

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

The municipality entered into an agreement with KwaZulu-Natal Department of Transport, acting on behalf of KwaZulu-Natal Provincial Government for the transfer of motor vehicle, learner and driver's licence testing functions commencing on the first day of September 2022 for an initial period of 3 years to 31 August 2025. The agreement has a renewal cause not exceeding 3 years.

Mtubatuba Local Municipality therefore acts as an agent on behalf of KwaZulu-Natal Department of Transport in this agreement and the municipality shall report at all times to the Head of Department or his designee.

The municipality is entites to the following:

- a fee equal to 8,62% of collection fee including VAT, for all fees collected for motor vehicle registration and licensing fees;
- Not be entitled to any fee on the fee payable in term of section 24(1)(a) of the Road Traffic Management Corporation Act 1999, (Act no 20 of 1999);
- retain all the fees charged for the rendering of services related to learner licence functions, driving licence functions and motor vehicle testing functions except to the extent that the municipality shall pay for the production costs of licence cards as prescribed by the department and pay 3 % of all fees collected to the South African Bureau of Standards

Based on the arrangement, the arrangement for motor vehicle registration and licensing functions meet the definition of principal-agent arrangement in which the municipality act as an agent.

The municipality is entitles to all fees charged for learner licence functions, driving licence functions and motor vehicle testing functions except to the fee payable to the South African Bureau of Standards and production costs thereof, and therefore these functions do not meet the requirements of principal-agency relationship.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R463 698 (2024: R366 151), inlcuded under rendering of services as commission fees.

Liabilities and corresponding rights of reimbursement recognised as assets

The municipality holds the following funds payable to the principal and/or his designee thereof in terms of this arrangement:

Amounts included in payables from exchange transactions		
Third party collections	809 289	341 754

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Rental of facilities and equipment

Premises		
Rental of premises	147 293	220 986
Facilities and equipment		
Rental of facilities	-	3 438
	147 293	**224 424**

19. Licences and permits

Drivers' and learners' licence services	3 001 009	2 858 190

The municipality generates revenue from rendering of services related to learner licence functions, driving licence functions and motor vehicle testing functions. The municipality entered into an agreement with KwaZulu-Natal Department of Transport, acting on behalf of KwaZulu-Natal Provincial Government for the transfer of the services and the municipality is entitled to the full revenue from the services and may pay 3 % of all fees collected to the South African Bureau of Standards.

20. Other income

Sale of timber	652 174	217 391
Advertising and sundry income	306 548	241 789
	958 722	**459 180**

21. Interest income- bank and receivables from exchange

Interest income comprises of:		
Bank	2 070 093	2 240 303
Receivables from exchange transactions	2 896 772	5 332 854
	4 966 865	**7 573 157**

22. Property rates

Rates for the year

Residential	22 101 960	21 055 825
Commercial	21 149 924	20 546 610
State	12 555 589	11 780 201
Municipal	1 434 526	1 408 730
Small holdings and farms	6 957 686	7 093 544
Less: Income forgone	(4 483 966)	(4 505 305)
	59 715 719	**57 379 605**

Valuations

Valuations on land and buildings are performed every 5 years in terms of the Municipal Property Rates Act. The last general valuation came into effect on 1 July 2020. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Property rates are levied on a monthly basis.

The new general valuation will be implemented on 01 July 2025.

23. Interest income - receivables from non-exchange

Interest - Receivables	14 984 287	20 360 806

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants & subsidies

Operating grants

Equitable share	245 140 803	232 846 000
Municipal infrastructure operational grant	1 022 436	859 989
Expanded public work program	2 226 000	2 100 000
Financial management grant	1 900 000	1 920 000
Caretaker grant	-	688 411
Community library services grant	4 303 450	2 755 206
Municipal Disaster Relief Grant	2 192 266	2 690 996
Unconditional Community Library Services Grant	3 728 000	3 570 000
	260 512 955	**247 430 602**

Capital grants

Economic Development Tourism and Environment Affairs	293 119	5 495 669
Municipal infrastructure grant	37 751 280	39 459 294
	38 044 399	**44 954 963**
	298 557 354	**292 385 565**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	63 147 000	61 953 000
Unconditional grants received	241 407 999	236 416 000
	304 554 999	**298 369 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Economic Development Tourism and Environment Affairs (capital)

Balance unspent at beginning of year	293 119	2 788 787
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(293 119)	(5 495 668)
	-	**293 119**

Conditions still to be met - remain liabilities (see note 12).

Economic Development Tourism and Environment Affairs (operational)

Balance unspent at beginning of year	139 610	139 610

Conditions still to be met - remain liabilities (see note 12).

Municipal Emergency Housing Grant

Balance unspent at beginning of year	1 882 469	1 882 469

Conditions still to be met - remain liabilities (see note 12).

Housing Grant

Balance unspent at beginning of year	1 232 377	1 232 377

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).

Community Library Services Grant

Balance unspent at beginning of year	1 857 450	2 271 656
Current-year receipts	2 446 000	2 341 000
Conditions met - transferred to revenue	(4 303 450)	(2 755 206)
	-	**1 857 450**

Municipal infrastructure grant (operational)

Current-year receipts	1 022 436	859 989
Conditions met - transferred to revenue	(1 022 436)	(859 989)
	-	-

Municipal Infrastructure Grant (capital)

Balance unspent at beginning of year	1 989 716	-
Current-year receipts	35 761 564	41 449 011
Conditions met - transferred to revenue	(37 751 279)	(39 459 295)
	1	**1 989 716**

Caretaker grant

Balance unspent at beginning of year	-	273 411
Current-year receipts	-	415 000
Conditions met - transferred to revenue	-	(688 411)
	-	-

Expanded Public Works Program (EPWP)

Current-year receipts	2 226 000	2 100 000
Conditions met - transferred to revenue	(2 226 000)	(2 100 000)
	-	-

Unconditional Community Library Services Grant

Current-year receipts	3 728 000	3 570 000
Conditions met - transferred to revenue	(3 728 000)	(3 570 000)
	-	-

Financial Management Grant (FMG)

Current-year receipts	1 900 000	1 920 000
Conditions met - transferred to revenue	(1 900 000)	(1 920 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Municipal Disaster Relief Grant

Balance unspent at beginning of year	7 177 004	-
Current-year receipts	19 791 000	9 868 000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Government grants & subsidies (continued)

Conditions met - transferred to revenue	(2 192 266)	(2 690 996)
Grant withheld from equitable share	(7 177 004)	-
	17 598 734	**7 177 004**

Conditions still to be met - remain liabilities (see note 12).

25. Public contributions and donations

Assets donated at fair value	-	42 380 810

The municipality received donations of library and equipment to the value of R42 380 810 during the prior year. These were capitalised as property plant and equipment. Refer to note 8 for assets donated.

26. Fines, Penalties and Forfeits

Traffic fines	3 069 900	1 686 072

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs

Basic	88 481 190	81 352 863
Acting allowance	249 097	418 181
Bonus	6 547 029	6 008 741
Medical aid - company contributions	7 959 799	7 326 328
UIF	673 079	870 685
SDL	1 165 387	1 346 377
Bargaining council	30 590	30 578
Leave pay provision charge	1 248 688	1 207 051
Standby Allowance	2 018 018	2 456 409
Life insurance - company contribution	1 987 916	2 119 100
Cellphone allowance	132 300	113 400
Defined contribution plans	14 797 244	14 027 876
Travel, motor car, accommodation, subsistence and other allowances	16 271 759	12 401 849
Overtime payments	3 692 761	3 039 945
Long-service awards	2 103 511	1 324 735
Housing benefits and allowances	627 031	975 632
	147 985 399	**135 019 750**

Remuneration of Municipal Manager (TV Xulu)

Annual Remuneration	702 564	633 570
Travel Allowance	202 398	198 540
Housing Allowance	151 798	148 905
Cellphone allowance	25 200	25 200
Rural and other allowances	124 161	-
Contributions to UIF, Medical and SDL	64 888	64 047
	1 271 009	**1 070 262**

Remuneration of Chief Finance Officer (VK Gumede)

Annual Remuneration	717 221	302 104
Acting allowance	-	37 279
Annual bonus Bonuses	-	20 089
Travel allowance	165 627	60 926
Leave payout	93 450	-
Contributions to UIF and SDL	12 664	6 094
Cellphone allowance	25 200	-
Rural and other allowances	86 906	-
	1 101 068	**426 492**

The Chief Financial Office (CFO) was appointed as acting CFO from January 2024 till May 2024, he was then appointed as permanent CFO from June 2024.

Remuneration of Chief Finance Officer (B Shandu, resigned 31 December 2023)

Annual Remuneration	-	270 773
Travel and Subsistence Allowance	-	93 870
Housing Allowance	-	68 954
Cellphone Allowance	-	14 700
Leave paid out	-	63 748
Contributions to UIF and SDL	-	63 281
	-	**575 326**

Remuneration of General Manager - Community Services (SJ Khoza)

Annual Remuneration	524 151	468 505

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

Travel Allowance	175 529	165 600
Housing Allowance	74 622	73 200
Cellphone Allowance	25 200	25 200
Rural and other allowances	105 590	-
Contributions to UIF, SDL, Medical and Pension Funds	153 888	151 619
	1 058 980	**884 124**

Remuneration of General Manager - Technical Services (SF Mchunu)

Annual Remuneration	590 100	533 218
Travel Allowance	193 283	189 000
Housing Allowance	85 632	84 000
Re-imbursive travel	-	18 701
Cellphone Allowance	14 700	-
Rural and other allowances	105 551	-
Contributions to UIF, Medical and SDL	51 873	51 476
	1 041 139	**876 395**

Remuneration of General Manager - Planning (Mrs Z Thwala Zulu, terminated September 2024)

Annual Remuneration	131 618	520 264
Travel ands Subsistence Allowance	46 935	187 740
Housing Allowance	23 307	93 227
Re-imbursive travel allowance	-	3 289
Cellphone Allowance	6 300	25 200
Contributions to UIF, Medical and SDL	13 876	57 697
Leave payout	-	137 689
	222 036	**1 025 106**

Mrs Z Thwala's contract ended in June 2024 and was extended to September 2024. From October 2024 to January 2025, Mr AN Dube was acting General Manager for Panning, and was later appointed as General Manager in February 2025.

Remuneration of General Manager - Corporate Services(TV Mkhize, resigned 30 April 2024)

Annual Remuneration	-	528 569
Travel Allowance	-	268 503
Cellphone Allowance	-	21 000
Leave payout	-	84 155
Contributions to UIF, Medical and SDL	-	76 133
	-	**978 360**

The General Manager Corporate Services resigned end of April 2024. Mr ME Sithole was then appointed towards the end of June 2024.

Remuneration of General Manager - Corporate Services(ME Sithole, appointed end of June 2024)

Annual Remuneration	701 849	-
Travel Allowance	262 420	-
Contributions to UIF, Medical and Pension Funds	179 100	-
Rural and other allowances	107 583	-
Cellphone allowance	25 200	-
	1 276 152	**-**

Remuneration of General Manager - Planning (Mr AM Dube, appointed Jan 2025)

Annual Remuneration	201 719	-

Figures in Rand	2025	2024

27. Employee related costs (continued)

Travel Allowance	91 690	-
Housing allowance	55 014	-
Contributions to UIF, Medical and Pension Funds	24 230	-
Cellphone allowance	10 500	-
Rural and other allowances	56 807	-
Leave paid out	90 935	-
	530 895	**-**

28. Remuneration of councillors

Mayor	1 078 735	939 055
Deputy Mayor	845 035	421 273
Chief WHIP	757 187	716 014
Speaker	913 737	759 889
Mayoral Committee Members	3 693 389	3 220 530
Councillors	11 348 400	11 331 946
	18 636 483	**17 388 707**

In-kind benefits

During the current financial year, the municipality acquired three vehicles, each for the Mayor, Deputy Executive Mayor, Speaker.In the prior year, the Mayor and the Speaker each had a rented vehicle for official duties until end of February 2024.

The Mayor has one full-time bodyguard employed by the municipality.

29. Construction contracts (INEP)

Construction contracts revenue	-	5 631 478
Construction contracts expenditure	-	(5 631 478)
	-	**-**

30. Depreciation and amortisation

Property, plant and equipment	32 429 546	35 516 264
Intangible assets	173	66 201
	32 429 719	**35 582 465**

31. Finance costs

Trade and other payables SARS penalties and interest	2 023 915	2 339 795
Landfill site provision and long service awards	2 476 753	2 198 135
	4 500 668	**4 537 930**

32. Lease rentals on operating lease

Equipment		
Contractual amounts	1 943 350	1 924 451

33. Debt impairment& bad debts written off

Debt impairment	(2 433 149)	41 355 494
Bad debts written off	22 337 142	4 627 782
	19 903 993	**45 983 276**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Contracted services

Outsourced Services		
Administrative and Support Staff	-	411 170
Audit committee fees	461 272	659 660
Catering Services	502 937	253 191
Cleaning Services	4 181 223	1 264 978
Community Awareness	60 600	181 710
Internal Auditors	714 113	1 267 089
Medical services	1 500	42 035
Signage	127 005	622 840
Refuse Removal	14 540 510	8 030 270
Researcher	1 327 260	534 620
Security Services	16 345 365	19 408 221
Transport Services	2 133 409	2 300 302
Consultants and Professional Services		
Business and Advisory	14 844 203	13 484 815
Other professional fees	-	178 000
Court litigation costs	471 235	-
Legal Cost	6 597 500	8 189 491
Contractors		
Audio-visual Services	4 434 475	123 685
Employee Wellness	185 432	1 050 624
Maintenance of Buildings and Facilities	1 165 944	507 409
Maintenance of Equipment	4 688 950	3 277 871
Maintenance of infrastructure and other assets	21 825 684	18 354 321
	94 608 617	**80 142 302**

35. General expenses

Advertising	2 997 378	1 470 415
Auditors remuneration	4 533 234	3 080 398
Bank charges	795 538	651 031
Consumables	2 401 101	5 477 251
Hire	8 090 428	7 462 900
Insurance	-	(21 788)
IT expenses	493 728	2 808 792
Fuel and oil	1 933 100	1 489 577
Printing and stationery	3 369 138	1 863 675
Subscriptions and membership fees	321 921	1 867 518
Telephone and fax	1 795 735	3 327 882
Transport and vehicle expenses	878 827	997 260
Training	662 268	736 874
Travel and accommodation	839 450	769 417
Electricity	2 228 463	1 597 474
Uniforms	1 862 253	1 740 316
Ward committee fees	4 008 480	4 050 850
Public participation expenses	6 635 174	3 241 631
Assets below threshold	-	33 010
Learnership expenses	-	194 485
Unauthorised debit orders	-	4 489
Poverty alleviation programmes	534 800	362 650
Venue hire	251 913	246 570
Professional fees	1 142 422	-
Recruitment costs	128 482	-
	45 903 833	**43 452 677**

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Figures in Rand	2025	2024

36. Auditors' remuneration

Fees	4 533 234	3 080 398

37. Gains (losses) on disposal of non-current assets

Selling price	-	1 368 115
Carrying value of assets disposed	(8 779 176)	(2 160 616)
	(8 779 176)	**(792 501)**

38. Fair value adjustments

Investment property (Fair value model)	893 700	897 300

39. Impairment loss

Impairments		
Property, plant and equipment	2 752 538	1 801 778

40. Cash generated from operations

Surplus	15 455 275	66 128 849
Adjustments for:		
Depreciation and amortisation	32 429 719	35 582 465
Gain on sale of assets and liabilities	8 779 176	792 501
Fair value adjustments	(893 700)	(897 300)
Impairment loss	2 752 538	1 801 778
Debt impairment & bad debts written off	19 903 993	45 983 276
Movements in provisions	1 914 752	683 409
Non-cash donations and other in-kind benefits	-	(42 380 810)
Other non-cash items	-	377 446
Changes in working capital:		
Receivables from non-exchange transactions	(31 662 935)	(45 795 343)
Receivables from exchange transactions	(4 736 891)	7 525 652
Payables from exchange transactions	(3 315 485)	(23 942 739)
Unspent conditional grants and receipts	6 281 445	5 983 435
Movement in employee obligation	1 995 000	1 428 920
	48 902 887	**53 271 539**

Figures in Rand	2025	2024

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	47 665 593	17 326 172
Total capital commitments		
Already contracted for but not provided for	47 665 593	17 326 172

Authorised operational expenditure

This committed expenditure relates to contracts for acquisition, construction and/or upgrade of property, plan and equipment and will be financed by, existing cash resources, funds internally generated, and government grants.

Refer to 45 for prior period error on commitments.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 556 584	1 556 584
- in second to fifth year inclusive	-	1 556 584
	1 556 584	**3 113 168**

Current year operating lease payments represent rentals payable by the municipality for rental of photocopier machines. The lease commenced on 1st of July 2023 and is for a period of three years. Contingent rent is payable based on copies made, plus a fixed fee for each machine..

42. Contingencies

The municipality had the following contingent liabilities as at the end of the reporting period:

Total contingent liabilities		
uMhlathuze construction and industrial suppliers The municipality is defendant in the matter. The company is suing the municipality for unpaid retentions and the claim includes additional costs for delay in payments and associated legal fees	-	1 655 864
Sibgem Partners Pty Ltd The municipality is defendant in the matter. The claim if for alleged unpaid invoices for construction work which the municipality denies.	3 451 877	3 451 877
DM ICT Services The municipality is a defendant in the matter . The plaintiff is claiming the sum of R820 526.15 for the services rendered. The municipality has defended the action and filed counter-claim for the payment of the sum of R3 602 833.67. The matter is at pre-trial stage.	820 526	-
TT Mbokazi vs Mtubatuba Local Municipality The municipality is a defendant in the matter . The claim is in relation to labour court matter for the dismissal of TT Mbokazi.	1 505 661	1 505 661
	5 778 064	**6 613 402**

Notes to the Annual Financial Statements

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43. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management and Councilors	Refer to note 27&28

Key management information and remuneration

Refer to note 27 "Employee costs" and note 28" Remuneration of councillors" and note 53 for Councillors with arrear accounts.

Goods and services procured from companies related to employees

Nature of relationship	Nature of transations	Contract value	Paid	Commitment
SMM Trading				
Married to Secretary of Planning and sustainable development	Short-term yellow plant	483 000	483 000	0
Married to Secretary of Planning and sustainable development	Construction of Siyaqala Hall & Creche	11 897 899	1 639 332	10 258 567
Express Employment Professionals				
Portfolio head: Municipal Sustainability	Conducted screening for GM: Planning and sustainable development	24 974.6	24 974.6	0

44. Change in estimate

Property, plant and equipment

The useful life of property, plant and equipment was revised in the current year after management noted that some assets have more useful life than originally estimated. The effect of this revision has reduced depreciation charges for the current period by R 568 252 and increased aggregate depreciation charges for future periods by the same amount.

45. Prior period errors

Error 1

Allowance for impairment for receivables was incorrectly calculated in 2023 and 2024 financial years. Impairment was recalculated retrospectively and resulted in an adjustment of R6 936 517 (increase in accumulated allowance of impairment) as at 30 June 2024, of which R11 897 926 relates to increase in impairment expense in 2024 financial year and a decrease in accumulated impairment allowance as at 30 June 2023 that was reversed against opening accumulated surplus amounting to R4 961 409.

45. Prior period errors (continued)

Error 2

Investment property was incorrectly understated by net amount of R21 893 400 as at 30 June 2024 as a result of a property that was erroneously omitted in the fixed asset register and other properties that were incorrectly included in the asset register. The total restatement as at 30 june 2023 was RR21 215 700, and a fair value understatement in 2024 financial year of R677 700. The adjustments resulted increase in opening accumulated surplus by R21 215 700, increase in investment property by R21 893 400 and increase in fair value adjustment by R677 700.

Further, Property plant and equipment was understated by land belonging to the municipality that was erroneously ommitted in the asset register. The total value of the land amounts to R14 750 443 and the adjustment resulted in increase in property, plant and equipment by R14 750 443 and an increase in accumulated surplus by the same amount.

Infrastructure assets with a value of R16 045 278 were not capitalised as completed in the prior year by error. Further, depreciation expense amounting to R1 033 913 was not calculated. The adjustment resulted in increase in accumuated depreciation for the 2024 financial year and a corresponding decrease in carrying value of infrastructure assets. Further, work in progress balances was reduced by R16 045 278.

Computor equipment and Furniture were incorrectly understated due to over depreciation that was processed and reversal of mpairment that was not processed. The adjustment resulted in impairment expense reducing by R17 701 and depreciation expense reducing by R68 654 and property plant and equipment increaing by R86 355.

Error 3

Gross receivables from non-exchange transactions and exchange transactions were understated and overstated by R15 801 484 and R16 396 943 respectively due to errors in debtor classification, incorrect payment allocation to debtors, errors in billing and interest charges, and errors in VAT as a result of correction payables cut off.

45. Prior period errors (continued)

Error 4

Leave provision was incorrectly overstated by R611 060 in the prior year due to errors in the calculation of leave liability.The correction resulted in decrease in employee costs by R497 564 and decrease in opening accumulated surplus of R113 496. Further, employee costs were overstated by R1 356 704 relating to general expenses that was incorrectly processed to skills development fees. The error was corrected by reducing employee costs by R1 356 704, reducing VAT by R203 504, and increasing general expenses (membership fees) by R1 553 945. Some employees were incorrectly paid below their threshold, the adjustment resulted in increase basic salary for 2024 by by R9 889, decrease in opening accumulated surplus by R12 364 and increase in employee related payables by R22 253.

Error 5

The municipality did not accrue for all invoices as at the end of the year, and some payables and accruals from prior years were written off as either suppliers could not provide evidence that the municipality owes them or investigation indicated that the invoices were incorrectly processed onto the system. The net decrease in payables is R2 393 342 and this resulted in increase in expenses as follows:
Finance costs by R5 309
Lease rentals by R141 272,
Contracted service by R4 280 605 and
General expenses by R1 867 217.

Accumulated surplus increased by R28 070 033 as at 30 June 2024, of which an increase of R45 357 133 relates to adjustments to opening balance from 2023 financial year and a decrease in income for the 2024 financial year of R17 287 099.

Error 6

The cash flow statement was incorrectly calculated in prior year. The error was corrected by recalculating cash flow statements.

Error 7
Irregular expenditure incurred in prior year was incorrectly understated by R1 156 336 as a result of some expenditure that was incorrectly not included in the register. The error was corrected by increasing irregular expenditure incurred in 2024 financial year by R1 156 336.

Error 8
Total unauthorised expenditure was incorrectly understated by R91 531 676 as at 30 June 2024 due to incorrect calculation method. Previously unauthorised expenditure was calculated per nature of expenditure as disclosed in the financial statements instead of calculating per vote. Further, non cash items and capital expenditure were incorrectly excluded The adjustment resulted in increase in unauthorised expenditure by R34 314 780 and R57 216 896 for 2023 and 2024 financial years respectively.

46. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions*	3	39 165 495	(15 410 488)	10 672 227	34 427 234
Receivables from exchange transactions	5	5 121 854	10 441 688	(13 235 403)	2 328 139
Investment property		22 173 000	21 893 400	-	44 066 400
Property, plant and equipment	8	525 954 118	14 750 443	-	540 704 561
Payables from exchange transactions	11	(90 857 649)	(3 605 012)	2 563 176	(91 899 485)
Accumulated surplus		(447 254 092)	(28 070 033)	-	(475 324 125)
		54 302 726	**(2)**	**-**	**54 302 724**

Notes to the Annual Financial Statements

46. Prior-year adjustments (continued)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Service charges		5 573 191	64 965	5 638 156
Rendering of services	16	911 422	-	911 422
Rental of facilities and equipment	18	224 424	-	224 424
Licences and permits		2 858 190	-	2 858 190
Other income		459 180	-	459 180
Interest income - bank and receivables from exchange	21	7 573 157	-	7 573 157
Property rates	22	57 636 949	(257 344)	57 379 605
Interest income- receivables from non-exchange	23	20 837 719	(476 913)	20 360 806
Government grants & subsidies	24	292 385 565	-	292 385 565
Employee costs	27	(136 864 129)	1 844 379	(135 019 750)
Remuneration of councillors	28	(17 388 707)	-	(17 388 707)
Depreciation and amortisation	30	(34 617 206)	(965 259)	(35 582 465)
Impairment loss		(1 819 479)	-	(1 819 479)
Finance costs	31	(4 532 621)	(5 309)	(4 537 930)
Lease rentals on operating lease	32	(1 783 179)	(141 272)	(1 924 451)
Debt Impairment & bad debts written off	33	(34 085 351)	(11 897 925)	(45 983 276)
Contracted services	34	(75 861 697)	(4 280 605)	(80 142 302)
General expenditure	35	(41 585 460)	(1 867 217)	(43 452 677)
Gain/(losses) on disposal of assets and liabilities		(792 501)	-	(792 501)
Fair value adjustments		219 600	677 700	897 300
Impairment loss	39	(1 819 479)	17 701	(1 801 778)
Surplus for the year		**37 529 588**	**(17 287 099)**	**20 242 489**

Cash flow statement

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Service charges rendering of services		2 946 176	15 169 814	18 115 990
Property rates		48 781 333	(22 129 275)	26 652 058
Grants		298 368 998	2	298 369 000
Interest income		2 240 303	6 774 435	9 014 738
Construction contracts INEP		5 915 278	-	5 915 278
Licence and permits		2 858 190	-	2 858 190
Rental income		65 680	-	65 680
Other income		459 180	-	459 180
Fines, Penalties and Forfeits		337 922	-	337 922
		361 973 060	**(185 024)**	**361 788 036**
Cash flow from investing activities				
Employee costs and remuneration of councillors		(150 461 790)	1 356 706	(149 105 084)
Suppliers and finance costs		(159 373 985)	(37 428)	(159 411 413)
		(309 835 775)	**1 319 278**	**(308 516 497)**
Cash flow from financing activities				
Purchase of property, plant and equipment		(51 905 185)	(1 134 254)	(53 039 439)
Proceeds from sale of property, plant and equipment		205 504	-	205 504
Proceeds from sale of investment property		818 211	-	818 211
		(50 881 470)	**(1 134 254)**	**(52 015 724)**

47. 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 grant allocations and existing cash resources.

Budgets are prepared and monitored regularly to help manage the municipality's liquidity risk.

The table below analyses the municipality’s liabilities and their maturity.

2025	Within 12 months	> 12 months	Total
Payables from exchange transactions	91 520 568	-	91 520 568
Unspent grants	20 853 190	-	20 853 190
Long service awards	525 000	6 258 000	6 783 000
Provisions for landfill site	-	45 782 193	45 782 193
Bank Overdraft	18 954 522	-	18 954 522
	131 853 280	**52 040 193**	**183 893 473**

2024	Within 12 months	> 12 months	Total
Payables from exchange transactions	91 899 485	-	91 899 485
Unspent grants	14 571 745	-	14 571 745
Long service awards	435 000	4 353 000	4 788 000
Provisions for landfill site	-	38 295 061	38 295 061
	106 906 230	**42 648 061**	**149 554 291**

Credit risk

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

Assets exposed to credit risk at year end were as follows:

	2025	2024
Current assets		
Receivables from non-exchange transactions	52 340 768	34 427 234
Receivables from exchange transactions	3 016 901	2 328 189
Cash and cash equivalents	23 093 168	2 122 237

These assets are not hedged for credit risk.

Market risk

Interest rate risk

Surplus cash earns interest and the rate is exposed to fluctuations in the Repo rate. 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, with the exception of deposits/investments held by banks from which the entity earns interest income and receivables and payables that attract interest from late payments.

48. Going concern

As at 30 June 2025, the municipality had an accumulated surplus of R 490 779 405 and that the municipality's total assets exceed its liabilities by R 490 779 405. However, we draw attention to the fact that current liabilities exceeds current assets by R53 402 443.

Figures in Rand	2025	2024

48. Going concern (continued)

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to provide funding for the ongoing operations for the municipality.

The municipality is currently operating under strict budget in order to ensure that it manages its going concern risk. The budget for the next 12 months has been prepared based on allocations for the next financial year aims at reducing the liquidity and going concern risks.

49. Events after the reporting date

The Authority was not aware of any material events that may have occurred between 30 June 2025 and the date when the annual financial statements were authorised.

50. Unauthorised expenditure

Opening balance as previously reported	171 282 442	58 246 999
Add: Unauthorised expenditure prior period error	-	33 855 104
Restated opening balance	**-**	**92 102 103**
Add: Unauthorised expenditure for the period	62 750 442	95 072 902
Less: Amount authorised - current	-	(15 892 563)
Closing balance	**234 032 884**	**171 282 442**

The unauthorised expenditure incurred relates to the overspending on the approved operational expenditure budget.

The balance of unauthorised expenditure incurred and not yet written off will be investigated by MPAC during 2025 financial year.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	6 870 459	6 324 564
Add: Fruitless and wasteful expenditure identified - current	2 023 915	1 754 927
Less: Amount written off - current	(14 893)	(1 209 032)
Closing balance	**8 879 481**	**6 870 459**

The balance of fruitless and wasteful expenditure incurred and not yet written off will be investigated by MPAC during 2025 financial year.

52. Irregular expenditure

Opening balance as previously reported	411 049 940	392 385 038
Add: Irregular expenditure for the period	130 373 935	118 873 705
Less: Amount written off - current	(179 822 124)	(100 208 803)
Closing balance	**361 601 751**	**411 049 940**

Cases under investigation

The balance of irregular expenditure expenditure incurred and not yet written off will be investigated by MPAC during 2025 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	1 047 970	276 008
Current year audit fees	3 669 057	3 430 072
Amount paid - current year	(3 345 594)	(2 382 102)
Amount paid - previous years	(1 047 970)	(276 008)
	323 463	**1 047 970**

VAT

VAT receivable as per VAT 201	3 418 579	776 688
VAT receivable accrual	10 464 199	4 852 115
	13 882 778	**5 628 803**

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

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor JM Gumede	4 005	5 041	9 046
Councillor LS Mfekayi	11 013	347 116	358 129
	15 018	**352 157**	**367 175**

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor JM Gumede	3 334	8 254	11 588
Councillor LS Mfekayi	12 870	298 583	311 453
	16 204	**306 837**	**323 041**

The balances relates to amounts owing in respect for property rates and refuse removal services.

Figures in Rand	2025	2024

54. Deviation from supply chain management regulations

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

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

Some items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. Deviations from Municipal Supply Chain Management Regulations for the year are as follows:

Total deviations for the year	476 745	455 648

The breakdown for deviations for the year is as follows:		
Sole service provider	23 800	267 498
Emergency services	452 945	188 150
	476 745	**455 648**

55. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas:Community & Social Services, Public Safety and Waste Management services. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1: Community & Social Services	Community programes, sports and service delivery
Segment 2: Public Safety	Issue and renewal of vehicle and drivers licences and safe and free flow of traffic
Segment 3: Waste Management	Refuse removal

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregation of segments

Other segments that do not meet the requirements of reportable segments were all grouped together and reported as "Unallocated"

55. Budget differences (continued)

Segment surplus or deficit, assets and liabilities

2025

	Segment 1	Segment 2	Segment 3	Unallocated	Total
Revenue					
Revenue from non-exchange transactions	293 043 167	28 224 810	53 165 663	1 893 620	376 327 260
Revenue from exchange transactions	923 524	3 464 708	9 217 420	2 072 439	15 678 091
Total segment revenue	**293 966 691**	**31 689 518**	**62 383 083**	**3 966 059**	**392 005 351**
Entity's revenue					**392 005 351**
Expenditure					
Employee related costs	53 746 559	28 386 858	27 859 873	37 992 110	147 985 400
Remuneration of councillors	18 636 483	-	-	-	18 636 483
Depreciation and amortisation	29 993 175	-	-	2 436 543	32 429 718
Finance costs	-	-	2 476 753	2 023 915	4 500 668
Operating lease expense	-	-	-	1 943 350	1 943 350
Debt Impairment & bad debts written off	19 903 993	-	-	-	19 903 993
Contracted services	63 753 448	621 408	29 638 016	595 743	94 608 615
General Expenses	38 589 568	2 555 479	3 645 931	1 112 854	45 903 832
Gain (losses) on disposal assets	-	-	-	8 779 176	8 779 176
Fair value adjustments	-	-	-	(893 700)	(893 700)
Impairment loss	2 752 538	-	-	-	2 752 538
Total segment expenditure	**227 375 764**	**31 563 745**	**63 620 573**	**53 989 991**	**376 550 073**
Total segmental surplus/(deficit)	**66 590 927**	**125 773**	**(1 237 490)**	**(50 023 932)**	**15 455 278**
Assets					
Receivables	23 419 280	463 499	42 739 498	(11 264 607)	55 357 670
Cash and cash equivalents	-	-	-	23 093 168	23 093 168
Non current assets (Fixed assets)	302 798 009	-	295 855 010	(2 430 978)	596 222 041
Total segment assets	**326 217 289**	**463 499**	**338 594 508**	**9 397 583**	**674 672 879**

	Segment 1	Segment 2	Segment 3	Unallocated	Total
55. Budget differences (continued)					
Total assets as per Statement of financial Position					**674 672 879**
Liabilities					
Payables from exchange transactions	-	85 338	(989 828)	92 425 058	91 520 568
Unspent conditional grants and receipts	20 853 190	-	-	-	20 853 190
Employee benefit obligation	6 783 000	-	-	-	6 783 000
Provisions	-	-	45 782 193	-	45 782 193
Bank Overdraft	-	-	-	18 954 522	18 954 522
Total segment liabilities	**27 636 190**	**85 338**	**44 792 365**	**111 379 580**	**183 893 473**
Total liabilities as per Statement of financial Position					**183 893 473**

2024

	Segment 1	Segment 2	Segment 3	Unallocated	Total
Revenue					
Revenue from non-exchange transactions	305 237 859	19 928 797	87 106 204	1 920 000	414 192 860
Revenue from exchange transactions	6 192 996	3 224 341	11 638 368	2 240 303	23 296 008
Total segment revenue	**311 430 855**	**23 153 138**	**98 744 572**	**4 160 303**	**437 488 868**
Entity's revenue					**437 488 868**

55. Budget differences (continued)

Expenditure					
Employee related costs	50 052 763	23 308 819	27 933 133	33 725 033	135 019 748
Remuneration of councillors	17 388 707	-	-	-	17 388 707
INEP construction contracts expenditure	5 631 478	-	-	-	5 631 478
Depreciation and amortisation	32 345 887	-	-	3 236 578	35 582 465
Finance costs	-	-	2 198 135	2 339 795	4 537 930
Lease rentals on operating lease	-	-	-	1 924 451	1 924 451
Debt Impairment & bad debts written off	45 983 276	-	-	-	45 983 276
Contracted services	55 079 995	378 940	24 683 367	-	80 142 302
General Expenses	37 937 631	286 339	5 223 557	5 149	43 452 676
Gain (losses) on disposal of assets	-	-	-	792 501	792 501
Fair value adjustments	-	-	-	(897 300)	(897 300)
Impairment loss	1 801 778	-	-	-	1 801 778
Total segment expenditure	**246 221 515**	**23 974 098**	**60 038 192**	**41 126 207**	**371 360 012**
Total segmental surplus/(deficit)	**65 209 340**	**(820 960)**	**38 706 380**	**(36 965 904)**	**66 128 856**
Assets					
Receivables	27 904 846	7 892 555	635 380	322 592	36 755 373
Cash and cash equivalents	-	-	-	2 122 236	2 122 236
Non current assets (Fixed assets)	419 642 737	1 821 750	164 536 324	-	586 000 811
Total segment assets	**447 547 583**	**9 714 305**	**165 171 704**	**2 444 828**	**624 878 420**
Total assets as per Statement of financial Position					**624 878 420**
Liabilities					
Payables from exchange transactions	11 220 887	121 204	(700 241)	81 257 634	91 899 484
Unspent conditional grants and receipts	12 714 294	-	1 857 450	-	14 571 744
Employee benefit obligation	-	-	-	4 788 000	4 788 000
Provisions	-	-	38 295 061	-	38 295 061
Total segment liabilities	**23 935 181**	**121 204**	**39 452 270**	**86 045 634**	**149 554 289**
Total liabilities as per Statement of financial Position					**149 554 289**

Figures in Rand	2025	2024

55. Budget differences (continued)

Information about geographical areas

Inkosi Mtubatuba municipality is one of four Category B Municipalities within the UMkhanyakude District Municipality. It is located on the North-East of the province of KwaZulu-Natal. Mtubatuba forms the Southern end of UMkhanyakude District, with the N2 almost dividing the Municipality into Mtubatuba East, and Mtubatuba West.

The municipality is bounded to the South by Mfolozi River, which separates the Municipality with Umfolozi Municipality (King Cetshwayo District Municipality) further South. On the East, Mtubatuba Municipality is bordered by the ocean, while it is bounded by the Big Hlabisa Municipality in the immediate North.

Inkosi Mtubatuba Municipality comprises 23 wards with 23 Ward Councillors respectively.

The municipality, however, does not have separate financial information per geographical area.

56. Budget differences

The changes between the approved and final budget are a consequence of changes in organisational plans and predictions for the year and to incorporate of new funding that was allocated to the authority during the year.

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

56. Budget differences (continued)

A1-Service charges – The municipality under achieved on service charges due to over budgeting.

A2- Rendering of services– The municipality under achieved on Rendering of services mainly due to low demand than budgeted.

A3-Rental of facilities and equipment– The municipality under achieved on rental income due to over budgeting. Few tenants occupied the properties during the year mainly due to poor condition of the facilities.

A4-Licences and permits: – The municipality achieved slightly less than budget, and the variance is reasonable.

A5-Other income– The municipality achieved more than budget on other income mainly due to sale of timber that was not budgeted for.

A6-Interest income bank and receivables from exchange:– The municipality managed to invest surplus cash during the year and earned more interest income than budgeted. Also customers were not paying on time resulting in higher interest income charges than budgeted.

A7-Property rates: – The municipality achieved slightly less than budget. The under achievement was mainly due to over-budgeting.

A8-Interest income - receivables from non-exchange: Interest from receivable was significantly less than budget mainly due to over budgeting.

A9-Government grants & subsidies: – The municipality performed below the budget mainly due to delay in implementing disaster grant projects which was only received in the last half of the year.

A10- Fines, Penalties and Forfeits: The municipality achieved more than budget which is favourable.

A11- Personnel costs: – The municipality under budgeted for employee costs, spending more than budget by year end.

A12-Remuneration of councillors: – The municipality under budgeted for remuneration of councillors, spending more than budget by year end.

A13-Depreciation and amortisation: – Depreciation was slightly less than budget which is favourable.

A14-Impairment loss: – The municipality under budgeted for impairment lossses.

A15-Finance costs: – The municipality continued to experience cash flow problems and could not pay SARS and other creditors on time during the year resulting in more interest and penalties than budget.

A16-Lease rentals on operating lease:– The municipality under budgeted for operating lease expense.

A17-Debt Impairment: – The municipality under budgeted for debt impairment because they expected customers to take opportunity of settlement discounts and pay for their accounts on time, however customers continued to not pay in time despite settlement discounts that were offered by the municipality.

A18-Contracted Services: – The municipality spent less than budget on contracted services due to cost cutting measures aimed at reducing cash deficit.

A19-General Expenses: – The municipality implemented cost containment measures and managed to spend less than budget.

A20-Gain (loss)on disposal of assets and liabilities:NA.

A21-Fair value adjustments: – N/A.

A22-Capital expenditure: – The municipality spent less than the budget mainly due to delays in implementation of capital projects that are funded from disaster grant.