



MTHONJANENI LOCAL MUNICIPALITY
(REGISTRATION NUMBER KZN 285)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)

Executive Committee

Cllr M.N. Biyela (Mayor)
Cllr P.E. Ntombela (Deputy Mayor)
Cllr N.A. Mbatha (Speaker)
Cllr N.P. Shobede (Exco Member)
Cllr B.M.T Sibiya (Exco Member)

Councillors

Cllr P.S.M Mchunu (Exco Member)
Cllr T.E. Mpungose (MPAC Chair)
Cllr S.K Mthimkhulu (Whip)
Cllr S.S. Masuku
Cllr Z.Z Mthimkhulu (Joined 15 October 2024)
Cllr S.H. Shange
Cllr D. Ntsele
Cllr W.B. Nsele
Cllr Z. Zulu
Cllr M.V. Mchunu
Cllr M.E. Ntshangase
Cllr N.S. Ntuli
Cllr S M Ndlovu
Cllr T.H. Mchunu
Cllr I.M. Biyela
Cllr. N.N. Nzuza
Cllr N.S. Magwaza
Cllr. S.B.K Biyela
Cllr. M.E Ntenga
Cllr. I.S. Tembe

Grading of Local Authority

Grade 1

Accounting Officer

Mr Z.S Mthethwa

Chief Finance Officer (CFO)

Mr N.M Myeni

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

General Information

Business Address	21 Reinhold Street Melmoth 3835
Postal Address	P.O. Box 11 Melmoth 3835
Contact Details	(035) 450 2082 mm@mthonjaneni.org.za
Banker	First National Bank
Auditor	Auditor General South Africa
Attorney	BMM Attorneys Inc

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Annual Financial Statements for the year ended 30 June 2025

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
EPWP	Expanded Public Works Programme
INEG	Integrated National Electrification Grant
SALGA	South African Local Government Association
MIG	Municipal Infrastructure Grant
UIF	Unemployment Insurance Fund

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

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 were given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, he 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 above reproach. The focus of risk management in the municipality includes identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 titled remuneration of Councillors, these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Cooperative governance and Traditional Affairs' determination in accordance with this Act.

The annual financial statements set out on pages 5 to 98, which have been prepared on the going concern basis, were approved and were signed on its behalf by:



Mr Z.S Mthethwa
Accounting Officer

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	5,588,180	3,309,168
Receivables from Non-Exchange Transactions	4	4,755,391	4,239,147
Receivables from Exchange Transactions	5	4,615,782	4,861,699
Inventories	6	400,101	540,393
		15,359,454	12,950,407
Non-Current Assets			
Biological assets	7	1,709,061	2,104,597
Investment property	8	20,633	21,783
Property, plant and equipment	9	362,651,264	378,243,617
Intangible assets	10	5,634	24,764
Heritage assets	11	589	589
		364,387,181	380,395,350
Total Assets		379,746,635	393,345,757
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	114,378,095	87,479,296
Consumer deposits	13	1,255,965	1,002,907
Provisions	14	508,199	711,479
Employee benefit obligation	15	326,822	318,636
		116,469,081	89,512,318
Non-Current Liabilities			
Provisions	14	6,180,658	5,502,080
Employee benefit obligation	15	8,467,944	6,905,381
		14,648,602	12,407,461
Total Liabilities		131,117,683	101,919,779
Net Assets		248,628,952	291,425,978
Accumulated surplus		248,628,952	291,425,978
Total Net Assets		248,628,952	291,425,978

* See Note 56

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
REVENUE			
Revenue From Exchange Transactions			
Revenue from exchange transactions			
Sale of goods	25	106,159	700,835
Service Charges	16	33,782,483	31,287,179
Rental of Facilities and Equipment	17	158,029	247,367
Agency services	18	722,453	929,570
Licences and Permits	19	1,302,253	1,370,234
Other income	55	662,383	8,000
Operational revenue	52	287,993	275,696
Gain on disposal of assets	38	178,595	-
Interest received - investment	20	798,570	703,038
Interest received from receivables	20	843,857	564,852
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		38,842,775	36,086,771
Revenue From Non-Exchange Transactions			
Taxation revenue			
Property Rates	21	25,418,810	24,373,291
Property Rates - Interest earned from Non-exchange receivables	21	1,608,709	903,682
Transfer revenue			
Transfers and subsidies – Operational	22	114,106,000	104,627,539
Transfers and subsidies – Capital	22	25,087,022	23,744,094
Fines, Penalties and Forfeits	23	1,273,491	1,587,019
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		167,494,032	155,235,625
Transfer revenue			
Construction Contract Revenue	24	674,764	7,500,788
TOTAL REVENUE		207,011,571	198,823,184
EXPENDITURE			
Employee Related Costs	26	(78,211,546)	(73,933,686)
Remuneration of Councillors	27	(10,465,160)	(10,181,010)
Loss on disposal of assets	38	-	(37,967)
Actuarial gains/losses	15	(463,986)	45,257
Depreciation and Amortisation	28	(29,025,350)	(27,906,271)
Impairment losses	29	(12,820,250)	(2,791)
Debt Impairment	30	(1,827,208)	(2,088,172)
Interest Paid	31	(2,492,167)	(2,717,972)
Lease Rentals on Operating Lease	32	(352,395)	(981,100)
Irrecoverable Debts Written-Off	54	(1,659,646)	-
Bulk Purchases	33	(28,614,794)	(27,727,780)
Contracted Services	34	(39,903,895)	(36,047,102)
Transfers and Subsidies	53	(2,540,169)	(202,266)
Fair Value Adjustments	37	(395,536)	(167,115)
Construction Contract Expenditure	24	(674,764)	(7,500,788)
Inventory consumed	35	(819,402)	(1,338,232)
Operational Costs	36	(39,542,329)	(39,579,745)
TOTAL EXPENDITURE		(249,808,597)	(230,366,740)
Operating Loss		(42,797,026)	(31,543,556)

* See Note 56

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
SURPLUS/(DEFICIT) FOR THE PERIOD		(42,797,026)	(31,543,556)

* See Note 56

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	344,890,803	344,890,803
Adjustments		
Prior year adjustments 56	(21,921,269)	(21,921,269)
Balance at July 1, 2023 as restated*	322,969,534	322,969,534
Changes in net assets		
Surplus for the year	(31,543,556)	(31,543,556)
Total changes	(31,543,556)	(31,543,556)
Restated* Balance at July 1, 2024	291,425,978	291,425,978
Changes in net assets		
Surplus for the year	(42,797,026)	(42,797,026)
Total Changes	(42,797,026)	(42,797,026)
Balance at June 30, 2025	248,628,952	248,628,952

* See Note 56

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Rates		28,407,318	27,312,618
Sale of goods and services		33,873,408	42,091,596
Grants		139,193,022	128,271,633
Interest income		798,570	703,038
Other receipts		1,056,535	984,531
		<u>203,328,853</u>	<u>199,363,416</u>
Payments			
Employee costs		(87,773,223)	(82,991,194)
Suppliers		(85,408,657)	(90,697,785)
Interest paid		(2,211,561)	(2,475,808)
		<u>(175,393,441)</u>	<u>(176,164,787)</u>
Net cash flows from operating activities	40	<u>27,935,412</u>	<u>23,198,629</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(26,511,962)	(23,183,720)
Proceeds from sale of property, plant and equipment	9	855,562	-
Net cash flows from investing activities		<u>(25,656,400)</u>	<u>(23,183,720)</u>
Net increase/(decrease) in cash and cash equivalents		<u>2,279,012</u>	<u>14,909</u>
Cash and cash equivalents at the beginning of the year		3,309,168	3,294,259
Cash and cash equivalents at the end of the year	3	<u>5,588,180</u>	<u>3,309,168</u>

* See Note 56

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	1,642,935	434,782	2,077,717	106,159	(1,971,558)	A1
Service charges	37,438,958	(311,865)	37,127,093	33,782,483	(3,344,610)	A2
Rental of facilities and equipment	430,181	-	430,181	158,029	(272,152)	A3
Agency services	1,757,119	-	1,757,119	722,453	(1,034,666)	A4
Licences and permits	396,005	-	396,005	1,302,253	906,248	A5
Other revenue	-	-	-	662,383	662,383	A6
Operational revenue	2,575,466	2,000,000	4,575,466	287,993	(4,287,473)	A7
Gains on disposal of assets	1,300,000	200,000	1,500,000	178,595	(1,321,405)	A28
Interest received - investment	1,529,022	500,000	2,029,022	798,570	(1,230,452)	A9
Interest received from receivables	1,816,321	-	1,816,321	843,857	(972,464)	A8
Total revenue from exchange transactions	48,886,007	2,822,917	51,708,924	38,842,775	(12,866,149)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	35,845,749	1,702,475	37,548,224	25,418,810	(12,129,414)	A10
Property rates - penalties imposed	-	-	-	1,608,709	1,608,709	A11
Transfer revenue						
Government grants & subsidies	111,895,000	4,250,000	116,145,000	114,106,000	(2,039,000)	A12
Fines, Penalties and Forfeits	3,603,814	(1,500,000)	2,103,814	1,273,491	(830,323)	A14
Total revenue from non-exchange transactions	151,344,563	4,452,475	155,797,038	142,407,010	(13,390,028)	
Contract revenue						
Contract Revenue: INEP	-	-	-	674,764	674,764	A9
Total revenue	200,230,570	7,275,392	207,505,962	181,924,549	(25,581,413)	
Expenditure						
Employee Related Costs	(74,669,774)	-	(74,669,774)	(78,211,546)	(3,541,772)	A16
Remuneration of Councillors	(9,859,366)	-	(9,859,366)	(10,465,160)	(605,794)	
Actuarial gains/losses	-	-	-	(463,986)	(463,986)	A17
Depreciation and Amortisation	(22,830,469)	23,450	(22,807,019)	(29,025,350)	(6,218,331)	A18
Impairment loss/ Reversal of impairments	-	-	-	(12,820,250)	(12,820,250)	A19
Debt Impairment	(3,600,000)	-	(3,600,000)	(1,827,208)	1,772,792	
Interest Paid	-	(1,000,000)	(1,000,000)	(2,492,167)	(1,492,167)	A21
Lease rentals on operating lease	-	-	-	(352,395)	(352,395)	A22
Bad debts written off	-	-	-	(1,659,646)	(1,659,646)	A20
Bulk purchases	(22,155,696)	(2,608,711)	(24,764,407)	(28,614,794)	(3,850,387)	A23
Contracted Services	(27,464,136)	(4,558,845)	(32,022,981)	(39,903,895)	(7,880,914)	A24
Transfers and Subsidies	(200,000)	-	(200,000)	(2,540,169)	(2,340,169)	A25
Contract Costs: INEP	-	-	-	(674,764)	(674,764)	A26
Inventory consumed	(4,214,435)	834,035	(3,380,400)	(819,402)	2,560,998	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Operational Costs	(22,375,896)	(4,621,655)	(26,997,551)	(39,542,329)	(12,544,778)	A27
Total expenditure	(187,369,772)	(11,931,726)	(199,301,498)	(249,413,061)	(50,111,563)	
Operating deficit	12,860,798	(4,656,334)	8,204,464	(67,488,512)	(75,692,976)	
Transfers and subsidies - capital (monetary allocations) (National/Provincial and District)	26,338,000	1,439,000	27,777,000	25,087,022	(2,689,978)	A13
Loss on foreign exchange	-	-	-	(395,536)	(395,536)	
	26,338,000	1,439,000	27,777,000	24,691,486	(3,085,514)	
Deficit before taxation	39,198,798	(3,217,334)	35,981,464	(42,797,026)	(78,778,490)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	39,198,798	(3,217,334)	35,981,464	(42,797,026)	(78,778,490)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	1,590,179	(4,425,524)	(2,835,345)	400,101	3,235,446
Receivables from exchange transactions	32,831,982	(26,522,566)	6,309,416	4,183,369	(2,126,047)
Receivables from non-exchange transactions	44,398,696	-	44,398,696	4,755,391	(39,643,305)
VAT receivable	28,691,030	(10,790,880)	17,900,150	-	(17,900,150)
Cash and cash equivalents	22,461,407	(13,150,318)	9,311,089	5,588,180	(3,722,909)
	129,973,294	(54,889,288)	75,084,006	14,927,041	(60,156,965)

Non-Current Assets

Biological assets	1,271,712	832,885	2,104,597	1,709,061	(395,536)
Investment property	438,486	(416,703)	21,783	20,633	(1,150)
Property, plant and equipment	449,756,197	(57,435,550)	392,320,647	362,651,264	(29,669,383)
Intangible assets	670,432	(573,556)	96,876	5,634	(91,242)
Heritage assets	589	-	589	589	-
	452,137,416	(57,592,924)	394,544,492	364,387,181	(30,157,311)

Total Assets

	582,110,710	(112,482,212)	469,628,498	379,314,222	(90,314,276)
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Liabilities

Current Liabilities

Payables from exchange transactions	(57,079,676)	141,439,751	84,360,075	114,378,096	30,018,021
Taxes and transfers payable (non-exchange)	(100,000)	4,250,000	4,150,000	-	(4,150,000)
VAT payable	29,958	3,517,234	3,547,192	-	(3,547,192)
Consumer deposits	(1,003,347)	2,006,254	1,002,907	1,255,965	253,058
Employee benefit obligation	-	-	-	326,822	326,822
Provisions	(5,956,840)	6,986,955	1,030,115	508,199	(521,916)
	(64,109,905)	158,200,194	94,090,289	116,469,082	22,378,793

Non-Current Liabilities

Employee benefit obligation	-	-	-	8,467,944	8,467,944
Provisions	(4,972,562)	10,474,642	5,502,080	6,180,658	678,578
Other non current liabilities	(5,883,856)	12,789,237	6,905,381	-	(6,905,381)
	(10,856,418)	23,263,879	12,407,461	14,648,602	2,241,141

Total Liabilities

	(74,966,323)	181,464,073	106,497,750	131,117,684	24,619,934
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Net Assets

	657,077,033	(293,946,285)	363,130,748	248,196,538	(114,934,210)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	657,077,031	(312,037,870)	345,039,161	248,628,951	(96,410,210)
Total Net Assets	657,077,031	(312,037,870)	345,039,161	248,628,951	(96,410,210)

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	38,306,926	(965,992)	37,340,934	28,407,318	(8,933,616)
Service charges	36,002,379	(4,387,928)	31,614,451	33,873,408	2,258,957
Other revenue	8,222,859	2,643,598	10,866,457	1,056,535	(9,809,922)
Transfers and Subsidies - Operational	111,895,000	4,169,715	116,064,715	114,106,000	(1,958,715)
Transfers and Subsidies - Capital	26,338,000	(2,546,000)	23,792,000	25,087,022	1,295,022
Interest	1,529,022	500,000	2,029,022	798,570	(1,230,452)
	222,294,186	(586,607)	221,707,579	203,328,853	(18,378,726)

Payments

Suppliers and Employees	(168,938,634)	(10,561,034)	(179,499,668)	(173,181,880)	6,317,788
Interest paid	-	(1,000,000)	(1,000,000)	(2,211,561)	(1,211,561)
Transfers and Grants	(200,000)	-	(200,000)	-	200,000
	(169,138,634)	(11,561,034)	(180,699,668)	(175,393,441)	5,306,227

Net cash flows from operating activities	53,155,552	(12,147,641)	41,007,911	27,935,412	(13,072,499)
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Cash flows from investing activities

Proceeds from sale of property, plant and equipment	1,300,000	200,000	1,500,000	855,562	(644,438)
Capital assets	(35,328,005)	2,499,113	(32,828,892)	(26,511,962)	6,316,930
Net cash flows from investing activities	(34,028,005)	2,699,113	(31,328,892)	(25,656,400)	5,672,492

Net increase/(decrease) in cash and cash equivalents	19,127,547	(9,448,528)	9,679,019	2,279,012	(7,400,007)
Cash and cash equivalents at the beginning of the year	3,294,259	14,909	3,309,168	3,309,168	-

Cash and cash equivalents at the end of the year	22,421,806	(9,433,619)	12,988,187	5,588,180	(7,400,007)
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Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

The amounts presented in the interim financial statements are rounded-off to the nearest Rand.

1.2 Going concern assumption

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

1.3 Materiality

Material 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.

1.4 Interests in other entities

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:

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

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1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Allowance for doubtful debts

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

1.6 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- The entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

1.7 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.

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1.7 Investment property (continued)

Cost model

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

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

Item	Useful life
Office Parks	30 Years
Shopping Centres	30 Years
Housing Development	30 years

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

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

1.8 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 into 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, its deemed cost is the carrying amount of the asset(s) given up.

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.

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1.8 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land		Indefinite
Operational Buildings	Straight-line	10 - 50 Years
Electrical Infrastructure	Straight-line	10 - 50 Years
Road Infrastructure	Straight-line	10 - 25 Years
Water Supply Infrastructure	Straight-line	20 - 120 Years
Storm Water Infrastructure	Straight-line	10 - 50 Years
Solid Waste Infrastructure	Straight-line	10 - 50 Years
Sanitation Infrastructure	Straight-line	15 - 50 Years
Community Facilities	Straight-line	05 - 50 Years
Transport Assets	Straight-line	03 - 25 Years
Community Assets	Straight-line	05 - 50 Years
Sports and Recreational Facilities	Straight-line	05 - 50 Years
Housing	Straight-line	10 - 50 Years
Computer Equipment	Straight-line	03 - 10 Years
Furniture and Office Equipment	Straight-line	02 - 15 Years
Machinery and Equipment	Straight-line	02 - 15 Years

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

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

1.9 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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.

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1.9 Intangible assets (continued)

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3-10 Years
Websites	Straight-line	3-10 Years

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

1.10 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

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).

1.11 Financial instruments

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

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1.11 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

- combined instruments that are designated at fair value;

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1.11 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

Subsequent measurement of financial assets and financial liabilities

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

Financial instruments at fair value.

Financial instruments at amortised cost.

Financial instruments at cost.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

The contractual rights to the cash flows from the financial asset expire, are settled or waived;

The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

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

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1.11 Financial instruments (continued)

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

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

Presentation

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost

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

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

1.12 Statutory receivables

Identification

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

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

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

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1.12 Statutory receivables (continued)

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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1.12 Statutory receivables (continued)

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

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

Derecognition

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

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

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

1.13 Tax

Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for VAT on the invoice basis in accordance with Section 15(2) of the Value Added Tax Act No. 81 of 1991.

1.14 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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1.15 Inventories

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

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

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

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

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

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

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

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

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

1.16 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

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

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1.17 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

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

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

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

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

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

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

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

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.

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1.17 Employee benefits (continued)

Post-employment benefits

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

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

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

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 a 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 services rendered 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.

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1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service costs as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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1.17 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.18 Impairment of cash-generating assets

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

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

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

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

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

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

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

Useful life is either:

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

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.

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1.18 Impairment of cash-generating assets (continued)

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recently approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities;

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

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1.18 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.

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

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

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

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.

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1.18 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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1.19 Provisions and contingencies (continued)

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.

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

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

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are only recognised in the notes to the annual financial statements. Contingencies are disclosed in note 42.

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

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

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

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

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

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1.20 Commitments

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

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

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

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

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

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

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1.21 Revenue from exchange transactions (continued)

Interest

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

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

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

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

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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1.22 Revenue from non-exchange transactions (continued)

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.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.23 Borrowing costs

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).

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Accounting Policies

1.24 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure 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.

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Accounting Policies

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as Bad debt written off and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Housing development fund

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

1.30 Segment information

A segment is an activity of an entity:

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

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

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Accounting Policies

1.30 Segment information (continued)

Measurement

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

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

1.31 Budget information

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

General purpose financial reporting by the 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 7/1/2024 to 6/30/2025.

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

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

1.32 Related parties

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

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

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

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

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

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

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

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Accounting Policies

1.32 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.

1.33 Events after reporting date

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

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

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

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

1.34 Government grants

Grants received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions.

Where there are conditions attached to a grant or transfer that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling fair value of the asset received.

1.35 Expenditure

Classification of expenses:

Expenditure is classified according to nature

Analysing expenses by nature

Analysing expenses by nature identifies costs and expenses in terms of their character and groups expenses according to the kinds of economic benefits or service potential received in incurring those expenses, irrespective of their application in the municipality's operations and/or where the expenses are incurred. The municipality therefore analyses the direct goods or services acquired or assets consumed.

Certain line items such are presented separately in the financial statements where the municipality presents an analysis of expenses by nature. These line items usually consist of a combination of different elements of expenditure by nature.

The municipal has adopted to disclosure expenditure according to nature. Certain line items have been disclosed separately in accordance with GRAP 1 on Presentation of Financial Statements.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Standard/Interpretation:	Effective Date	Expected Impact
Foreign Currency Transactions and Advance Consideration IGRAP 22	01 April 2025	Not Material

2.2 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 July 1, 2025 or later periods:

Standard/Interpretation:	Effective Date: Years beginning on or after	Expected Impact
GRAP 1 Presentation on Financial Statements	No effective date determined	Not expected to impact results but may result in additional disclosure
GRAP 103 Heritage Assets	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 104 Financial Instruments	01 July 2025	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 105 Transfer of Functions Between Entities Under Common Control	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 106 Transfer of Functions Between Entities Not Under Common Control	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
GRAP 107 Mergers	No effective date determined	It is unlikely that the will have a material impact on the municipality's annual financial statements
Improvements to Standards of GRAP	No effective date determined	Not expected to impact results but may result in additional disclosure

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS@ 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set..

It is unlikely that the revisions will have a material impact on the municipality's financial statements.

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

The impact of this standard is currently being assessed.

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

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2. New standards and interpretations (continued)

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 April 1, 2023.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after April 1, 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements..

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	613	581
Bank balances	2,744,662	1,663,847
*Short-term deposits	2,842,905	1,644,740
	5,588,180	3,309,168

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3. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as guarantee

First National Bank - Fixed Deposit - 7124500040078	1,540,000	1,540,000
Pledged as a guarantee to Eskom		

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- Current (Main) - 54980006117	2,726,977	1,653,694	1,458,066	2,726,980	1,653,694	1,458,066
First National Bank - Current - 62330092470	14,451	10,150	49,413	14,451	10,150	49,413
Investec Bank - Call - 1100435097501	58,421	54,331	50,135	58,420	54,331	50,135
First National Bank - Fixed Deposit - 712450040078	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000
First National Bank - Fixed Deposit - 62051262146	9,500	854	106,939	9,500	854	106,939
First National Bank - Call - 62532053204	898	26,420	67,737	898	26,420	67,737
First National Bank - Call Account - 62771806092	701	19,603	18,142	701	19,603	18,142
First National Bank - Call Account - 62771807016	51,740	3,532	3,269	51,740	3,532	3,269
FirstNational Bank Disaster grant account-63157501214	1,181,646	-	-	1,181,646	-	-
FirstNational Bank Debit order Account-63057921546	3,231	-	-	3,231	-	-
Total	5,587,565	3,308,584	3,293,701	5,587,567	3,308,584	3,293,701

4. Receivables from non-exchange transactions

Gross Balances

Traffic Fines	4,361,146	3,165,117
Rates	27,559,785	27,376,232
	31,920,931	30,541,349

Less: Allowance for impairment

Traffic Fines	(4,052,616)	(2,940,731)
Rates	(23,112,924)	(23,361,471)
	(27,165,540)	(26,302,202)

Traffic Fines	308,530	224,386
Rates	4,446,861	4,014,761
	4,755,391	4,239,147

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4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are:

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

Property rates

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

Determination of transaction amount

Traffic fines

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

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

- (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or
- (b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

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

Interest or other charges levied/charged

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

1. On the market value of the property;
2. b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;
3. In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine

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

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. 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. When the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced. The amount of loss is recognised in the surplus or deficit.

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4. Receivables from non-exchange transactions (continued)

Discount rate applied to the estimated future cash flows

Discount rate determined by adjusting risk free rate with a premium per risk category.

The risk-free rate is adjusted with the following premium:

Risk category	Premium adjustment
High risk	1.25%
Medium risk	0.75%
Low risk	0.25%

The risk premium adjustment to the risk-free rate is reviewed annually by management.

Receivables from non-exchange transactions pledged as security

There are no Receivables from Non- Exchange Transactions pledged as security.

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Notes to the Annual Financial Statements

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4. Receivables from non-exchange transactions (continued)

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

Gross Balances	36,651,004	30,541,349
Less: Allowance for impairment	(27,165,540)	(12,742,123)
	9,485,464	17,799,226

Rates

Current (0-30 days)	1,205,241	3,643,938
31 - 60 days	847,048	779,796
61 - 90 days	847,128	646,918
91 - 120 days	724,096	606,024
121 - 365 days	707,621	555,713
> 365 days	27,958,723	21,130,081
	32,289,857	27,362,470

Rates are imposed under the Municipal Property Rates Act, 6 of 2004. Rates are billed on properties under the jurisdiction of the municipality, according to the tariffs. Please refer to Note 21 .

Summary of property rates debtors by customer classification.

Organs of State

Current (0-30 days)	525,485	1,588,757
31 - 60 days	369,313	339,991
61 - 90 days	369,348	282,056
91 - 120 days	315,706	264,226
121 - 365 days	308,523	242,291
> 365 days	12,190,003	9,212,715
	14,078,378	11,930,036

Commercial

Current (0-30 days)	243,459	736,076
31 - 60 days	171,103	157,519
61 - 90 days	171,120	130,677
91 - 120 days	146,267	122,417
121 - 365 days	142,939	112,254
> 365 days	5,647,662	4,268,276
	6,522,550	5,527,219

Households

Current (0-30 days)	436,297	1,319,106
31 - 60 days	306,632	282,286
61 - 90 days	306,660	234,184
91 - 120 days	262,123	219,381
121 - 365 days	256,159	201,168
> 365 days	10,121,058	7,649,089
	11,688,929	9,905,214

Fines disclosure

The municipality imposes traffic fines to offenders in accordance with the National Road Traffic Act, 1996 (93 of 1996).

Fines disclosure

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Notes to the Annual Financial Statements

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4. Receivables from non-exchange transactions (continued)		
Current (0-30 days)	157,285	114,150
31 - 60 days	139,579	101,300
61 - 90 days	183,189	132,950
91 - 120 days	177,471	128,800
121 - 365 days	275,851	200,200
> 365 days	3,427,771	2,487,717
	4,361,146	3,165,117
5. Receivables from Exchange Transactions		
Gross balances		
Electricity	6,554,357	6,446,608
Refuse	6,583,791	5,690,810
VAT accrual debt write off	91,639	-
VAT accrual -retentions	1,762,556	1,743,681
Property rentals	53,334	302,044
	15,045,677	14,183,143
Less: Allowance for impairment		
Electricity	(4,829,659)	(4,531,963)
Refuse	(5,600,236)	(4,789,481)
	(10,429,895)	(9,321,444)
Net balance		
Electricity	1,724,698	1,914,645
Refuse	983,555	901,329
VAT accrual debt write off	91,639	-
VAT accrual retentions	1,762,556	1,743,681
Property rentals	53,334	302,044
	4,615,782	4,861,699
Electricity		
Current (0 -30 days)	1,844,821	1,801,278
31 - 60 days	227,943	472,121
61 - 90 days	93,085	206,195
91 - 120 days	52,874	186,165
121 - 365 days	23,160	327,865
> 365 days	1,855,935	3,452,985
	4,097,818	6,446,609
Refuse		
Current (0 -30 days)	120,602	208,109
31 - 60 days	105,928	134,178
61 - 90 days	82,835	113,789
91 - 120 days	76,679	109,040
121 - 365 days	65,459	107,349
> 365 days	3,858,755	5,018,345
	4,310,258	5,690,810

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
5. Receivables from Exchange Transactions (continued)		
Property Rental		
Current (0 -30 days)	8,953	15,317
31 - 60 days	8,953	7,685
61 - 90 days	3,063	7,685
91 - 120 days	44	5,044
121 - 365 days	-	5,000
> 365 days	32,321	261,313
	53,334	302,044
Reconciliation of allowance for impairment		
Balance at beginning of the year	(9,321,444)	(9,069,836)
Contributions to allowance	(1,108,451)	(251,608)
	(10,429,895)	(9,321,444)

Receivables from Exchange Transaction pledged as security

There are no Receivables from Exchange Transactions pledged as security.

6. Inventories

Consumable stores	400,101	540,393
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Inventory pledged as security

There is no inventory pledged as security.

Mthonjaneni Local Municipality

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7. Biological assets

	2025		2024			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Plantation	1,709,061	-	1,709,061	2,104,597	-	2,104,597

Reconciliation of biological assets - 2025

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	2,104,597	(395,536)	1,709,061

Reconciliation of biological assets - 2024

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	2,271,712	(167,115)	2,104,597

Pledged as security

There is no plantation pledged as security.

The plantation is planted forestry area totaling 72.06 ha. Valuation is performed on annual basis.

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8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	238,995	(218,362)	20,633	238,995	(217,212)	21,783

Reconciliation of investment property - 2025

	Opening balance	Depreciation	Total
Investment property	21,783	(1,150)	20,633

Reconciliation of investment property - 2024

	Opening balance	Depreciation	Total
Investment property	39,594	(17,811)	21,783

Pledged as security

There is no investment property 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.

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9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Buildings	28,811,492	(14,809,553)	14,001,939	28,811,492	(13,484,062)	15,327,430
Community Assets	161,389,621	(62,044,501)	99,345,120	160,405,766	(51,276,076)	109,129,690
Computer Equipment	1,981,811	(1,348,950)	632,861	1,971,786	(1,210,998)	760,788
Electrical Infrastructure	114,327,985	(39,570,066)	74,757,919	113,187,631	(35,482,285)	77,705,346
Furniture and Office Equipment	2,595,967	(1,936,262)	659,705	2,553,267	(1,758,423)	794,844
Land	45,913,792	-	45,913,792	45,913,792	-	45,913,792
Machinery and Equipment	6,445,867	(4,433,312)	2,012,555	6,285,416	(4,078,567)	2,206,849
Road Infrastructure	202,855,222	(92,602,414)	110,252,808	182,502,009	(72,289,639)	110,212,370
Solid Waste Infrastructure	1,578,567	(268,896)	1,309,671	1,180,595	(116,946)	1,063,649
Stormwater Infrastructure	14,931,926	(5,536,484)	9,395,442	14,931,926	(4,624,069)	10,307,857
Transport Assets	10,133,609	(6,160,916)	3,972,693	10,253,392	(6,027,529)	4,225,863
Water Supply Infrastructure	1,984,882	(1,588,123)	396,759	1,984,882	(1,389,743)	595,139
Total	592,950,741	(230,299,477)	362,651,264	569,981,954	(191,738,337)	378,243,617

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Work in progress	Disposals	Decommissioning and restoration for environmental rehabilitation	Depreciation	Impairment loss	Total
Operational buildings	15,327,430	-	-	-	-	(1,243,725)	(81,766)	14,001,939
Community Assets	109,129,690	-	983,856	-	-	(7,633,696)	(3,134,730)	99,345,120
Computer Equipment	760,788	96,140	-	(11,188)	-	(212,879)	-	632,861
Electrical Infrastructure	77,705,346	85,011	3,997,410	-	-	(4,087,792)	(2,942,056)	74,757,919
Furniture and Office Equipment	794,844	132,784	-	(32,059)	-	(235,864)	-	659,705
Land	45,913,792	-	-	-	-	-	-	45,913,792
Machinery and Equipment	2,206,849	308,920	-	(10,826)	-	(492,388)	-	2,012,555
Road Infrastructure	110,212,370	20,353,213	(627,564)	-	-	(13,307,553)	(6,377,658)	110,252,808
Solid Waste Infrastructure	1,063,649	-	-	-	397,972	(151,950)	-	1,309,671
Stormwater Infrastructure	10,307,857	-	-	-	-	(628,377)	(284,038)	9,395,442
Transport Assets	4,225,863	1,182,848	-	(615,177)	-	(820,841)	-	3,972,693
Water Supply Infrastructure	595,139	-	-	-	-	(198,380)	-	396,759
	378,243,617	22,158,916	4,353,702	(669,250)	397,972	(29,013,445)	(12,820,248)	362,651,264

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended June 30, 2025

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in progress	Disposals	Restatement	Decommissioning and restoration for environmentAl rehabilitation	Depreciation	Impairment loss	Total
Operational buildings	16,575,725	-	-	-	-	-	(1,247,722)	(573)	15,327,430
Community Assets	102,713,250	-	13,162,747	-	57,401	-	(6,801,490)	(2,218)	109,129,690
Computer Equipment	869,022	142,630	-	(37,941)	-	-	(212,923)	-	760,788
Electrical Infrastructure	77,998,338	-	3,803,560	-	-	-	(4,096,552)	-	77,705,346
Furniture and Office Equipment	1,021,308	13,600	-	-	-	-	(240,064)	-	794,844
Land	45,913,792	-	-	-	-	-	-	-	45,913,792
Machinery and Equipment	2,083,743	545,263	-	-	-	-	(422,157)	-	2,206,849
Road Infrastructure	123,372,845	-	3,775,467	-	(3,904,785)	-	(13,031,157)	-	110,212,370
Solid Waste Infrastructure	794,533	-	-	-	-	287,354	(18,238)	-	1,063,649
Stormwater Infrastructure	10,653,461	-	274,782	-	-	-	(620,386)	-	10,307,857
Transport Assets	4,513,812	698,108	-	-	-	-	(986,057)	-	4,225,863
Water Supply Infrastructure	794,062	-	-	-	-	-	(198,923)	-	595,139
	387,303,891	1,399,601	21,016,556	(37,941)	(3,847,384)	287,354	(27,875,669)	(2,791)	378,243,617

Mthonjaneni Local Municipality

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Figures in Rand	2025	2024
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9. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

Property, plant and equipment change in estimate

We have identified 82 assets with a remaining useful life below 365 days that will continue to be used by the Municipality after the remaining useful life, Thus we have reassessed the remaining useful life based on the asset current condition.

Asset Class	Opening NBV	Original Depreciation	Revised Depreciation	Change in Estimate
Comunity Asset	18,387	18,387	2,513	15,874
Computer Equipment	6,228	6,228	2,298	3,930
Furniture and Office Equipment	11,488	11,488	3,593	7,895
Investment Property	17,625	17,625	1,013	16,612
Machinery and Equipment	6,980	6,980	2,334	4,647
Transport Asset	98,656	98,656	25,906	72,750

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Thubalethu Extension Electrification	12,647,028	15,589,110
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The project has been long outstanding due to the municipality to complete the construction of the housing project

Thubalethu Extension Access Roads	-	8,519,531
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The project was capitalised in the current period.

12,647,028	24,108,641
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Reconciliation of Work-in-Progress 2025

	Included Electrical within Infrastructure	Included within Community	Included within Roads Infrastructure	Total
Opening balance	25,146,698	627,564	8,519,531	34,293,793
Restament reclassification	-	(627,564)	627,564	-
Additions/capital expenditure	3,997,410	983,855	19,098,086	24,079,351
Capitalised	-	-	(28,245,181)	(28,245,181)
Impairment	(2,942,056)	-	-	(2,942,056)
	26,202,052	983,855	-	27,185,907

The reclassification restatement relates to the Mfolozane gravel roads work in progress reclassification in community assets work in progress

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Electrical Infrastructure	Included within Community	Included within Roads Infrastructure	Total
Opening balance	21,343,139	9,391,448	8,693,445	39,428,032
Additions/capital expenditure	3,803,559	13,790,311	4,132,646	21,726,516
Capitalised	-	(22,554,195)	(4,306,560)	(26,860,755)
	25,146,698	627,564	8,519,531	34,293,793

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Maintenance of Building and Facilities	1,384,770	953,953
Maintenance of Equipment	223,846	709,053
Maintenance of Infrastructure	5,787,406	2,135,564
Maintenance of Transport Assets	2,174,622	1,677,147
	9,570,644	5,475,717

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

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025		2024			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	139,609	(133,975)	5,634	237,563	(212,799)	24,764

Reconciliation of intangible assets - 2025

	Opening balance	Disposals	Amortisation	Total
Computer software	24,764	(7,714)	(11,416)	5,634

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	37,378	(12,614)	24,764

Mthonjaneni Local Municipality

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11. Heritage assets

	2025		2024			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2025

Historical monuments

Opening balance	589	Total
	589	589

Reconciliation of heritage assets 2024

Historical monuments

Opening balance	589	Total
	589	589

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
12. Payables from exchange transactions		
Trade payables	85,968,937	59,866,229
Retentions	7,804,486	7,659,773
Third parties - payroll	10,067,245	8,306,484
Accrued leave pay	5,154,296	5,013,232
Unallocated deposits	2,018,433	2,855,660
Income received in advance- prepaid electricity	105,702	74,867
Debtors in credit	956,206	829,950
VAT payable to Sars	579,426	1,259,950
13th Cheque bonus accrual	1,723,364	1,613,151
	114,378,095	87,479,296
13. Consumer deposits		
Hall Deposits	94,362	95,012
Electricity	865,011	612,923
Poster Deposits	6,930	6,930
Library Deposits	9,146	9,146
Verge Deposits	280,516	278,896
	1,255,965	1,002,907

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14. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Reversed during the year charged during the year	Finance cost charged during the year	Increment due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation Performance Bonus	5,502,080 711,479	- 508,200	- (320,118)	- (391,362)	280,606 -	397,972 -	6,180,658 508,199
	6,213,559	508,200	(320,118)	(391,362)	280,606	397,972	6,688,857

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation Performance Bonus	4,972,562 521,490	- 520,024	- (330,035)	287,354 -	242,164 -	5,502,080 711,479
	5,494,052	520,024	(330,035)	287,354	242,164	6,213,559
Non-current liabilities	6,180,658	5,502,080				
Current liabilities	508,199	711,479				
	6,688,857	6,213,559				

Environmental rehabilitation provision

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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14. Provisions (continued)

The provision for environmental rehabilitation relates to the legal obligation to rehabilitate the Mthonjaneni Landfill Site. The landfill site has a remaining useful life of 7 years. The cost elements relating to planning for the closure are expected at least two years prior to the closure whilst actual rehabilitation and closure elements are expected in the year of closure and the following three years. This will be followed by post closure and monitoring costs to be incurred for a period of 30 years after closure.

15. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	5,802,807	4,541,760
Present value of the defined benefit obligation-party or wholly funded	2,991,959	2,682,266
	8,794,766	7,224,026
Non-current liabilities	8,467,944	6,905,381
Current liabilities	326,822	318,636
	8,794,766	7,224,017

Defined benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion of the medical aid membership fee. The most recent actuarial valuations were carried out at 30 June 2025 by One Pangaea, Fellow of the Faculty of Actuaries and Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired

The Municipality has agreed to subsidise the medical aid contributions of continuation pensioners in the following way:

All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy upon attaining retirement age.

All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy subject to the maximum (CAP) amount of R5,791.15 (per month per member) as from 1 July 2025.

All existing continuation members (pensioners) and their dependents will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R5,791.15 (per month per member) 1 July 2025.

The maximum subsidy is expected to increase at increase at 75% of inflation.

Split between short and long term portion of Post Employment Medical

Subsidy Liability

Current Liability	131,163	122,976
Non-current Liability	5,671,643	4,418,785
	5,802,806	4,541,761

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15. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Service cost	297,607	297,607
Interest cost	609,110	609,110
Remeasurements	473,986	(118,968)
Payments made for employer	(119,657)	(111,715)
	1,261,046	676,034

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15. Employee benefit obligations (continued)

Key assumptions used

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 the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

Discount rate used	12.79%
Medical cost trend rates	7.26%
Expected medical increase	8.76%
Net discount rate	3,71%

Demographic Assumptions	Active Employees	Pensioners
Normal retirement age	65	-t
Fully accrued age. This is the average age of retirement, taking into account early retirement and ill-health decrements.	63	-
Employment age used for past service period	Actual service entry ages	
Age difference between spouses. We have assumed that the male spouse is oldest	5 years	Actual ages used
Proportion married	90% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90)
Continuation percentage of post-employment medical aid subsidies at retirement for active members. Additional text	Active employees to continue subsidy at 100% in retirement	N/A

Sensitivity Analysis

Healthcare Cost Inflation and Discount Rate

The effects of varying the above assumptions are illustrated below

Sensitivity as at 30 June 2025

	Percentage change	1% Decrease	Valuation Basis	1% Increase	Percentage change
Opening Accrued Liability	-15.29%	3,847,140	4,541,760	5,412,234	19.17%
Service Cost	-21.48%	233,693	297,607	381,796	28.29%
Net Interest Expense	-15.5%	514,712	609,110	727,416	19.42%
Discount Rate					
Opening Accrued Liability	18.34%	5,374,564	4,541,760	3,883,433	-14.49%
Service Cost	26.22%	375,630	297,607	238,367	-19.91%
Net Interest experience	9.78%	669,202	609,110	557,827	-8.42%
Post-retirement mortality					

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15. Employee benefit obligations (continued)

The table that follows shows the impact of a change in the mortality table assumption. The effect is illustrated by assuming that mortality is 20% heavier than assumed and 20% lighter than assumed

Sensitivity as at 30 June 2025

	Percentage Change	20%lighter	Valuation Basis	20%heavier	Pecerntage Change
Opening accrued liaiability	7.77%	4,894,487	4,541,760	4,245, 959	-6.51%
Service cost	9.21%	325,004	297,607	274,524	-7.76%
Net interest expense	7.78%	657,055	609,110	568,903	-6.60%

Additional text

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. 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)	Total Long Service Benefit Award (% of Annual Salary)
10	4%	(10/249) x Annual Salary
15	8%	(20/249) x Annual Salary
20,25,30,35,40 and 45	12%	(30/249) x Annual Salary

Valuation Assumptions

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

Assumption	30 June 2025	30 June 2024
Discount rate	9.49%	10.66%
CPI	4.26%	5.50%
Salary increase rate	5.26%	6.50%
Net Discount Rate	4.02%	3.91%

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.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2024 the duration of liabilities was 6.36 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 10.66% per annum, and the yield on inflation-linked bonds of a similar term was about 4.89% per annum. This implies an underlying expectation of inflation of 5.50% per annum $([1 + 10.66\%] / [1 + 4.89\%] - 1)$.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.91% per annum $([1 + 10.60\%] / [1 + 6.50\%] - 1)$.

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15. Employee benefit obligations (continued)

Demographic and decrement assumption

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	30 June 2025	30 June 2024
Normal retirement age (years)	65	65
Mortality	SA85-90	SA85-90

The following withdrawal assumptions were applicable over the prior and current valuation periods:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	16%	24%
25	12%	18%
30	10%	15%
35	8%	10%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60+		

Sensitivity Analysis

Discount Rate

Sensitivity as at 30 June 2025t

	Percentage Change	1%Decrease	Valuation Basis	1% increase	Percentage
Opening accrued liability	6.87%	2,866,613	2,682,265	2,517,903	-6.13%
Service Cost	8.62%	302,273	278,280	257,255	-7.56
Nert Interest Expense	-2.92%	267,367	275,423	282,125	2.43%

Salary Increase Rate

	Percentage Change	1%Decrease	Valuation Basis	1% increase	Percentage
Opening accrued liability	6.41%	2,510,323	2,682,265	2,872,370	7.09%
Service cost	7.90%	256,294	278,280	303,029	8.89%
Net interest	6.65%	257,099	275,423	295,683	7.36%

Withdrawal Decrement

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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15. Employee benefit obligations (continued)

	Percentage change	20%Change	Valuation basis	20%Increase	Percentage change
Opening accrued liability	6.20%	2,848,552	2,682,265	2,533,930	-5.53%
Service cost	9.58%	304,932	278,280	255,472	-8.20%
Net interest	6.43%	293,125	275,423	259,634	-5.73%

Recognition of net expense

Opening accrued liability	2,682,266	2,499,256
Service cost	278,280	238,993
Interest cost	275,423	261,245
Remeasurements	(10,000)	73,711
Benefit payments	(234,010)	(390,940)
	2,991,959	2,682,265

Split between short and long term portion of obligation

Current liability	297,054	195,659
Non-current liability	2,694,904	2,486,606
	2,991,958	2,682,265

16. Service charges

Service charges - reconnection fees	65,631	28,590
Refuse removal	1,642,165	2,002,465
Sale of electricity	32,194,003	29,353,884
Less Revenue Forgone - Electricity	(119,316)	(97,760)
	33,782,483	31,287,179

17. Rental of facilities and equipment

Premises

Hall hire	55,681	99,734
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Facilities and equipment

Rental income	102,348	147,633
	158,029	247,367

18. Agency services

Motor Licenses	722,453	929,570
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The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement is as follows:

Department of Transport

The municipality acts on behalf of the Department of Transport to issue licenses to, and collect money from motorists, i.e. there are three parties to the arrangement, Principal (Department of Transport), Agent (Mthonjaneni Local Municipality) and Third party (The Motorist)

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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18. Agency services (continued)

As the Department of Transport is responsible for issuing the license, the transaction is between the Department of Transport and the motorist, i.e. the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licenses and the collection of the prescribed fees.

The municipality receives a fee of 10% of the transaction amount and there were no changes that occurred during the reporting period.

19. Licences and permits

Motor Licenses	1,268,729	1,359,298
Business Licenses	21,298	10,208
Taxi rank Permits	12,226	728
	1,302,253	1,370,234

20. Interest Received

Interest Charged on Trade and Other receivables	843,857	564,852
Bank	129,173	321,661
Short term deposits	669,397	381,377
	798,570	703,038
	1,642,427	1,267,890

21. Property rates

Rates received

Residential	7,759,281	7,475,179
Commercial	8,456,521	7,917,715
Agriculture	2,318,330	2,653,848
Public service purpose	10,776,260	10,013,835
Vacant land	585,088	840,456
Less: Revenue forgone	(4,476,670)	(4,527,742)
	25,418,810	24,373,291
Property rates - Interest earned from receivables	1,608,709	903,682
	27,027,519	25,276,973

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
21. Property rates (continued)		
Valuations		
Agriculture	1,012,141,000	1,003,650,000
Commercial	409,536,000	413,805,000
Public service Infrastructure	686,000	686,000
Public service purpose	478,229,000	472,929,000
Residential	461,941,000	462,530,000
Vacant land	67,599,000	67,554,000
Industrial	6,254,000	9,871,000
Public Benefit Organisation	15,073,000	15,073,000
	2,451,459,000	2,446,098,000

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

The new general valuation will be implemented on 01 July 2024.

Property Rates Tariffs:

Agriculture	0.45	0.43
Commercial	2.29	2.18
Industrial	2.29	2.10
Land Reform	Exempt	Exempt
Municipal Property	Exempt	Exempt
Place of Worship	Exempt	Exempt
Public Benefit Organisation	Exempt	Exempt
Public Service Infrastructure	Exempt	Exempt
Public Service Purpose	2.28	2.18
Residential	1.82	1.73
Multi Purpose	1.82	1.73
Vacant Land	2.28	2.18
Unauthorised use	2.28	2.18
Rebates:		
Residential	15%	15%
Public Service Purpose	0%	0%
All other properties other than residential, public service purpose, and agriculture	15%	15%
Agriculture	30%	30%
Early Bird Rebate (12 Months in advance payment)	15%	15%

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
21. Property rates (continued)		
Pensioners Rebate (On application)	15%	20%
Residential Properties have a reduction of R50 0000 on Market value		

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Figures in Rand	2025	2024
22. Transfers and subsidies		
Operating grants		
Equitable share	103,227,000	98,426,000
Expanded Public Works Programme (EPWP)	2,243,000	2,092,000
Financial Management Grant (FMG)	2,800,000	2,850,000
Title Deed Restoration Grant	-	24,539
Community Library Grant	265,000	254,000
LG Seta Grant	297,000	-
Provincialization of Libraries Grant	1,024,000	981,000
Disaster Relief Grant	4,250,000	-
	114,106,000	104,627,539
Capital grants		
Municipal Infrastructure Grant	20,490,000	19,370,000
Integrated National Electrification Grant (INEG)	4,597,022	4,374,094
	25,087,022	23,744,094
	139,193,022	128,371,633

Equitable Share

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

All registered indigents receive a monthly subsidy of - : 50 kW free electricity- per month, which is funded from the grant.

Integrated National Electrification Grant (INEG)

Current-year receipts	4,597,022	4,374,094
Conditions met - transferred to revenue	(4,597,022)	(4,374,094)
	-	-

Integrated National Electrification Grant received for licensed areas

Expanded Public Works Programme Grant

Current-year receipts	2,243,000	2,092,000
Conditions met - transferred to revenue	(2,243,000)	(2,092,000)
	-	-

Financial Management Grant

Current-year receipts	2,800,000	2,850,000
Conditions met - transferred to revenue	(2,800,000)	(2,850,000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	20,490,000	19,370,000
Conditions met - transferred to revenue	(20,490,000)	(19,370,000)
	-	-

No Municipal Infrastructure Grant funds were used to fund operations of the municipality. The fund was exhausted through capital infrastructure projects

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
22. Transfers and subsidies (continued)		
LG Seta Grant		
Current-year receipts	297,000	-
Conditions met - transferred to revenue	(297,000)	-
	-	-
Title Deeds Restoration Grant		
Balance unspent at beginning of year	-	100,000
Conditions met - transferred to revenue	-	(24,539)
Other	-	(75,461)
	-	-
Community Library Grant		
Current-year receipts	265,000	254,000
Conditions met - transferred to revenue	(265,000)	(254,000)
	-	-
Provincialization of Libraries Grant		
Current-year receipts	1,024,000	981,000
Conditions met - transferred to revenue	(1,024,000)	(981,000)
	-	-
Disaster Relief Grant		
Current-year receipts	4,250,000	-
Conditions met - transferred to revenue	(4,250,000)	-
	-	-
23. Fines, Penalties and Forfeits		
Law Enforcement Fines	1,273,491	1,587,019

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
24. Construction Contract		
Advance received		
Integrated National Electrification Programme (INEP)	775,979	8,625,906
Construction Contract		
Construction contract revenue	674,764	7,500,788
Construction contract expenditure	(674,764)	(7,500,788)
	-	-

The municipality received a schedule 5B to unlicensed areas. The municipality is undertaking construction activities as a primary contractor on behalf of Department of Mineral Resources and Energy and Eskom in areas where it does not have an approved license for the supply of electricity. The municipality has accounted for this transaction according to Grap 11, Construction contract.

To measure reliably the work performed, the completion of a contract is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs and completion of a physical proportion of the contract work.

As at end of 30 June 2025, there were no gross amount due from customers for work as an asset and the gross amount due to customers for work as a liability.

The municipality will transfer these projects to Eskom after completion as per the Memorandum of understanding signed between the Municipality and ESKOM.

25. Sale of goods

Sale of goods	106,159	700,835
Sale of goods decription		
Tender documents	44,022	142,104
Building plan approval	24,419	26,847
Cemetery and burial	5,261	7,263
Cleaning and removal	-	500,000
Clearance certificates	3,061	3,235
Entrance fees	5,787	-
Photo copies, faxes and telephone charges	23,331	20,577
Valuation services	278	809
	106,159	700,835

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
26. Employee related costs		
Basic	50,660,452	46,702,253
Bonus 13th Cheque	3,374,455	3,114,385
Medical aid - company contributions	3,645,849	3,089,615
UIF	391,600	376,634
SALGA	22,358	20,200
Leave Pay	683,859	2,019,798
Other Allowances (Standby, Remote, Night Shift, Cellphone, Once Off, Fire Arm and Danger)	1,908,784	1,981,828
Overtime	2,005,962	1,936,970
Pension contributions	6,899,003	6,232,123
Travel, motor car, accommodation, subsistence and other allowances	5,582,000	5,194,856
Long-service awards	553,703	500,238
Acting allowances	166,819	472,200
Housing benefits and allowances	1,089,867	1,055,834
Post employment medical - Current Interest cost	609,110	609,110
Post employment medical - Current Service cost	297,607	297,607
Performance bonus	320,118	330,035
	78,211,546	73,933,686

Remuneration of Municipal Manager of- Z.S Mthethwa

Annual Remuneration	850,071	815,823
Backpay	-	30,227
Backpay Accruals	-	34,248
Non-pensionable	-	20,340
Non-pensionable Accrual	-	20,340
Car Allowance	150,000	150,000
Performance Bonuses	81,852	78,560
Contributions to UIF, Medical and Pension Funds	2,269	2,125
Housing Allowance	72,000	72,000
Scarcity (Remote allowance)	42,883	41,513
Subsistence	507	483
Skills Levy	13,006	11,004
Additional Travel	4,748	5,420
	1,217,336	1,282,083

Remuneration of Director Community Services - B Shongwe(Acting from 6 June 2025)

Acting Allowances	7,335	-
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Remuneration of Chief Financial Officer - N.M. Myeni

Annual Remuneration	925,833	891,465
Car Allowance	150,000	150,000
Backpay	-	30,334
Backpay Accrual	-	34,368
Performance Bonus	89,147	64,571
Non-Pensionable	-	20,340
Non-Pensionable Accruals	-	20,340
Contributions to UIF, Medical and Pension Funds	2,269	2,125
Remote Allowance	43,033	41,659
Other (Skills Levy, Additional Travel)	18,494	29,977
	1,228,776	1,285,179

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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26. Employee related costs (continued)

Remuneration of Director Community Services - F.S Mazibuko

Annual Remuneration	731,528	766,787
Backpay	-	18,385
Backpay Accruals	-	31,244
Car Allowance	165,000	180,000
Performance Bonus	61,541	48,602
Non-Pensionable	-	13,560
Scarcity Allowance	35,861	-
Non-Pensionable Accruals	-	20,340
Cellphone Allowance	-	1,500
Leave payments	172,825	-
Contributions to UIF, Medical and Pension Funds	2,257	2,125
Remote Allowance	-	37,872
Skills Levy	12,348	10,292
Long Service Award	-	46,259
Other (Additional Travel)	17,868	16,395
	1,199,228	1,193,361

Remuneration of Director Corporate Services - N.B Mathe

Annual Remuneration	828,031	796,777
Back Pay	-	18,385
Bank Pay Accruals	-	31,244
Car Allowance	150,000	150,000
Performance Bonus	56,807	74,796
Scarcity allowance	39,121	-
Contributions to UIF, Medical and Pension Funds	2,269	2,125
Non-Pensionable	-	13,560
Non Pensionable Accruals	-	20,240
Remote Allowance	-	37,872
Skills Levy	11,707	9,869
Additional Travel	2,001	3,759
	1,089,936	1,158,627

Remuneration of Director Technical and Planning Services PT Xulu (Acting from 01 July 2023 to 31 December 2023)

Acting Allowance	-	44,519
Backpay Accruals	-	1,476
Non-Pensionable Accruals	-	10,170
Performance Bonuses	-	63,506
	-	119,671

Remuneration of Director Technical and Planning Services - N.W Zikhali

Annual Remuneration	828,031	398,394
Backpay Accruals	-	15,622
Non-Pensionable Accruals	-	10,170
Car Allowance	150,000	75,000
Performance Bonuses	30,771	-
Contributions to Medical and Pension Funds	10,619	1,063
Contribution to UIF	2,269	4,863
Remote Allowance	39,121	18,936
Cellphone Allowance	18,000	9,000
	1,078,811	533,048

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
27. Remuneration of councillors		
Hon. Mayor	1,006,470	993,325
Deputy Mayor	813,691	804,850
Executive Committee Members	1,339,286	1,322,463
Hon. Speaker	473,301	467,160
All Other Councillors	5,829,134	5,723,173
Chief Whip	446,429	440,821
MPAC Chairperson	556,849	429,218
	10,465,160	10,181,010
Mayor		
Annual remuneration	572,638	560,787
Backpay	24,567	26,540
Travelling allowance	233,109	227,828
Cell phone allowance	43,200	42,600
Backpay travel	7,321	11,336
Medical Aid	39,739	37,116
Pension contribution	85,896	84,118
Backpay cell phone allowance	-	3,000
	1,006,470	993,325
Deputy mayor		
Annual remuneration	446,973	438,472
Backpay	18,382	21,260
Travelling allowance	186,589	182,262
Cell phone allowance	43,200	42,600
Backpay travel	6,102	9,069
Backpay cell phone allowance	-	3,000
Pension contribution	67,046	65,771
Medical Aid	45,400	42,216
	813,692	804,650
Speaker		
Annual Remuneration	270,077	263,490
Backpay	12,661	11,809
Travelling allowance	103,903	101,678
Backpay travel	2,948	5,059
Cellphone allowance	43,200	42,600
Backpay cell phone allowance	-	3,000
Pension contribution	40,512	39,524
	473,301	467,160
MPAC Chairpersons		
Annual Remuneration	318,395	239,775
Backpay	10,437	10,746
Travelling allowance	122,220	92,527
Backpay travel	2,438	4,604
Cellphone allowance	55,626	42,600
Pension contribution	47,733	35,966
	556,849	426,218

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Figures in Rand	2025	2024
27. Remuneration of councillors (continued)		
Chief whip		
Terms and conditions		
Annual Remuneration	253,203	247,027
Backpay	11,870	11,071
Travelling allowance	97,412	95,326
Backpay travel	2,763	4,743
Cellphone allowance	43,200	42,600
Backpay cell phone allowance	-	3,000
Pension contribution	37,980	37,054
	446,428	440,821
Executive Committee Members		
Annual Remuneration	759,608	741,081
Backpay Salary	35,610	33,212
Travelling allowance	292,236	285,977
Backpay travel	8,290	14,230
Cellphone allowance	129,600	127,800
Pension contribution	113,941	111,162
	1,339,285	1,313,462
All other Councillors		
Terms and conditions		
Annual Remuneration	3,190,583	3,098,268
Backpay Salary	167,617	145,150
Travelling allowance	1,227,623	1,195,582
Backpay travel	41,310	61,872
Cellphone allowance	720,000	706,400
Backpay cellphone allowance	3,414	51,161
Pension contribution	478,587	464,740
	5,829,134	5,723,173
Additional information		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
28. Depreciation and amortisation		
Property, plant and equipment	29,012,784	27,875,846
Investment property	1,150	17,811
Intangible assets	11,416	12,614
	29,025,350	27,906,271
29. Impairment loss		
Impairments		
Property, plant and equipment	12,820,250	2,791
30. Debt Impairment		
Impairment	1,827,208	2,088,172

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
31. Interest paid		
Interest and penalties paid	2,211,561	2,475,808
Interest on non-current provisions	280,606	242,164
	2,492,167	2,717,972
Interest and penalties paid are mainly due to cash flow challenges which resulted due to arrears on accounts such as Eskom, Telkom, South Africa Revenue Service and Pension Funds.		
32. Lease rentals on operating lease		
Motor vehicles		
Contractual amounts	-	260,847
Equipment		
Contractual amounts	352,395	720,253
	352,395	981,100
33. Bulk purchases		
Electricity - Eskom	28,614,794	27,727,780
34. Contracted services		
Outsourced Services		
Business and Advisory	5,605	21,802
Catering Services	1,309,887	1,488,753
Litter Picking and Street Cleaning	27,494	19,218
Medical Services [Medical Health Services & Support	14,298	-
Personnel and Labour	3,661,650	3,516,875
Refuse Removal	2,203,253	3,777,818
Security Services	7,580,395	8,919,071
Traffic Fines Management	66,787	-
Transport Services	3,114,398	2,943,990
Drivers Licence Cards	152,333	609,336
Consultants and Professional Services		
Business and Advisory	4,519,548	5,116,333
Legal Cost	1,320,134	281,000
Contractors		
Catering Services	824,712	989,925
Employee Wellness	333,250	467,037
First Aid	23,043	-
Fire Services	170,740	90,205
Event Promoters	5,386	866,545
Maintenance of Buildings and Facilities	1,360,079	994,737
Maintenance of Equipment	1,976,496	2,247,525
Maintenance of Unspecified Assets	3,929,003	383,055
Maintenance of Infrastructure	3,313,474	-
Pest Control and Fumigation	34,200	16,180
Plants, Flowers and Other Decorations	1,694,117	651,345
Transportation	569,075	823,075
Safeguard and Security	100,018	152,971
Sports and Recreation	546,584	394,335
Stage and Sound Crew	1,047,936	1,275,971
	39,903,895	36,047,102

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
35. Inventory consumed		
Consumables	819,402	1,338,232
36. Operational Costs		
Contribution to Provisions	(203,280)	189,990
Advertising	2,961,803	2,383,419
Assets less than the capitalisation threshold	60,567	10,899
Auditors remuneration	1,994,704	2,274,832
Bank charges	238,147	183,230
Bursaries (Employees)	297,514	404,408
Indigent Relief	1,649,968	1,571,941
Storage of Files (Archiving)	15,707	(3,166)
Parking fees	-	10,122
Commission	7,875	343,946
Achievements and Awards	273,240	-
EPWP Stipends	696,795	300,122
Municipal Services	2,261,938	1,921,009
Fuel and oil	2,956,774	3,725,632
Hire	6,604,742	7,554,664
Learnerships and Internships	132,000	-
External computer service	1,572,454	2,117,087
Insurance	1,882,464	1,587,710
Honouring (Voluntarily Workers)	76,900	369,571
Printing and stationery	518,811	524,961
Supplier development programme-LED projects	-	887,835
Toll Gate Fees	1,880	5,414
Protective clothing	1,599,294	1,084,312
Licence and Registrations	109,814	82,379
Skills development levy	777,184	714,953
Subscriptions and membership fees	810,646	816,053
Communication	1,121,264	1,413,487
Professional and Regulatory Bodies	197,538	163,713
Registration Fees:Seminars, Conferences, Workshops and Events:National	661,155	352,842
Transport Provided as Part of Departmental Activities	24,000	37,030
Travel and subsistence	7,779,141	6,285,536
Seating Allowance for Traditional Leaders	70,897	51,000
Agency Fees	83,325	136,144
Ward committee	1,761,720	1,748,400
Workmen's compensation	545,348	330,270
	39,542,329	39,579,745
37. Fair value adjustments		
Biological assets - (Fair value model)	(395,536)	(167,115)
38. Gain/Loss on Disposal of Fixed and Intangible Assets		
Gain on disposal of non current asset held	178,595	-
39. Auditors' remuneration		
Fees	1,994,704	2,274,832

Mthonjaneni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
40. Cash generated from operations		
Deficit	(42,797,026)	(31,543,556)
Adjustments for:		
Depreciation and amortisation	29,025,350	27,906,271
Fair value adjustments	395,536	167,115
Asset impairment	12,820,250	2,791
Debt impairment	1,827,208	2,088,171
Irrecoverable debts written off	1,659,646	-
Movements in retirement benefit assets and liabilities	1,106,763	933,513
Movements in provisions	77,326	432,153
Actuarial gains/loss	463,986	(45,257)
Gain or Loss on disposal	(178,595)	37,967
Changes in working capital:		
Inventories	140,292	14,830
Consumer debtors	(3,000,151)	(2,235,333)
Other receivables from non-exchange transactions	(757,030)	(1,420,755)
Payables from exchange transactions	26,898,799	25,350,990
VAT	-	1,610,169
Unspent conditional grants and receipts	-	(100,000)
Consumer deposits	253,058	(440)
	27,935,412	23,198,629

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	58,924,635	35,464,507
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Total capital commitments

Already contracted for but not provided for	58,924,635	35,464,507
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Total commitments

Total commitments

Authorised capital expenditure	58,924,635	35,464,507
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This committed expenditure relates to property, plant and equipment. These commitments will be financed by available through government grants and internal revenue. All Capital commitments are disclosed VAT inclusive.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	180,552	981,097
- in second to fifth year inclusive	-	1,260,718
	180,552	2,241,815

Operating lease payments represent rentals payable by the municipality for certain of its telephone equipment, photocopiers and motor vehicles. No contingent rent is payable.

The current photocopier lease is on a month to month basis.

42. Contingencies

There are no reimbursement from any third parties for potential obligations of the municipality, nor pending cases as at the date of the report.

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43. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management	Z.S. Mthethwa (Municipal Manager) N.M. Myeni (Chief Financial Officer) N.B. Mathe (Director: Corporate Services) F.S. Mazibuko (Director: Community Services) N.W. Zikhali (Director: Technical and Planning Services)

Related party balances

The following councillors and key management owed the municipality in respect of traffic fines as at 30 June 2025

Councillors

Cllr P.E. Ntombela (Deputy Mayor)	2,350	2,350
Cllr N.A. Mbatha (Speaker)	2,900	2,900
Cllr T.E. Mpungose	200	200
Cllr B.M.T. Sibiya	5,900	5,900
Cllr N.S. Ntuli	450	450

Directors

Mr. Z.S. Mthethwa	875	875
Mrs. N.B. Mathe	200	200

As per Section 124(1)(b) of the MFMA, the following Councillors owed the Municipality in respect of property rates and service charges for a period of more than 90 days as at 30 June 2025.

Councillors

Cllr N.A. Mbatha	-	217
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Refer to note 26&27 for disclosure of remuneration of key management and councillors.

Remuneration of management

44. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management.

Liquidity risk

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

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

Financial Liabilities	98,109,731	78,978,110
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44. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Financial instrument	2025	2024
Cash and Cash equivalents	5,588,180	3,309,168
Receivables from Exchange transactions	4,615,782	4,861,699
Receivables from Non Exchange transactions	20,798,370	17,799,226

45. Going concern

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

(a) The Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

(b) The Municipality have not lost any of the key customers or principals suppliers

(c) The Municipality does not experience labour difficulties

(d) The Municipality does not have shortage of important suppliers

(e) Financial results, bank account balance and net asset are all positive.

The municipality is a government entity which is grant dependent. The municipality received conditional & unconditional grants on a yearly basis to meet its operational and service delivery needs, Thus the municipality has adequate grant funding for the ongoing operations for the Municipality

In addition, the municipality collects revenue for services rendered and the will augment their cash flows in subsequent years

At the end of the financial year 2024/2025 ending on 30 June 2025, the municipality experienced some negative key financial ratios listed below

Description	Ratio	Norm
Current ratio	0,26: 1	1.5 :1
Cash coverage ratio	0.02 months	1-3 months
Creditors payment period	218 days	30 days
Collection rate	96 %	95%

The municipality is currently experiencing cash flow challenges and at times is not able to honour obligations as they fall due. The municipality is situated in a rural area with very limited economic activities and is mainly grant dependent. A majority of our customers are failing to honour their obligations thus affecting the cash flow projections.

The municipality has developed a turnaround plan and has reviewed the cost containment measures to reduce non-priority spending. The municipality has established an interim finance committee to review monthly fixed costs and new purchase requisitions. The municipality developed a funded MTREF budget for 2025/26 and is committed to spend within the approved budget and improve the cash flow position.

Material Uncertainties Related to Going Concern.

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45. Going concern (continued)

The Municipality is experiencing a severe cash flow shortage and operates at a deficit . This is compounded by persistent non-compliance indicators that collectively cast a significant doubt upon the Municipality's ability to continue as a going concern, primarily related to its poor liquidity and cash flow management

Principal Events and Conditions (Adverse Indicators)

(a) **Liquidity & Funding:** Critical Current Ratio of **0.26:1** and the Municipality is operating at a deficit due to spending exceeding revenue collected. The funds required to sustain the municipality per month are R12.2 million.Current liabilities (excluding unspent conditional grants) exceed 10% of next year's budgeted resources

(b)**Creditors and Debt:** Late payment of creditors (including Eskom, SARS, and Auditor-General) due to financial constraints. Creditors' days exceed 30 days

(c) **Financial Controls:** High levels of Unauthorised, Irregular, and Fruitless Expenditures

(d) **Infrastructure Sustainability:** Existing assets renewal and rehabilitation expenditure is less than 40% of capital expenditure

Management's Mitigating Actions: Financial Recovery Plan (FRP)

To address the severe liquidity stress and underlying operational weaknesses, the Municipality has adopted a Financial Recovery Plan focusing on immediate turn-around strategies (6-12 months) across key areast

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45. Going concern (continued)

Adverse Indicator Addressed	Key Corrective Actions from FRP	Target Date
Operational Deficit & Liquidity	Implement Revenue Enhancement and Cost Cutting measures. Revise the Adjustment Budget. Implement VAT recovery/refunds. Establish an Interim Finance Committee to monitor cash usage and authorization.	6 months
Creditor Payment Delays	Schedule payments to creditors. Assess and analyse top 10 creditors. Implement stringent Cost Containment Measures across facilities, security, hiring plant, catering, vehicle use, energy, stationery, and overtime.	3 months
High Outstanding Debtors	Implement a comprehensive Revenue Enhancement Strategy. Actions include Data Cleansing and Debtor Profiling, review of electricity sales/billing, review of tariff structure, and effective Credit Control and Debt collection strategies.	12 months
Irregular/Unauthorised Expenditure	Implement controls and procedures, ensure the audit action plan is implemented, and strengthen bid committees. Fully implement cost containment regulations.	3-6 months

Eskom Debt Relief: The Municipality relies on the in-principle approval under the Eskom Debt Relief programme for the write-off of R7.4 million

Conclusion on Material Uncertainty (ISA 570 (Revised))

Management's assessment concludes that the going concern basis remains appropriate based on the commitment to and expected success of the Financial Recovery Plan, which is designed to stabilise the Entity's financial condition in the next 6 to 12 months.

However, the future viability of the Municipality is dependent on the successful, timely, and sufficient execution of all corrective actions outlined in the FRP, which is crucial for reversing the severe liquidity deficit, improving cash flows, and effectively managing the current liabilities.

The inherent risk of non-implementation and the magnitude of the existing financial distress mean that a material uncertainty exists related to these events and conditions. The Municipality may be unable to realise its assets and discharge its liabilities in the normal course of business if the mitigation factors are not actioned effectively to limit this uncertainty. This uncertainty is material and requires full disclosure (ISA 570 (Revised).23(a) and (b)).

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46. Unauthorised expenditure		
Opening balance as previously reported	144,673,523	97,268,789
Add: Unauthorised expenditure - current	59,612,122	47,404,734
Less: Amount authorised by council - prior period	(112,776,599)	-
Closing balance	91,509,046	144,673,523
Analysed as follows		
Non-Cash Items		
Depreciation	5,205,906	5,224,338
Debt Impairment	-	259,729
Impairment Loss	18,999,444	2,791
Acturial gain/losses	463,986	-
	24,669,336	5,486,858
Cash Items		
Employee Related Costs	3,266,349	10,351,990
Remuneration of Councillors	605,794	500,416
Interest paid	1,767,590	1,217,972
Operating Lease	352,395	981,100
Irrecoverable debts written off	1,659,646	-
Contracted Services	7,880,914	1,972,535
Bulk Purchases	3,850,387	5,978,780
General Expenses	12,544,778	13,414,296
Contract Cost	674,764	7,500,788
Transfers and Subsidies	2,340,169	-
	34,942,786	41,917,877
Reasons for budget overruns are explained under note:57		
47. Fruitless and wasteful expenditure		
Opening balance as previously reported	5,973,866	3,498,058
Add: Fruitless and wasteful expenditure identified - current	2,211,561	2,475,808
Less: Amount written off - prior period	(3,553,366)	-
Closing balance	4,632,061	5,973,866
Fruitless and wasteful expenditure comprises of interest on overdue accounts.		
48. Irregular expenditure		
Opening balance as previously reported	197,396,033	172,834,163
Add: Irregular expenditure - current	7,901,007	24,561,870
[1] Add: Irregular expenditure - prior period	122,553,613	-
Less: Amount written off - prior period	(269,649,334)	-
Closing balance	58,201,319	197,396,033

[1] Irregular expenditure is due to non-compliance with Section 29(2) scm regulation previously written-off before investigation interms of MFMA 32(2)B

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48. Irregular expenditure (continued)

Details of Irregular Expenditure due to non-compliance with tax regulations

Details of Irregular Expenditure due to non-compliance with Section 29(2) Regulations

Dolphin Coast Solutions	-	743,805
Mfezi Security	-	5,146,557
PayDay	314,998	463,317
Sigcinubunye Funeral Services	1,499,162	1,057,555
Wesbank	-	352,413
	1,814,160	7,763,647

Details of Irregular Expenditure due to non-compliance with local content requirements

Masina Engineering - Umhlathuze Electrification	-	590,525
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Details of Irregular Expenditure due to non-compliance with regulation 19(a) - Competitive bidding

Melika Services	299,584	-
Zanox Group	299,999	-
TPA Consulting CC	144,714	147,030
Ibhele Nabangani Consulting Engineer-Kwesezulu Sportfield	745,529	761,662
Thokomela Trading (Pty) Ltd	-	3,783,878
ZLM Project Engineering	4,597,022	5,274,199
	6,086,848	9,966,769

Details of Irregular Expenditure due to contract extension not in accordance with legislation

CCG Systems: TR25-2016	-	2,686,637
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Details of Irregular Expenditure due to non-compliance with regulation 32

Amanquhe Data Doctors	-	711,300
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Details of Irregular Expenditure due to non-compliance with regulation 36

ACB Group - Sizanami & Ofankomo Gravel Road	-	973,582
Unakane SecurityDivision	-	1,869,410
	-	2,842,992

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	810,646	865,963
Amount paid - current year	(810,646)	(865,963)
	-	-

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

Electricity distribution losses

Electricity distribution losses

Unit Lost (Kilowatts)	1,212,492	1,333,245
Units lost (Selling Price)	3,368,802	3,457,206
Unit lost (Percentage)	8.40%	9.67%

The electricity distribution losses are mainly due to aging infrastructure, technical losses and illegal connections.

Audit fees

Opening balance	1,780,882	-
Current year subscription / fee	1,994,704	2,775,607
Amount paid - current year	(1,535,730)	(994,725)
	2,239,856	1,780,882

PAYE and UIF

Opening balance	(465,038)	(186,539)
Current year subscription / fee	15,678,430	12,855,042
Amount paid - current year	(13,238,610)	(13,133,541)
	1,974,782	(465,038)

Pension and Medical Aid Deductions

Opening balance	4,883,802	3,477,827
Current year subscription / fee	18,398,035	16,322,701
Amount paid - current year	(18,324,475)	(14,916,726)
	4,957,362	4,883,802

50. 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 council and includes a note to the annual financial statements.

Deviations current year (Regulation 36)

Sole supplier or service provider	97,406	788,944
Impractical/Impossible to follow procurement process	1,842,242	4,502,315
	1,939,648	5,291,259

51. Segment information

Identification of segments

The municipality is organised and reports to management on the basis of four major areas:

Executive and Council

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51. Segment information (continued)

Finance and Administration

Corporate and Community Services

Technical Services

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

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

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51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

Revenue

	Executive & Council	Corporate Services	Technical Services	Finance and Admin	Total
Service charges-electricity	-	-	32,140,319	-	32,140,319
Service charges- Water and Waste	-	-	1,642,165	-	1,642,165
Sale of goods and rendering of services	-	23,331	35,488	47,339	106,158
Contract revenue	-	-	674,764	-	674,764
Agency	-	722,453	-	-	722,453
Interest earned from receivables	-	843,857	-	-	843,857
Interest investments	-	-	-	798,570	798,570
Rentals from fixed assets	-	-	158,029	-	158,029
License and permits	-	-	1,300,353	1,900	1,302,253
Operational revenue	-	-	131,044	156,949	287,993
Gain on disposal of assets	-	-	-	178,595	178,595
Property Rates	-	-	-	25,418,811	25,418,811
Transfers and Subsidies -Operational	-	1,289,000	2,243,000	110,574,000	114,106,000
Interest	-	-	-	1,608,709	1,608,709
Other income	-	-	-	662,383	662,383
Transfers and subsidies - capital	-	-	-	-	-
Fines , Penalties and forfeits	-	-	25,087,021	-	25,087,021
	-	-	-	1,273,491	1,273,491
Total segment revenue	-	2,878,641	63,412,183	140,720,747	207,011,571
Entity's revenue					207,011,571

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	Executive & Council	Corporate Services	Technical Services	Finance and Admin	Total
51. Segment information (continued)					
Expenditure					
Salaries and wages	10,817,851	38,097,561	16,495,700	12,800,434	78,211,546
Remuneration of councillors	10,465,160	-	-	-	10,465,160
Bulk purchases	-	-	28,614,794	-	28,614,794
Inventory consumed	14,578	203,636	601,188	-	819,402
Debt impairment	-	1,111,885	-	715,323	1,827,208
Asset impairment	-	-	-	12,820,250	12,820,250
Depreciation and amortisation	198,379	151,950	24,803,031	3,871,990	29,025,350
Interest	-	-	-	2,492,167	2,492,167
Fair value adjustments	-	-	-	395,536	395,536
Contracted services	10,010,513	7,835,090	18,820,916	3,237,376	39,903,895
Transfer and subsidies	-	148,657	2,391,512	-	2,540,169
Construction expenditure	-	-	674,764	-	674,764
Irrecoverable Debts written off	-	-	-	1,659,646	1,659,646
Operational Cost	6,820,994	12,016,475	13,790,332	6,914,528	39,542,329
Actuarial gains/losses	-	-	-	463,986	463,986
Lease rentals on operating lease	-	-	-	352,395	352,395
Total segment expenditure	38,327,475	59,565,254	106,192,237	45,723,631	249,808,597
Total segmental surplus/(deficit)					(42,797,026)

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51. Segment information (continued)

Assets

Cash and Cash equivalent
Trade and Other receivables from exchange transaction
Receivables from non exchange transactions
Inventory
Investment property
Property plant and equipment
Biological asset
Heritage assets
Intangible assets

Total segment assets

Total assets as per Statement of financial Position

Liabilities

Consumer deposits
Trade and other payables from exchange transactions
Trade and other payables from non exchange transaction
Current liability provisions
Other current liabilities
Other non current liabilities
Non current provision

Total segment liabilities

Total liabilities as per Statement of financial Position

	Executive & Council	Corporate Services	Technical Services	Finance and Admin	Total
-	-	-	-	5,588,180	5,588,180
-	-	-	21,531,566	(16,915,784)	4,615,782
-	-	(25,339,281)	-	30,094,672	4,755,391
-	-	-	-	400,101	400,101
-	-	-	-	20,633	20,633
3,759,148	(6,771,124)	154,850,086	210,813,154	362,651,264	362,651,264
-	-	-	1,709,061	1,709,061	1,709,061
-	-	-	-	589	589
-	-	-	-	5,634	5,634
3,759,148	(32,110,405)	176,381,652	231,716,240	379,746,635	379,746,635
					379,746,635
-	-	-	-	(1,255,965)	(1,255,965)
-	-	-	-	(114,378,095)	(114,378,095)
-	-	(24,530,000)	24,530,000	-	-
-	-	-	(508,199)	(508,199)	(508,199)
-	-	(101,215)	(225,607)	(326,822)	(326,822)
(73,067,507)	-	-	64,599,563	(8,467,944)	(8,467,944)
-	(763,417)	-	(5,417,241)	(6,180,658)	(6,180,658)
(73,067,507)	(763,417)	(24,631,215)	(32,655,544)	(131,117,683)	(131,117,683)
					(131,117,683)

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

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51. Segment information (continued)

Revenue	Executive & Council	Corporate Services	Technical Services	Finance and Admin	Total
Service charges	-	-	29,284,714	-	29,284,714
Service charges- Water and Waste	-	-	2,002,465	-	2,002,465
Sale of Goods and Rendering of Services	-	20,577	534,454	145,804	700,835
Agency services	-	929,570	-	-	929,570
Interest from receivables	-	564,852	-	-	564,852
Interest from investment	-	-	-	703,039	703,039
Rent on land	-	-	-	8,000	8,000
Rental from fixed assets	-	247,367	-	-	247,367
License and permits	-	1,370,234	-	-	1,370,234
Construction contract revenue	-	-	7,500,788	-	7,500,788
Operational revenue	-	177,380	-	98,314	275,694
Property rates	-	-	-	24,373,292	24,373,292
Fines , penalties and forfeits	-	-	-	1,587,019	1,587,019
Transfers and subsidies	-	1,259,539	2,092,000	101,276,000	104,627,539
Interest from non exchange transactions	-	-	-	903,682	903,682
Transfers and subsidies - capital	-	-	23,744,094	-	23,744,094
Total segment revenue	-	4,569,519	65,158,515	129,095,150	198,823,184
Entity's revenue					198,823,184

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51. Segment information (continued)

Expenditure

	Executive & Council	Corporate Services	Technical Services	Finance and Admin	Total
Employee related cost	9,848,943	35,580,501	16,104,166	12,400,076	73,933,686
Remuneration of councillors	10,181,009	-	-	-	10,181,009
Bulk Purchases	-	-	27,727,780	-	27,727,780
Inventory consumed	153,466	304,479	880,287	-	1,338,232
Debt impairment	-	-	-	2,088,172	2,088,172
Depreciation and amortisation	198,923	18,239	23,697,654	3,991,455	27,906,271
Interest	-	-	242,164	2,475,808	2,717,972
Contracted services	10,554,742	7,185,596	14,212,926	4,093,839	36,047,103
Construction contract expenditure	-	-	7,500,788	-	7,500,788
Operational cost	3,788,480	12,916,053	15,706,486	7,168,726	39,579,745
Transfer and subsidies	-	202,266	-	-	202,266
Acturial gain	-	-	-	(45,257)	(45,257)
Asset Impairment	-	-	2,791	-	2,791
Lease rental on operational lease	-	-	-	981,100	981,100
Fair value adjustments	-	-	-	167,115	167,115
Loss on disposal of assets	-	-	-	37,967	37,967
Total segment expenditure	34,725,563	56,207,134	106,075,042	33,359,001	230,366,740
Total segmental surplus/(deficit)					(31,543,556)

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	Executive & Council	Corporate Services	Technical Services	Finance and Admin	Total
51. Segment information (continued)					
Assets					
Cash and cash equivalents	-	1,273,840	29,352,191	(27,316,863)	3,309,168
Trade and other receivables from exchange transactions	-	-	19,877,753	(15,016,054)	4,861,699
Receivables from non-exchange transactions	-	(19,812,895)	-	24,052,042	4,239,147
Inventory	-	-	-	540,393	540,393
Investment property	-	-	-	21,783	21,783
Property, plant and equipment	3,877,050	3,013,447	164,458,624	206,894,495	378,243,616
Biological assets	-	-	-	2,104,597	2,104,597
Heritage assets	-	-	-	589	589
Intangible assets	-	-	-	24,764	24,764
Total segment assets	3,877,050	(15,525,608)	213,688,568	191,305,746	393,345,756
Total assets as per Statement of financial Position					393,345,756
Liabilities					
Consumer deposits	-	-	-	(1,002,907)	(1,002,907)
Trade and other payables from exchange transactions	-	-	-	(87,479,296)	(87,479,296)
Current liability provision	-	-	-	(711,479)	(711,479)
Other current liabilities	-	-	-	(318,636)	(318,636)
Non-current provision	(105,382,613)	-	-	99,880,533	(5,502,080)
Other Non-current liabilities	-	(784,284)	-	(6,121,097)	(6,905,381)
Total segment liabilities	(105,382,613)	(784,284)	-	4,247,118	(101,919,779)
Total liabilities as per Statement of financial Position					(101,919,779)

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

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
52. Operational revenue		
Collection charges	28,620	43,913
Insurance refund	99,365	5,861
Recovery maintenance	-	48,542
Sale of property	28,965	-
Skills development levy refund	131,043	177,380
	287,993	275,696
53. Transfer's and subsidies- expenditure		
Disaster relief grant	2,391,512	-
Social Relief	148,657	202,266
	2,540,169	202,266
The Disaster relief grant was received from KZN COGTA to rehabilitate roads affected by disaster. The total amount received was R 4 250 000, the balance was capitalised		
54. Irrecoverable Debts Written-Off		
Irrecoverable debts written off	1,659,646	-
55. Other income		
Other income		
Grazing fees	5,000	8,000
Unallocated deposits recoveries	657,383	-
	662,383	8,000

56. 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

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand 2025 2024

56. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Restated
Trade payables		39,534,008	(191,344)	39,342,664
VAT receivable		3,837,147	(24,496)	3,812,651
Property plant and equipment		387,303,891	(8,265,722)	379,038,169
Receivables from exchange transactions		5,934,108	(3,711,505)	2,222,603
Receivables from non exchange transactions		19,556,303	(14,245,978)	5,310,325
Accumulated surplus		344,890,803	(21,921,269)	322,969,534
		801,056,260	(48,360,314)	752,695,946

Payables from exchange transactions were restated as a result of amounts that were accrued by the municipality the prior year that were not provided by the suppliers in subsequent periods

Property plant and equipment was due to the additional capitalisation of the Thubalethu Access gravel road project

VAT was restated as a result of errors that were corrected on expenditure

Debt impairment was revised to incorporate government receivables in the impairment assessment, resulting in an adjustment to the previously reported impairment amount

Accumulated surplus was restated as a result of the net adjustments on the Statement of Financial Performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		6,731,017	(1,869,318)	-	4,861,699
VAT receivable		3,314,673	(760,461)	(2,554,212)	-
Property Plant and equipment		383,652,915	(5,409,298)	-	378,243,617
Payables from exchange transactions		86,464,654	282,532	732,110	87,479,296
VAT Payables		3,286,322	-	(3,286,322)	-
Accumulated surplus		313,307,666	(21,881,688)	-	291,425,978
Receivables from Non-Exchange Transactions		17,799,226	(13,560,079)	-	4,239,147
		814,556,473	(43,198,312)	(5,108,424)	766,249,737

Receivables from exchange transactions were restated because of the change in accounting policy to present VAT accruals from retentions and debt impairment under receivables from exchange transactions in accordance with FAQ 4.12 and Fact sheet 11 issued by the Accounting Standards Board

Debt impairment was revised to incorporate government receivables in the impairment assessment, resulting in an adjustment to the previously reported impairment amount

VAT receivable was restated as per the requirements of FAQ 4.12 and Fact sheet 11 which requires VAT payable to the South Africa Revenue Authority under payables from exchange transactions

Property plant and equipment was due to the additional capitalisation of the Mfololazane and Thubalethu Access gravel road project

Payables from exchange transactions were restated as a result of amounts that were accrued by the municipality the prior year that were not provided by the suppliers and due to reclassification of VAT payable to the South Africa Revenue Authority under payables from exchange transactions as per the FAQ 4.12 and Fact sheet 11

Accumulated surplus was restated as a result of the net adjustments on the Statement of Financial Performance

Statement of financial performance

Mthonjaneni Local Municipality

(Registration number KZN 285)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024			
56. Prior-year adjustments (continued)					
2024					
	Note	As previously reported	Correction of error	Re-classification	Restated
Sale of goods		-	-	700,835	700,835
Operational revenue		-	-	275,696	275,696
Other income		984,701	-	(976,701)	8,000
Interest received from investments		-	-	703,038	703,038
Interest received from receivables		1,267,890	-	(703,038)	564,852
Fines, penalties and forfeits		1,586,850	-	169	1,587,019
Debt impairment		2,859,729	(771,557)	-	2,088,172
Depreciation and Amortisation		27,054,297	851,974	-	27,906,271
Contracted services		34,100,253	-	1,946,849	36,047,102
Operational Cost		41,848,859	(120,000)	(2,149,114)	39,579,745
Transfers and subsidies- Capital		-	-	202,266	202,266
Surplus for the year		109,702,579	(39,583)	-	109,662,996

Depreciation and amortisation was due to the additional capitalisation of the Mfololazane gravel road project

Property plant and equipment was due to the additional capitalisation of the Mfololazane and Thubalethu Access gravel road project

Operational cost were restated as a result of amounts that were accrued by the municipality the prior year that were not provided by the suppliers in subsequent periods

Debt impairment was revised to incorporate government receivables in the impairment assessment, resulting in an adjustment to the previously reported impairment amount.

The municipality conducted reclassification of revenue and expenditure to align the presentation of the statement of financial performance with MSCOA regulations

57. Budget differences

Material differences between budget and actual amounts

A1- The municipality anticipated to receive more revenue through harvesting of municipal forestry plantation which was not materialised in the year under review due to unforeseen circumstances.

A2- The budget for service charges were based on the high consumption during winter season and the application of new tariffs

A3- The municipality had anticipated an increase on rental of facilities but due to the nature of this line item, the results show that the demand was lower than what the municipality anticipated.

A4- Agency fees projections overstated against the licences and permits budget during 2024/25.

A5- Licenses and permits projections understated against the agency fees budget during 2024/25.

A6- The budget for other income were provided for under budget for operational income, however for presentation purposes of the annual financial statements using NT recommended specimen it is presented as a separate line item under other income.

A7- The municipality anticipated to receive more revenue through vehicles auction and sale of land sites which were not materialised in the year under review due to unforeseen circumstances.

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

57. Budget differences (continued)

A8-The municipality had budgeted interest from exchange and non-exchange as one item however for the presentation purposes of the annual financial statements using NT recommended specimen these interests are presented as separate items.

A9-The municipality anticipated to receive more interest on call accounts by investing the portion of the grants received however due to service delivery unforeseen circumstance, the municipality had to call their investments before maturity time.e

A10-Property rates were adjusted upwards during adjustment budget based on the new supplementary valuation roll that discovered new public works properties that were previously not billed by the municipality therefore, the municipality anticipated additional revenue from the billing of these properties.

A11-The municipality had budgeted interest from exchange and non-exchange as one item however for the presentation purposes of the annual financial statements using NT recommended specimen these interests are presented as separate items.

A12-The disaster relief grant was mistakenly not split into operational and capital during budget and was only budget under capital grants allocation

A13-Due to cash flow challenges the municipality had to defer some internally planned projects or acquisitions.

A14-The municipal budgeting was based on the data that was taken from traffic management service provider which the municipality was unable to utilise it.

A15-The budget for contract revenue was provided for under budget for other income, however for presentation purposes of the annual financial statements it is presented as a separate line item under contract revenue.

A16- The municipality has projected lower than actual based on information available during the budget preparation..

A17-The actuarial losses were calculated as per expert report.

A18- The municipality had planned to dispose off some municipal assets during the financial year. The disposal got delayed. The additions and capital projects capitalised during the financial year contributed to the increase in the anticipated depreciation for the year.

A19-Impairment loss was due to the capitalisation of the long outstanding Thubalethu Extension Access Roads project which was then subsequently tested for impairment upon capitalisation

A20-The debt impairment assessment that was assessed at year end was high which resulted on other debtors to be written off as irrecoverable which the municipality did not budget for.

A21-The municipality experienced cash flow constraints which made it difficult to meet its obligations on time which resulted on creditors charge more interest on over due accounts.

A22-The budget for operating leases was provided for under budget for contracted services, however for presentation purposes of the annual financial statements it is presented as a separate line item under expenditure.

A23-The municipality has projected lower than actual based on information available during the budget preparation

A24-Some contractual agreements like security were unavoidable for safety of municipal assets and employees

A25-The budget for transfer payments were provided for under budget for operational costs, however for presentation purposes of the annual financial statements it is presented as a separate line item under expenditure

A26-The budget for contract cost was provided for under budget for contracted services, however for presentation purposes of the annual financial statements it is presented as a separate line item under expenditure.

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Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

57. Budget differences (continued)

A27—The operational expenditure budget was adjusted upwards during the adjustment budget based on the information that was available but due to unavoidable administrative and community needs, the municipality had speed up the service delivery to the community of Mthonjaneni.

A28- The municipality had planned to dispose off some municipal assets during the financial year. The disposal got delayed

Mthonjaneni Local Municipality

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Annual Financial Statements for the year ended 30 June 2025

Figures in Rand	Note(s)	2025	2024
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* See Note