Ndwedwe Local Municipality
(Registration number KZN 293)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Local Legislative Act	Municipal Finance Management Act (Act 56 of 2003)
Grading of local authority	Grade 1
Nature of business and principal activities	Provision of services including refuse removal to communities within the jurisdiction of the local municipality

Mayoral committee

Executive Mayor	SZ Mfeka (Mayor and Ward 8 Councillor)
	ZS Thoolsi (Deputy Mayor)
Councillors	RM Cele (Speaker and Ward 3 Councillor)
	NN Ntetha (Ward 7 Councillor Executive Committee Member)
	GK Ngidi (Executive Committee Member)
	M Makhanya (Party Representative and Executive Committee Member)
	RT Nkwanyana (Party Representative and Executive Committee)
	PS Shezi (Ward 15 Councillor and Executive Committee Member)
	NDC Maphumulo (Ward Councillor 2)
	MM Khuzwayo (Ward 4 Councillor and Whip)
	TP Nkwakha (Ward Councillor 5)
	SE Dlala (Ward 6 Councillor)
	S Mhlongo (Ward 1 Councillor)
	NC Chamane (Ward Councillor 9)
	ZW Khoza (Ward 10 Councillor and MPAC Chairperson)
	M Mthethwa (Ward 11 Councillor)
	LM Ndlovu (Ward 12 Councillor)
	CS Mbele (Ward 13 Councillor)
	ZP Ngwane (Ward 14 Councillor)
	ES Khuzwayo (Ward 16 Councillor)
	SS Bhengu (Ward 17 Councillor)
	LS Moahloli (Ward 18 Councillor)
	RS Hlophe (Ward 19 Councillor)
	NP Simelane (Party Representative)
	ML Sibiya (Party Representative)
	NF Makhanya (Party Representative)
	M Shangase (Party Representative)
	T Khuzwayo (Party Representative)
	J Luthuli (Party Representative)
	SB Sibiya (Party Representative)
	ZP Magwaza (Party Representative)
	VC Shangase (Party Representative)
	SM Sishi (Party Representative)
	NY Mlotshwa (Party Representative)
	MV Phewa (Party Representative)
	PH Ngobese (Party Representative) - Until 30/08/2024
	EB Ntuli (Party Representative)
	ES Mthiya (Party Representative) Started 14/10/2024

General Information

Accounting Officer	Mr S.D.G. Khuzwayo
Chief Financial Officer (CFO)	Mr X.N.E. Hlekwane
Executive Management	Mr S.D.G. Khuzwayo Mr X.N.E. Hlekwane Miss T.P. Motaung Mr N.B. Mkhwanazi Miss Z.N. Khuluse Mr Z.N. Mzolo
Section 79 Committee	Mr Z.W. Khoza
Audit Committee	Mr R.M. Mbanjwa Mr T.G. Simelane Mr B.E.M. Khuzwayo Ms K. Mhlongo Dr T. Nzimakwe
Auditors	Auditor General (AGSA) Registered Auditors
Legal representatives	K Gcolotela and Peter Hughes Madondo Inc Bhekisisa Goqo Zuma and Partners Associates Qomazitha Zikode Attorney Mohale Incorporated Mkhize Miya Attorneys Inc Mazibuko and Associates Nompumelelo Hadebe Inc
Preparer	The annual financial statements were internally compiled by: Mr X.N.E. Hlekwane Chief Financial Officer
Bankers	Nedbank Verulam Branch
Registered office	Ndwedwe Local Municipality P100 Ndwedwe 4342
Postal address	Private Bag X 503 Ndwedwe 4342
Telephone number	032 532 5000
Website	www.ndwedwe.gov.za
Email	disco.khuzwayo@ndwedwe.gov.za

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
VAT	Value Added Tax
SDL	Skills Development Levy
MIG	Municpal Infrastructure Grant
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
CoGTA	Cooperative Governance and Traditional Affairs
INEP	Integrated National Electrification Programme

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 judgements and estimates.

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

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

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

As an Accounting Officer I am responsible for the preparation of these financial statements, which are set out on pages 5 to 81, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

Mr S.D.G. Khuzwayo
Municipal Manager

Statement of Financial Position as at 30 June 2025

	Notes	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	80 929 378	71 396 653
Receivables from exchange transactions	4&8	7 606 430	7 458 874
Receivables from non-exchange transactions	5&8	10 722 859	13 507 136
Inventories	6	419 073	219 920
		99 677 740	**92 582 583**
Non-Current Assets			
Property, plant and equipment	9	520 594 557	506 089 304
Intangible assets	10	11 203	15 621
Heritage assets	11	21 053	21 053
		520 626 813	**506 125 978**
Total Assets		**620 304 553**	**598 708 561**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	24 500 486	23 935 888
Payables from non-exchange transactions	13	73 612	2 711 887
Consumer deposits	14	5 500	2 000
Unspent conditional grants and receipts	15	4 774 871	1 755 261
Provisions	16	483 000	376 000
		29 837 469	**28 781 036**
Non-Current Liabilities			
Provisions	16	4 130 000	3 734 000
Long term trade and other payables	17	324	324
		4 130 324	**3 734 324**
Total Liabilities		**33 967 793**	**32 515 360**
Net Assets		**586 336 760**	**566 193 201**
Accumulated surplus		586 336 760	566 193 210
Total Net Assets		**586 336 760**	**566 193 210**

* See Note 57

Statement of Financial Performance

	Notes	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	651 340	597 911
Construction contracts revenue	19	11 134 871	10 299 024
Rental of facilities and equipment	20	634 361	622 384
Agency services	21	179 354	185 450
Licences and permits	22	54 069	19 043
Other income	23	1 900 427	3 155 970
Interest received on investments and bank accounts	24	9 207 937	9 767 404
Total revenue from exchange transactions		**23 762 359**	**24 647 186**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	22 011 180	18 987 935
Interest earned from receivables	26	1 302 103	1 149 664
Transfer revenue			
Government grants & subsidies	27	267 809 390	245 328 544
Public contributions and donations	28	14 497	7 100
Fines, Penalties and Forfeits	29	2 450 427	-
Remeasurement of employee benefits	30	33 492	91 190
Total revenue from non-exchange transactions		**293 621 089**	**265 564 433**
Total revenue		**317 383 448**	**290 211 619**
Expenditure			
Employee related costs	31	(86 987 985)	(78 555 162)
Remuneration of councillors	32	(16 275 735)	(15 973 246)
Construction contracts expenditure	33	(11 134 871)	(10 299 025)
Impairment loss on cash and non-cash generating assets	34	(13 579 559)	(22 722 620)
Depreciation and amortisation	35	(33 360 158)	(35 019 937)
Loss on disposal of assets and liabilities	36	(16 269 049)	(5 740 364)
Lease rentals on operating lease	37	(1 543 502)	(1 076 655)
Debt impairment	38	(425 029)	(1 781 479)
Bad debts written off	39	(10 182 173)	-
Finance costs	40	(451 000)	(414 000)
Contracted services	41	(61 174 270)	(60 759 699)
Transfers and subsidies	42	(4 455 455)	(4 497 901)
General expenses	43	(41 401 545)	(44 559 253)
Total expenditure		**(297 240 331)**	**(281 399 341)**
Operating surplus/(deficit)		**20 143 117**	**8 812 278**
Surplus /(deficit) for the year		**20 143 117**	**8 812 278**

* See Note 57

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	547 470 630	547 470 630
Adjustments		
Correction of errors	9 910 302	9 910 302
Balance at 01 July 2023 as restated*	**557 380 932**	**557 380 932**
Changes in net assets		
Surplus for the year	8 812 278	8 812 278
Total changes	8 812 278	8 812 278
Restated* Balance at 01 July 2024	**566 193 643**	**566 193 643**
Changes in net assets		
Surplus for the year	20 143 117	20 143 117
Total changes	20 143 117	20 143 117
Balance at 30 June 2025	**586 336 760**	**586 336 760**

* See Note 57

Cash Flow Statement

	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Grants		270 829 000	247 019 000
Interest income		9 435 823	9 284 361
Receipts from customers		28 614 315	31 114 758
		308 879 138	287 418 119
Payments			
Compensation to employees and councillors		(102 385 111)	(93 261 132)
Payments made to suppliers		(114 834 394)	(113 401 762)
Transfers and subsidies		(4 455 455)	(4 497 901)
		(221 674 960)	(211 160 795)
Net cash flows from operating activities	44	**87 204 178**	**76 257 324**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(77 695 092)	(87 514 003)
Proceeds from sale of property, plant and equipment	9	(10)	1 178 525
Retention		23 649	1 117 516
Net cash flows from investing activities		**(77 671 453)**	**(85 217 962)**
Net increase/(decrease) in cash and cash equivalents		**9 532 725**	**(8 960 638)**
Cash and cash equivalents at the beginning of the year		71 396 653	80 357 289
Cash and cash equivalents at the end of the year	3	**80 929 378**	**71 396 651**

* See Note 57

Ndwedwe Local Municipality

(Registration number KZN 293)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	1 935 000	1 101 509	**3 036 509**	1 900 427	**(1 136 082)**	-37.41% (1)
Service charges	715 000	(63 000)	**652 000**	651 340	**(660)**	-0.10%
Construction contracts revenue	11 477 000	1 458 121	**12 935 121**	11 134 871	**(1 800 250)**	-13.92% (2)
Rental of facilities and equipment	765 000	(135 000)	**630 000**	634 361	**4 361**	0.69%
Agency services	200 000	10 000	**210 000**	179 354	**(30 646)**	-15% (3)
Licences and permits	20 000	25 000	**45 000**	54 069	**9 069**	20% (4)
Interest received - investment	12 000 000	-	**12 000 000**	9 207 937	**(2 792 063)**	-23.50% (5)
Total revenue from exchange transactions	**27 112 000**	**2 396 630**	**29 508 630**	**23 762 359**	**(5 746 271)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 990 000	377 000	**22 367 000**	22 011 180	**(355 820)**	-1.50%
Interest - Taxation revenue	1 200 000	98 370	**1 298 370**	1 302 103	**3 733**	0.29%
Transfer revenue						
Government grants & subsidies	245 800 000	26 784 000	**272 584 000**	267 809 390	**(4 774 610)**	-1.75%
Public contributions and donations	-	-	-	14 497	**14 497**	100% (6)
Fines, Penalties and Forfeits	-	-	-	2 450 427	**2 450 427**	100% (7)
Remeasurement of employee benefits	-	-	-	33 492	**33 492**	100% (8)
Total revenue from non-exchange transactions	**268 990 000**	**27 259 370**	**296 249 370**	**293 621 089**	**(2 628 281)**	
Total revenue	**296 102 000**	**29 656 000**	**325 758 000**	**317 383 448**	**(8 374 552)**	
Expenditure						
Employee related cost	(88 862 000)	1 316 000	**(87 546 000)**	(86 987 985)	**558 015**	0.64%
Remuneration of councillors	(15 934 000)	(827 000)	**(16 761 000)**	(16 275 735)	**485 265**	2.90%
Impairment loss on cash and non-cash generating assets	-	-	-	(13 579 559)	**(13 579 559)**	-100% (9)
Depreciation and amortisation	(29 300 000)	-	**(29 300 000)**	(33 360 158)	**(4 060 158)**	-13.86% (10)
Loss on disposal of assets and liabilities	-	-	-	(16 269 049)	**(16 269 049)**	-100% (11)
Lease rentals on operating lease	(1 400 000)	(121 000)	**(1 521 000)**	(1 543 502)	**(22 502)**	-1.48%
Debt Impairment	(900 000)	(1 695 000)	**(2 595 000)**	(425 029)	**2 169 971**	84% (12)
Bad debts written off	-	-	-	(10 182 173)	**(10 182 173)**	-100% (13)
Finance costs	-	-	-	(451 000)	**(451 000)**	-100% (14)
Contracted Services	(62 943 000)	(1 157 879)	**(64 100 879)**	(61 174 270)	**2 926 609**	4.57%
Transfers and Subsidies	(3 800 000)	(960 000)	**(4 760 000)**	(4 455 455)	**304 545**	6.40%
General expenses	(46 945 000)	2 032 000	**(44 913 000)**	(41 401 545)	**3 511 455**	7.81%
Construction contracts expenditure	(11 477 000)	(1 458 121)	**(12 935 121)**	(11 134 871)	**1 800 250**	13.92% (15)
Total expenditure	**(261 561 000)**	**(2 871 000)**	**(264 432 000)**	**(297 240 331)**	**(32 808 331)**	

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
Operating surplus/(deficit)	**34 541 000**	**26 785 000**	**61 326 000**	**20 143 117**	**(41 182 883)**	
Capital expenditure	(41 194 000)	(43 510 000)	**(84 704 000)**	(77 709 589)	**6 994 411**	8.26% (16)

The municipality considers that a variance of 10% more than final budget is material and requires an explanation to identify a reason for such variance.

Where the municipality collected more revenue than initially planned, we do not investigate such variance provided if it does not exceed 25%, expenditure items 10% is applicable for both over or under utilisation of budget.

The municipality also considers that an employee cost is a material item, and therefore any variance that is above 5% requires an explanation.

The following were identified as items with material variances:

Revenue

1. **Other Income** - The variance is due to the decrease in the amount that we anticipate receiving from LG Seta.

2. **Construction contracts revenue** - The variance is due to output VAT on the INEP Grant which on the budget amount it is included.

3. **Agency services** - The municipality budget more the anticipated amount due to the information that was available at the adjustment stage.

4. **Licence and permits** - The variance is due to the increase number of customer who utilise the services of motor renewal licenses.

5. **Interest received on investments and bank** - The variance is related to the low interest rate offered by the investment institutions.

6. **Public contribution and donations** - The variance is due the donations that were received.

7. **Fines, penalties and forfeits** - The retention that has not been claimed due to non-perfomance and failing to meet the required standard making it impossible to claim that retention which is being forfeited by the municipality.

8. **Remeasurement of employee benefits** - This amount is from the Actuarial report on long services award liability measurement calculations and its the difference between the projected liability and actual.

Expenditure

9. **Impairment loss** - Impairment loss was under budgeted for depreciation but due to delayed of capital project and it was impractical to set accurate projections for capitalisation,vandalism and natural disasters.

10. **Depreciation and amortisation** - The increase in depreciation is due to assets which were ready for use much earlier than it was inticipated by the municipality.

11. **Loss on disposal of assets** - The variance is due to the disposal of assets below their book value as well as market value.

12. **Debt impairement** - The decrease is due to the debtors that were written off.

13. **Bad debts written off** - The variance is due to write off of customer debtors as per the credit control policy of the municipality.

14. **Finance costs** - The finance costs relates to the actuarial report calculations on long service awards.

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

15. **Construction contracts expenditure** - The variance is due to input VAT on the INEP Grant which on the budget amount it is included.

16. **Capital expenditure** - The variance is due to the unspent grant of Municipal Disaster Relief Grant and savings to other projects that are completed.

Significant Accounting Policies

	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

1.1 Presentation currency

These annual financial statements are presented in South African Rand, and figures are rounded to the nearest Rand.

1.2 Going concern assumption

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

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.

Materiality has been considered in determining whether information is required to be recognised, measured, presented and disclosed in accordance with the requirements in the Standards of GRAP as well as assessing the effect of omissions, misstatements and errors on the financial statements.

Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of 10% or greater in the statement of financial position, the statement of financial performance and the cash flow statement.

1.4 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, prior period/comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly, Where there has been a change in accounting policy in the correct year, the adjustment is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly.

Current year comparative

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing 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 on arriving to the cost.

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

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

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

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

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated lives of the asset. The depreciation amount is determined after taking into account an asset's residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset useful lives.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5-50 years
Infrastructure	Straight-line	3-100 years
Community	Straight-line	10-100 years
Other property, plant and equipment	Straight-line	2-15 years
Transport	Straight-line	4-15 years

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

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

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

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

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

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

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

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

Subsequent measurement

- Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.
- Subsequent expenditure incurred on an asset is only capitalised when it increases capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.
- Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost to their residual values over the estimated useful lives of the assets. 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 on each asset.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial. Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flow on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets that are work in progress, in the notes to the financial statements.

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.6 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.

Significant Accounting Policies

1.6 Impairment of cash-generating assets (continued)

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

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.

The 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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follows:

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recently approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructurings 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.

Significant Accounting Policies

1.6 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.

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 occurs when there is clear evidence that such a redesignation is appropriate.

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

Significant Accounting Policies

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

Significant Accounting Policies

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- the Municipality has the ability to use or sell the asset.
- the Municipality can reliably measure expenditure during development.
- it is technically feasible to complete the intangible assets.
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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

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

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

Significant Accounting Policies

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

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

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.

Significant Accounting Policies

1.10 Financial instruments

Classification

The Municipality has types of financial instruments, and these can be broadly categorised as either Financial Assets or Financial Liabilities.

Subsequent measure of financial assets and financial liabilities.

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104.

Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Trade and other receivables

- Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
- An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off.
- Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Financial liabilities

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost, which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

Significant Accounting Policies

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.11 Statutory receivables

Identification

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

The 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.

The 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

1.11 Statutory receivables (continued)

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

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expired 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.

1.12 Taxation

Value added Taxation (VAT)

Significant Accounting Policies

1.12 Taxation (continued)

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1. The expenditure that relates to irregular expenditure is vat inclusive as per treasury guidelines.

No provision has been made for Income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

1.13 Leases

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

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

Municipality as Lessor

Rental income from operating leases is recognised over the term of the relevant lease.

Municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Assets subject to finance lease agreements are initially recognised at the lower of the assets' fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the tease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to assets. The lease liability is reduced by the lease payments. which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The lease is straight lined for the financial year.

1.14 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.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments.
- 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.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.15 Unauthorised expenditure

Unauthorised expenditure means:
- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget
- Expenditure from a vote unrelated to the department or functional area covered by the vote
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

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

1.16 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.

1.17 Irregular expenditure

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

Irregular expenditure excludes unauthorised 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.

Significant Accounting Policies

1.17 Irregular expenditure (continued)

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

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.

1.18 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases. Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP. Refer to Note 45.

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments.
- 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.
  An additional disclosure has been made for future commitments which are mainly informed by the approved budgeted and not yet contracted for.

An Operational commitment is where the contract period is beyond 12 months and the municipality has an obligation to that contract hence they are included in the commitments.

1.19 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that is accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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; and 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.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially alt the risks and rewards in those goods are passed to the consumer.

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. The stage of completion is determined by surveys of work performed.

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 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.

Significant Accounting Policies

1.20 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another municipality without directly giving approximately equal value in exchange.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Interest revenue is recognised on a time proportion basis.

Conditional grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Taxation revenue is not grossed up for the amount of tax expenditure.

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.

1.21 Budget information

The annual budget figures have been presented in accordance with the GRAP 24 reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same municipality and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis. timing or municipality have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

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 has been included in the Statement of comparison of budget and actual amounts.

1.22 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.

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

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.

Provident fund contribution

The municipality and its employees contribute to one provident fund that caters for the majority of the staff. The KZN Joint Municipal Provident Fund is a defined contribution fund.

Significant Accounting Policies

1.22 Employee benefits (continued)

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

1.23 Related parties

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

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

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

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

1.24 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:

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease - Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant Accounting Policies

1.24 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

1.25 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.

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

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

The 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 subcontractors. 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 the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

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

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

1.26 Accounting by principals and agents

Identification

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

Significant Accounting Policies

1.26 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Recognition

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.

1.27 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 in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

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

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

1.28 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.

1.28 Inventories (continued)

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.29 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).

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

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The ASB has issued the following GRAP pronouncements, with effective dates as indicated: GRAP pronouncement	Effective date
GRAP 1 - Presentation of Financial Statements (Going Concern)	To be determined
GRAP 103 (as revised): Heritage Assets	To be determined
GRAP 104 (as revised): Financial Instruments	01 April 2025
GRAP 105 Transfer of Functions Between Entities Under Common Control	To be determined
GRAP 106 Transfer of Functions Between Entities not Under Common Control	To be determined
GRAP 107 Mergers	To be determined

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The requirement of this standard is that the municipality must prepare its financial statements on a going concern basis unless there is an intention to liquidate the municipality, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

Applicability of going concern in the public sector

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing financial statements

Disclosure on going concern

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

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

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

GRAP 103 (as revised): Heritage Assets

Background

Notes to the Annual Financial Statements

2. Changes in accounting policy (continued)

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

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

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

GRAP 104 (as revised): Financial Instruments

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 been set.

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

GRAP 105 Transfer of Functions Between Entities Under Common Control

Notes to the Annual Financial Statements

2. Changes in accounting policy (continued)

The standard has been updated to include new disclosures designed to provide additional information to users of financial statements. The acquirer or combined entity must explain the primary reason for a transfer of functions or merger and disclose any transfers or mergers that occurred after the reporting period but before the financial statements were authorised for issue.

These changes align with GRAP 105 with Internantional Public Sector Accounting Standard (IPSAS) 40 on Public Sector Combinations and International Financial Reprting Standard (IFRS) 3 on Business Combinations.

The effective date of the revisions is not yet been set.

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

GRAP 106 Transfer of Functions Between Entities Not Under Common Control

The standard has been updated to include new disclosures designed to provide additional information to users of financial statements. The acquirer or combined entity must explain the primary reason for a transfer of functions or merger and disclose any transfers or mergers that occurred after the reporting period but before the financial statements were authorised for issue.

These changes align with GRAP 105 with Internantional Public Sector Accounting Standard (IPSAS) 40 on Public Sector Combinations and International Financial Reprting Standard (IFRS) 3 on Business Combinations.

The effective date of the revisions is not yet been set.

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

GRAP 107 Mergers

The standard has been updated to include new disclosures designed to provide additional information to users of financial statements. The acquirer or combined entity must explain the primary reason for a merger and disclose any mergers that occurred after the reporting period but before the financial statements were authorised for issue must be disclosed.

These changes align with GRAP 105 with Internantional Public Sector Accounting Standard (IPSAS) 40 on Public Sector Combinations and International Financial Reprting Standard (IFRS) 3 on Business Combinations.

The effective date of the revisions is not yet been set.

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

	2025	2024

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 297	10 907
Bank balances	5 788 681	3 500 543
Short-term deposits	75 135 400	67 885 203
	80 929 378	**71 396 653**

The municipality does not keep physical cash on its premises; it is deposited on main bank account for the security reasons.

Cash and cash equivalents pledged as collateral

None of the municipal cash and cash equivalents are pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
ABSA CALL ACCOUNT- 912-394-583-3	293 807	257 224	293 807	257 224
CALL ACCOUNT - 934-458-926-94	760 024	711 431	760 024	711 431
ABSA FIXED DEPOSIT- 207-363-368-0	10 647 918	9 760 323	10 647 918	9 760 323
FIRST NATIONAL BANK CALL ACCOUNT - 620-879-206-35	1 024 562	530 237	1 024 562	530 237
STANDARD BANK CALL ACCOUNT - 058-681-019-001	1 915 290	280 674	1 915 290	280 674
STANDARD BANK RETAIL CALL ACCOUNT-058-681-019-011	549 643	505 000	549 643	505 000
STANDARD BANK FIXED DEPOSIT-0586-810-190-47	-	8 763 308	-	8 763 308
STANDARD BANK RETAIL CALL ACCOUNT-058-681-019-030	439 063	403 402	439 063	403 402
STANDARD BANK CALL ACCOUNT-058-681-019-033	4 272 580	3 925 554	4 272 580	3 925 554
INVESTEC BANK CALL ACCOUNT-110-0 463-139-502	1 944 857	240 556	1 944 857	240 556
INVESTEC BANK CALL ACCOUNT-110-0 463-139-452	17 304 846	15 978 951	17 304 846	15 978 951
INVESTEC BANK CALL ACCOUNT-110-0 463-139-453	18 248 835	16 847 328	18 248 835	16 847 328
NED BANK CALL ACCOUNT-0378-811-499-22-000001	17 338 812	108 618	17 338 812	108 618
NED BANK FIXED DEPOSIT-0378-811-499-22-000003	395 167	9 572 600	395 167	9 572 600
NEDBANK-MAIN BANK-119-744-108-5	1 551 096	4 781 225	(462 813)	3 206 586
ABSA MAIN BANK- 407-929-419-1	7 503 000	1 540 371	6 251 489	293 956
CASH ON HAND	-	-	5 297	10 907
Total	**84 189 500**	**74 206 802**	**80 929 377**	**71 396 655**

Restricted cash balances

Payables from Non-Exchange - Electrification Grants - Unspent	73 612	2 711 887
Unspent Conditional Grants and Reciepts	4 774 872	1 755 261

The municipality at year end had unspent conditional grants and other conditional reciepts for both 2025 and 2024 financial year and those amounts form part of cash and cash equivalents but has conditions attached to it as per their respective grants requirements making them restricted cash at year end. The details for unspents grants and other conditional reciepts are disclosed in note 13 and 15 of these annual financial statements.

Notes to the Annual Financial Statements

	2025	2024

4. Receivables from exchange transactions

Input VAT receivable	3 169 117	2 633 029
Other debtors	723 198	723 198
Rentals	285 912	434 042
Unallocated payments and debit orders	79 716	16 656
Accrued revenue	772 953	1 000 839
Over-payment to suppliers	2 117 609	2 388 741
Motor licensing fees	21 628	12 272
Consumer debtors - Refuse	436 297	250 097
	7 606 430	**7 458 874**

In the prior year the description for the amount of R16 656 was incorrectly disclosed as "unallocated receipt and deposit while it was supposed to be unallocated payments and debit orders which the municipality is in a process of allocating those payments to what they were for.

Accrued revenue as at 30 June 2025 financial year amounts to R772 953 which is made up of interest on short term investment. Accrued revenue for 2023/2024 financial year an amount of R1 000 736 is made up of interest on short term investment.

The over-payment balance of R2 117 609, as at 30 June 2025 and R2 388 741, (2023/2024) are duplicate payments that occurred in prior years.

5. Receivables from non-exchange transactions

Consumer debtors - Rates	10 722 859	13 507 136

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due, not impaired at 30 June 2025, R 6 541 280 - (June 2024: R 18 255 155 -).

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

1 month past due	64 478	168 426
2 months past due	23 692	328 507
3 months past due	6 453 110	17 758 222

Statutory receivables in the receivables from non-exchange transactions on a gross basis is:

Property rates	29 402 773	31 762 021

Transaction(s) arising from statute:

Property rates is levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council Approved rates randages against the valuation of individual properties within the municipality jurisdiction. The council approved rebates and exemptions are further applied to reduce the receivable.

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

Notes to the Annual Financial Statements

	2025	2024

5. Receivables from non-exchange transactions (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

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

The Municipality charges interest on all outstanding rates debtors balances older than 30 days in respect of rate accounts at a nominal interest rate.

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 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. The amount of the loss is recognised in the surplus or deficit.

Notes to the Annual Financial Statements

	2025	2024
6. Inventories		
Consumable stores	419 073	219 920
7. VAT receivable		
8. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	29 402 773	31 762 021
Consumer debtors - Refuse	436 297	250 097
	29 839 070	**32 012 118**
Less: Allowance for impairment		
Consumer debtors - Rates	(18 679 914)	(18 254 885)
Net balance		
Consumer debtors - Rates	10 722 859	13 507 136
Consumer debtors - Refuse	436 297	250 097
	11 159 156	**13 757 233**
Rates		
Current (0 -30 days)	592 439	388 749
31 - 60 days	1 016 920	700 613
61 - 90 days	440 618	674 897
91 - 120 days	482 509	334 931
121 - 365 days	26 870 287	29 662 831
	29 402 773	**31 762 021**

The impairment amount has been removed in the prior year from the age analysis for the rates to ensure that figures are reflecting the amount disclosed on the age analysis to be consistant with the current year. The reconciliation of the impairment is disclosed below as per the prior years.

	2025	2024
Refuse		
Current (0 -30 days)	62 070	28 400
31 - 60 days	29 860	23 200
61 - 90 days	25 600	21 000
91 - 120 days	39 059	10 200
121 - 365 days	279 708	167 297
	436 297	**250 097**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(18 254 885)	(16 473 406)
Contributions to allowance	(425 029)	(1 781 479)
	(18 679 914)	**(18 254 885)**

Notes to the Annual Financial Statements

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	46 557 549	(14 558 496)	31 999 053	28 437 269	(11 617 512)	16 819 757
Machinery and equipment	33 497 770	(16 179 843)	17 317 927	33 084 462	(14 039 187)	19 045 275
Furniture and office equipment	10 985 904	(5 750 121)	5 235 783	9 267 531	(4 901 121)	4 366 410
Motor vehicles	26 639 327	(12 094 609)	14 544 718	26 639 327	(8 886 896)	17 752 431
Computer equipment	7 960 570	(5 050 638)	2 909 932	7 196 722	(4 717 479)	2 479 243
Infrastructure	326 699 036	(157 745 005)	168 954 031	332 415 603	(149 827 524)	182 588 079
Community	264 224 934	(83 049 857)	181 175 077	228 486 496	(73 561 210)	154 925 286
Work in progress	98 720 666	(262 630)	98 458 036	108 112 823	-	108 112 823
Total	**815 285 756**	**(294 691 199)**	**520 594 557**	**773 640 233**	**(267 550 929)**	**506 089 304**

Reconciliation of property, plant and equipment - June 2025

	Opening balance	Additions	Disposals	Donated assets	Transfers	Depreciation	Impairment loss	Total
Buildings	16 819 757	-	(107)	-	18 121 469	(1 687 637)	(1 254 429)	31 999 053
Machinery and equipment	19 045 275	560 322	(20 637)	1 899	-	(2 268 932)	-	17 317 927
Furniture and office equipment	4 366 410	1 640 178	(67 462)	12 598	354 973	(1 070 914)	-	5 235 783
Motor vehicles	17 752 431	-	-	-	-	(3 207 712)	-	14 544 718
Computer equipment	2 479 243	1 207 101	(11 405)	-	-	(765 007)	-	2 909 932
Infrastructure	182 588 079	-	(5 698 808)	-	15 139 837	(15 877 129)	(7 197 947)	168 954 031
Community	154 925 286	-	(1 134 664)	-	40 727 417	(8 478 408)	(4 864 554)	181 175 077
Work in progress	108 112 823	74 287 491	(9 336 134)	-	(74 343 515)	-	(262 630)	98 458 036
	506 089 304	**77 695 092**	**(16 269 217)**	**14 497**	**181**	**(33 355 739)**	**(13 579 560)**	**520 594 557**

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2024

	Opening balance	Additions	Disposals	Transfers received	Donations	Prior period adjustment	Depreciation	Impairment loss	Total
Buildings	17 962 673	-	-	-	-	91 442	(1 234 359)	-	16 819 757
Machinery and equipment	20 765 534	1 153 970	(320 347)	-	-	(26 102)	(2 527 780)	-	19 045 275
Furniture and office equipment	4 365 657	1 328 080	(162 142)	-	7 100	(5 156)	(1 167 129)	-	4 366 410
Motor vehicles	15 501 559	9 928 800	(4 124 580)	-	-	(280 054)	(3 273 294)	-	17 752 431
Computer equipment	2 698 733	757 018	(179 438)	-	-	-	(797 070)	-	2 479 243
Infrastructure	211 266 951	-	(2 013 242)	9 003 858	-	(635 159)	(16 656 324)	(18 378 004)	182 588 079
Community	164 707 905	333 734	(119 139)	2 555 734	-	87 800	(8 296 121)	(4 344 627)	154 925 286
Work in progress	45 660 015	74 012 400	-	(11 559 592)	-	-	-	-	108 112 823
	482 929 027	**87 514 002**	**(6 918 888)**	**-**	**7 100**	**(767 229)**	**(33 952 077)**	**(22 722 631)**	**506 089 304**

Pledged as security

None of the municipal assets are pledged as securities for liabilities.

Notes to the Annual Financial Statements

	2025	2024

9. Property, plant and equipment (continued)

Other information

Property, plant and equipment fully depreciated and still in use at cost		
Community Assets, Number of assets is 9 and in prior year was 32	872 360	2 971 181
Machinery and plant equipment, number of assets is 3 and in prior year was 2	98 717	14 319
Road infrastructure, number of assets is 11 and in prior year was 41	741 694	11 813 327
Other assets, number of assets is 3 and prior year was 2	274 498	274 024
Computer Equipment number of assets is 6	57 434	-
Furniture and Office equipment	73 818	-
	2 118 521	**15 072 851**

In the year ended 30 June 2025, the Municipality retained fully depreciated assets which are still being used in the fixed asset register. The Municipality intends to replace the assets in future and will continue to derive economic benefits as long as the asset is available for use. Above are the classes of assets with their respective cost.

Notes to the Annual Financial Statements

	2025	2024

9. Property, plant and equipment (continued)

Delayed capital projects

Included in property, plant and equipment are projects that have been identified as taking a significantly longer period of time to complete than expected, due to the following.

	2025	2024
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Ndwedwe Water and Reticulation	23 272 586	23 272 586
The project is currently on hold due to the issue of funding.		
Buy Back Centre	2 478 550	2 741 180
The project was delayed due to budget constraints where the allocated budget could not cover the entire project. The Municipality decided to do the project in phases, the first phase being site clearing and fencing which has been completed in 2022/23. The project will continue upon allocating more budget for the project. In the current year the project has been impaired.		
KwaShangase Community Hall	7 910 908	-
The project is delayed due to the fact that the contractor has decided to terminate the contract with the municipality.		
	33 662 044	**26 013 766**

	2025	2024
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s) and subsequently written off in the current year.		
Testing Centre and Fire Department	-	9 336 134
	-	**9 336 134**

The project has been halted as a result of land disputes that came about after the Municipality had commenced with construction at the established site. As a result of the land disputes, the Municipality has identified a new site on which the project has been implemented. In the current year the project has been written off due to the issues mentioned.

	2025	2024
Carrying value of property, plant and equipment where construction or development has been delayed previous reporting period(s) and subsequently completed during the current reporting period.		
Msengeni CDC, eMakhawula CDC and Hlalakahle CDC	-	27 730 301

These above-mentioned projects were delayed due to a reduced MIG allocation from Cogta, which resulted in the projects becoming multi-year projects to be completed in the 2024/2025 financial year. The value per project is R10 088 748, R7 531 508 and R10 110 044 respectively. The projects were completed during the current year and transfered to completed projects.

The total amount of delayed projects in the prior year was R63 080 201 it has been disbundled to improve disclosure, which is now the disclosure adopted for current and future disclosure of this note.

Reconciliation of Work-in-Progress June 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	48 221 782	39 807 606	20 083 516	108 112 904
Additions/capital expenditure	37 640 542	30 606 066	6 040 883	74 287 491
Impairment	-	(262 630)	-	(262 630)
Write off	-	(9 336 134)	-	(9 336 134)
Transferred to completed items	(13 892 148)	(41 802 070)	(18 649 297)	(74 343 515)
	71 970 176	**19 012 838**	**7 475 102**	**98 458 116**

	2025	2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress June 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	29 099 142	12 077 315	4 483 647	45 660 104
Additions/capital expenditure	28 126 496	30 286 024	15 599 751	74 012 271
Transferred to completed items	(9 003 857)	(2 555 732)	-	(11 559 589)
	48 221 781	**39 807 607**	**20 083 398**	**108 112 786**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services: Maintenance of Furniture and Office Equipment	-	36 824
Contracted services: Buildings and Facilities	2 800 513	2 108 562
Contracted services: Maintenance of Other Assets	254 171	686 884
Contracted services: Maintenance of Vehicles	2 798 750	3 039 490
Contracted services: Maintenance of Roads	5 017 760	1 262 065
	10 871 194	**7 133 825**

The expenditure incurred to repair and maintain the property, plant and equipment for the period ended 30 June 2025.

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

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, other	820 878	(809 675)	11 203	820 878	(805 257)	15 621

Reconciliation of intangible assets - June 2025

	Opening balance	Amortisation	Total
Computer software, other	15 621	(4 418)	11 203

Reconciliation of intangible assets - June 2024

	Opening balance	Amortisation	Total
Computer software, other	25 836	(10 215)	15 621

Notes to the Annual Financial Statements

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	21 053	-	21 053	21 053	-	21 053

Reconciliation of heritage assets June 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	21 053	21 053

Reconciliation of heritage assets June 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	21 053	21 053

Notes to the Annual Financial Statements

	2025	2024

12. Payables from exchange transactions

	2025	2024
Trade payables	7 880 421	5 597 057
Payments received in advance - debtors with credit balances	160 009	255 052
Retentions	4 959 628	7 386 406
Other payables	242 884	474 290
Accrued leave	7 040 582	6 520 137
Salary (13th cheque)	2 434 060	2 161 388
Output VAT payable	1 782 902	1 541 558
	24 500 486	**23 935 888**

13. Payables from non-exchange transactions

	2025	2024
Massification grant	55 766	55 766
Integrated national electrification programme grant	17 846	2 656 121
	73 612	**2 711 887**

Movements during the year

	2025	2024
Balance at the beginning of the year	2 711 887	120 474
Additions during the year	10 279 000	14 500 000
Expenditure during the year	(12 917 275)	(11 843 879)
Refunded	-	(64 708)
	73 612	**2 711 887**

Grant register June 2025	Opening Balance	Received	Expenditure	Total
Massification grant	55 766	-	-	55 766
Integrated national electrification programme grant (INEP)	2 656 121	10 279 000	(12 917 275)	17 846
	2 711 887	**10 279 000**	**(12 917 275)**	**73 612**

Grant register June 2024	Opening Balance	Received	Expenditure	Refunded	Total
Massification grant	55 766	-	-	-	55 766
Integrated national electrification programme grant (INEP)	64 708	14 500 000	(11 843 879)	(64 708)	2 656 121
	120 474	**14 500 000**	**(11 843 879)**	**(64 708)**	**2 711 887**

14. Consumer deposits

	2025	2024
Hall hire deposits	5 500	2 000

	2025	2024

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Kwaloshe Tourism Project Grant	97	97
Municipal Infrastructure Grant	896 674	-
Municipal Disaster Recovery Grant	3 385 468	-
Municipal Disaster Response Grant	492 633	1 755 164
	4 774 872	**1 755 261**

Movement during the year		
Balance at the beginning of the year	1 755 261	575
Additions during the year	66 662 000	52 968 000
Income recognition during the year	(63 642 389)	(51 212 836)
	-	(478)
	4 774 872	**1 755 261**

Grant register June 2025	Opening Balance	Received	Expenditure	Balance
KwaLoshe Tourism	97	-	-	97
Local Government Financial Management Grant (FMG)	-	3 000 000	(3 000 000)	-
Provincialisation of Library Grant	-	2 093 000	(2 093 000)	-
Municipal Infrastructure Grant (MIG)	-	34 473 000	(33 576 331)	896 669
Expanded Public Works Programme Integrated Grant	-	2 067 000	(2 067 000)	-
Municipal Disaster Relief Grant	1 755 164	-	(1 262 531)	492 633
Municipal Disaster Recovery Grant	-	25 029 000	(21 643 527)	3 385 473
	1 755 261	**66 662 000**	**(63 642 389)**	**4 774 872**

Grant register June 2024	Opening Balance	Received	Expenditure	Refunded	Balance
KwaLoshe Tourism	97	-	-	-	97
Municipal Initiative	478	-	-	(478)	-
Local Municipal Financial Management Grant (FMG)	-	3 100 000	(3 100 000)	-	-
Provincialisation of Library Grant	-	981 000	(981 000)	-	-
Community Library Service Grant	-	1 023 000	(1 023 000)	-	-
Municipal Infrastructure Grant (MIG)	-	32 654 000	(32 654 000)	-	-
Expanded Public Works Programme Integrated Grant	-	1 760 000	(1 760 000)	-	-
Disaster Management Grant	-	3 000 000	(3 000 000)	-	-
Municipal Disaster Relief Grant	-	10 450 000	(8 694 836)	-	1 755 164
	575	**52 968 000**	**(51 212 836)**	**(478)**	**1 755 261**

Notes to the Annual Financial Statements

	2025	2024

16. Provisions

Reconciliation of provisions - June 2025

	Opening Balance	Additions	Utilised during the year	Total
Long service award	3 734 000	396 000	-	4 130 000
Long service award - short term	376 000	483 000	(376 000)	483 000
	4 110 000	**879 000**	**(376 000)**	**4 613 000**

Reconciliation of provisions - June 2024

	Opening Balance	Additions	Utilised during the year	Total
Long service award	3 365 000	369 000	-	3 734 000
Long service award - short term	349 000	375 596	(348 596)	376 000
	3 714 000	**744 596**	**(348 596)**	**4 110 000**

	2025	2024
Non-current liabilities	4 130 000	3 734 000
Current liabilities	483 000	376 000
	4 613 000	**4 110 000**

Employee benefit cost provision

Definition

Long service awards are the amounts paid to employees who have more than five years of continuous services and complete every five years. The provision is an estimate of the long service award based on historical staff turnover, taking into account management estimates of the likelihood that staff may leave before long service become due. No other benefits are provided to employees.

The key financial and demographic assumptions are summarised below.

The summary of the key financial assumption used for the liability at the Valuation Date and the expense figures for the ensuing year.

Assumptions	**Value p.a**
Discount rate	10.2%
CPI inflation rate	4.2%
General earnings inflation rate (long term)	5.2%
Net effective discount rate	**4.8%**

Key demographics assumptions

Assumption	**Value**		
Average retirement age	62		
Mortality during employment	SA 85-90		
Termination of service (resignation and retrenchment rates per annum)	**Age**	**Female**	**Male**
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Accrued Liability

	2025	2024

16. Provisions (continued)

The summarises the Unfunded Accrued Liability as at 30 June 2025

	30/06/2025	30/06/2024
Defined benefit obligation	4 613 000	4 110 000
Value of plan asset	0	0
Net defined benefit liability	**4 613 000**	**4 110 000**
Expected current portion of DBO (due within 12 months)	483 000	376 000
Expected non-current portion of DBO (due thereafter)	4 130 000	3 734 000

Reconciliation of unfunded accrued liability

Opening accrued liability	4 110 000	3 714 000
Current-service cost	466 000	422 000
Interest cost	451 000	414 000
Benefits vesting	(380 508)	(348 810)
Actuarial loss/(gain)	(33 492)	(91 190)
	4 613 000	**4 110 000**

Current-Service, Interest Costs and Actuarial Loss / (Gains)

The summary of the Current-service Cost and the Interest Cost for the current and next financial years, is reflected below. The actuarial loss/(gains) arises from three components: the effects of changes in net discount rates, membership and salaries.

Current - Service and Interest Cost

Current-service cost	466 000	422 000
Interest cost	451 000	414 000

Reconciliation of liability - Statement of Financial Position

Opening balance	4 110 000	3 714 000
Current-service cost	466 000	422 000
Interest cost	451 000	414 000
Actuarial (Gain)/Loss	(380 508)	(91 190)
Subtotal	4 646 492	4 458 810
Benefits vesting	(33 492)	(348 810)
	4 613 000	**4 110 000**

Closing Balance Reconciliation

Non-current portion of liability	4 130 000	3 734 000
Current portion of liability	483 000	376 000
	4 613 000	**4 110 000**

History of liabilities and assets

Liability History	**30/06/2021**	**30/06/2022**	**30/06/2023**	**30/06/2023**	**30/06/2025**
Accrued liability	3 300 000	3 764 000	3 714 000	4 110 000	4 613 000
Fair value of plan asset	0	0	0	0	0
Surplus/(Deficit)	(3 300 000)	(3 764 000)	(3 714 000)	(4 110 000)	(4 613 000)

History of experience of adjustment: (Gains) and Losses

Experience adjustments	**30/06/2021**	**30/06/2022**	**30/06/2023**	**30/06/2024**	**30/06/2025**
Liabilities: (Gains)/Loss	207 093	(106 000)	(189 056)	(91 190)	(16 492)
Assets: Gain/(Loss)	0	0	0	0	0

Notes to the Annual Financial Statements

	2025	2024

17. Long term trade and other payables

This relates to unpaid unspent INEP grant. The municipality acts as an agent for the Department of Energy for the electrification projects that are within its jurisdictions. The conditions of the grant were fully met.

The grant is intended to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

Unspent INEP Grant	324	324

The above note in the prior years was disclosed in the statement of financial position and its related note as "Other liabilty", in compliance with GRAP 1 disclosure the municipality has decided to disclose it by the nature of its transaction to improve diclosure of annual financial statements.

18. Service charges

Refuse removal	651 340	597 911

19. Construction contracts revenue

Construction contracts revenue	11 134 871	10 299 024

The above note in the prior years was disclosed in the statement of financial performance and its related note as "Construction contracts", in compliance with GRAP 1 disclosure the municipality has decided to disclose it by the nature of its transaction being construction contracts revenue to improve diclosure of annual financial statements. The reconciliation of revenue and expenditure has also been removed as it is also disclosed on the payables from non-exchange transactions.

20. Rental of facilities and equipment

Rental of facilities	12 826	9 087
Rental of equipment	621 535	613 297
	634 361	**622 384**

21. Agency services

Agency fee-vehicle license renewal	179 354	185 450

The municipality act as an agent of the department of Transport for the renewal of vehicle licences and an agreement is in place. Revenue recognised only related to the commission that the municipality is entitled to as per the agreement.

22. Licences and permits

Licences and permits	54 069	19 043

23. Other income

Municipal refunds	1 462 903	362 341
Administrative and handling fee	196 317	1 583 314
Sale of tender documents	65 483	396 834
Skills development levy refund	154 684	787 917
Rates clearance	15 600	24 600
Library income	5 440	964
	1 900 427	**3 155 970**

Notes to the Annual Financial Statements

	2025	2024

24. Interest received on investment and bank accounts

Interest revenue		
Interest on call deposits	7 905 044	8 684 319
Interest on cheque accounts	1 302 893	1 083 085
	9 207 937	**9 767 404**

25. Property rates

Rates received

Residential	759 371	254 512
Commercial	2 870 189	2 401 415
State	16 138 101	15 467 787
Agriculture	4 830 466	1 901 287
Public Benefit Organisations	3 306	5 620
Vacant Land	23 844	16 075
Industrial Properties	42 139	41 940
Less: Income forgone	(2 656 236)	(1 100 701)
	22 011 180	**18 987 935**

	2025	2024

25. Property rates (continued)

Valuations

	2025	2024
Residential	81 532 000	32 826 000
Commercial	115 120 000	75 725 000
State	759 719 000	712 535 000
Place of Worship	3 083 000	2 380 000
Agriculture	2 267 152 000	1 421 569 000
Vacant Land	3 806 000	2 625 000
Public Benefit Organisation	1 249 000	3 000 000
Industrial	4 150 000	3 000 000
Public Service Infrastructure	764 000	2 034 000
	3 236 575 000	**2 255 694 000**

Rates reconciliation:

	2025	2024
Billing	22 011 179	18 987 935
Rates Received	(15 656 024)	(14 907 449)
	6 355 155	**4 080 486**

Rate Reconciliation	Market value	Exempt	After Exemption	Tariff	Amount	Income forgone
Residential	81 532 000	10 958 507	70 573 493	0,01076	759 370	142 955
Commercial	115 120 000	43 828 667	71 291 333	0,04026	2 870 189	27 578
State	759 719 000	7 360 001	752 358 999	0,02145	16 138 101	-
Place of Worship	3 083 000	3 083 000	-		-	-
Agriculture	2 267 152 000	471 439 703	1 795 712 297	0,00269	4 830 466	2 479 061
Vacant Land	3 806 000	1 590 001	2 215 999	0,01076	23 844	6 642
Public Benefit Orgarnisation	1 249 000	20 022	1 228 978	0,00269	3 306	-
Industrial	4 150 000	3 103 333	1 046 667	0,04026	42 139	-
Public Service Infrastructure	764 000	764 000	-		-	-
Subtotal	3 236 575 000	542 147 234	2 694 427 766	-	24 667 415	2 656 236
	3 236 575 000	**542 147 234**	**2 694 427 766**		**24 667 415**	**2 656 236**

The municipality valuations and property rate were firstly implemented with effect on 01 July 2009, second valuation was effective on 01 July 2014, the third valuation roll was effective on 01 July 2019 and on 01 July 2024 the forth (current) valuation roll was effective in terms of Municipal Rates Act.

Valuations on land and buildings are valid for five years.

Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations, consolidations, subdivisions and new township development. Various rates in the rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.

Rebates applicable were applied in line with the municipal property rates policy. Rebates are levied on a monthly basis in terms of Municipal Rates Policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and approved tariffs.

26. Interest earned from receivables

	2025	2024
Interest from outstanding debtors	1 302 103	1 149 664

The above note in the prior years was disclosed in the statement of financial position and its related note as "Interest received (trading)", in compliance with GRAP 1 disclosure the municipality has decided to disclose it by the nature of its transaction being Interest earned from receivables to improve diclosure of annual financial statements.

Notes to the Annual Financial Statements

	2025	2024

27. Government grants & subsidies

	2025	2024
Operating grants		
Equitable share	204 167 000	194 115 708
Expanded Public Works Programme (EPWP)	2 067 000	1 760 000
Financial Management Grant (FMG)	3 000 001	3 100 000
Library Computer Assistant	1 069 000	1 023 000
Provincialization of Library Grant	1 024 000	981 000
	211 327 001	**200 979 708**
Capital grants		
Municipal Infrastructure Grant (MIG)	33 576 326	32 654 000
Municipal Disaster Management Grant	-	3 000 000
Municipal Disaster Recovery Grant	21 643 532	-
Municipal Disaster Relief Grant	1 262 531	8 694 836
	56 482 389	**44 348 836**
	267 809 390	**245 328 544**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2025	2024
Conditional grants received	63 642 390	51 212 836
Unconditional grants received	204 167 000	194 115 708
	267 809 390	**245 328 544**

Equitable Share

	2025	2024
Current year receipts	204 167 000	194 051 000
Transferred to revenue	(204 167 000)	(194 115 708)
With-held by National Treasury	-	64 708
	-	-

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

Municipal Employment Initiative Grant

	2025	2024
Balance unspent at beginning of year	-	478
Other-Refunded	-	(478)
	-	-

KwaloshеTourism

	2025	2024
Balance unspent at beginning of year	97	97

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant

	2025	2024
Current-year receipts	34 473 000	32 654 000
Conditions met - transferred to revenue	(33 576 326)	(32 654 000)
	896 674	-

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

	2025	2024

27. Government grants & subsidies (continued)

Financial Management Grant

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	-

The grant is used to assist the municipality to implement financial reforms as required by the MFMA. The conditions have been met for the period under review.

Expanded Public Works Programme

Current-year receipts	2 067 000	1 760 000
Conditions met - transferred to revenue	(2 067 000)	(1 760 000)
	-	-

The grant is used to fund job creation initiatives in the specific focus areas where labour intensive delivery methods can be measured. The conditions of the grant were fully met for the period under review.

Provincialisation of library Grant

Current-year receipts	1 024 000	981 000
Conditions met - transferred to revenue	(1 024 000)	(981 000)
	-	-

Municipal Disaster Recovery Grant

Current-year receipts	25 029 000	-
Conditions met - transferred to revenue	(21 643 532)	-
	3 385 468	-

Conditions still to be met - remain liabilities (see note 15).

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

Municipal Disaster Relief Grant

Balance unspent at beginning of year	1 755 164	-
Current-year receipts	-	10 450 000
Conditions met - transferred to revenue	(1 262 531)	(8 694 836)
	492 633	**1 755 164**

Conditions still to be met - remain liabilities (see note 15).

Library Computer Assistant

Current-year receipts	1 069 000	1 023 000
Conditions met - transferred to revenue	(1 069 000)	(1 023 000)
	-	-

Notes to the Annual Financial Statements

	2025	2024

27. Government grants & subsidies (continued)

Municipal Disaster Management Grant

	2025	2024
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	-	-

28. Public contributions and donations

	2025	2024
Donations received	14 497	7 100

The donations for the current year relates to water dispenser, air blower and television donated to the municipality in the current year by the Department of Arts and Culture. The donations for the prior year relates to library book trollies that were donated by the Department of Arts and Culture.

29. Fines, Penalties and Forfeits

	2025	2024
Retentions Forfeits	2 450 427	-

30. Remeasurement of employee benefits

Calculation of actuarial gains and losses

	2025	2024
Actuarial (gains) losses – Obligation	4 613 000	4 110 000
Actuarial (gains) losses – Projected obligation	(4 646 492)	(4 201 190)
	(33 492)	**(91 190)**

	2025	2024
Reconciliation of Actuarial gains and losses		
Financial assumption changes	(17 000)	(24 000)
Experience:		
Earnings increases higher than assumed	96 000	69 000
Changes to employee profile different from assumed	(117 000)	(136 000)
Actual benefits vesting, greater than expected	4 508	(190)
	(33 492)	**(91 190)**

The above note in the prior years was disclosed in the statement of financial perfromance and its related note as "Actuarial gain", in compliance with GRAP 25 disclosure the municipality has decided to disclose it as "Remeasurement of employee benefits", to improve diclosure of annual financial statements.

	2025	2024

31. Employee related costs

Basic	55 822 266	51 589 718
Bonus	3 923 762	3 592 776
Medical aid - company contributions	3 852 430	3 568 234
UIF	344 976	331 975
Other payroll levies	-	465 625
Leave pay provision charge	971 888	1 643 123
Defined contribution plans	11 164 183	9 462 683
Overtime payments	787 913	620 439
Long-service awards	466 000	421 785
Car allowance	1 743 901	1 832 744
Housing benefits and allowances	353 613	261 939
Uniform allowance	510 000	510 000
Bargaining council	20 793	18 983
	79 961 725	**74 320 024**

Remuneration of Municipal Manager - Mr SDG Khuzwayo

Annual Remuneration	753 713	686 979
Car Allowance	256 366	248 176
Telephone allowance	72 000	36 000
Contributions to UIF, Medical and Pension Funds	64 117	59 675
Skills Development Levy	13 643	11 595
Medical Allowance	72 000	36 000
Rural Allowance	120 000	60 000
Back Pay	79 366	84 316
	1 431 205	**1 222 741**

Remuneration of Chief Finance Officer - Mr S Majola

Back Pay	-	47 488

Remuneration of Chief Financial Officer - Mr XNE Hlekwane

Annual Remuneration	595 418	497 773
Car Allowance	220 057	195 275
Medical Aid Allowance	72 000	36 000
Contributions to UIF, Medical and Pension Funds	67 591	60 000
Telephone Allowance	54 000	27 000
Rural Allowance	84 000	42 000
Skill Development Levy	10 475	11 450
Back Pay	48 460	56 160
	1 152 001	**925 658**

Remuneration of Director Corporate Services - Miss TP Motaung

Annual Remuneration	595 418	485 528
Car Allowance	220 057	177 523
Telephone Allowance	54 000	27 000
Contributions to UIF, Medical and Pension Funds	67 354	54 088
Medical Allowances	72 000	36 000
Rural Allowance	84 000	42 000
Back Pay	48 460	11 807
Skills Development Levy	10 953	8 440
	1 152 242	**842 386**

Notes to the Annual Financial Statements

31. Employee related costs (continued)

Remuneration of Director Community Services - Mrs PP Mbonambi

	2025	2024
Annual Remuneration	-	101 883
Car Allowance	-	33 960
Contributions to UIF, Medical and Pension Funds	-	354
Other	-	1 291
Other	-	41 182
	-	**178 670**

Remuneration of Director Technical Services - Mr DH Mzolo

	2025	2024
Annual Remuneration	596 842	574 272
Car Allowance	220 057	211 993
Telephone Allowance	54 000	27 000
Contributions to UIF, Medical and Pension Funds	67 354	65 455
Skills Development Levy	10 967	10 606
Medical Allowances	72 000	36 000
Rural Allowances	84 000	42 000
Back Pay	48 460	94 252
	1 153 680	**1 061 578**

Remuneration of Director Economic Development and Planning - Miss ZP Khuluse

	2025	2024
Annual Remuneration	615 324	-
Car Allowance	227 484	-
Telephone Allowance	54 000	-
Contributions to UIF, Medical and Pension Funds	37 467	-
Medical Allowances	72 000	-
Rural Allowance	84 000	-
Skills Development Levy	11 849	-
	1 102 124	**-**

Remuneration of Director Community Services - Mr Mkhwanazi

	2025	2024
Annual Remuneration	609 143	-
Car Allowance	227 484	-
Telephone Allowance	54 000	-
Contributions to UIF, Medical and Pension Funds	46 269	-
Skills Development Levy	11 927	-
Rural Allowance	84 000	-
Medical Allowance	72 000	-
	1 104 823	**-**

Total employees cost is made up of staff cost plus managers and it equate to R79 961 725 plus directors remuneration of R7 096 075 and it equate to R87 057 800.

The difference of R69 815 between the statement of financial performance and the note is as a result of SDL which is disclosed separately under general expenditure in line with MSCOA Chart. This SDL only relate to section 57 employees and it has been singled out for disclosure purposes only. The total amount of SDL is R808 001 as disclosed under general expenditure note.

Notes to the Annual Financial Statements

	2025	2024

32. Remuneration of councillors

Executive Mayor	1 030 830	994 873
Deputy Executive Mayor	825 700	809 450
Mayoral Committee Members	3 531 081	3 418 306
Speaker	826 182	810 174
Councillors	9 831 733	9 711 349
Councillors' medical aid contribution	230 209	229 094
	16 275 735	**15 973 246**

Mayor : SZ Mfeka		
Salary	832 583	862 588
Back Pay	41 100	44 925
Cellphone Allowance	40 800	40 800
Medical Aid	56 267	46 558
Pension Fund	60 081	-
	1 030 831	**994 871**

Deputy Mayor: ZS Thoolsi		
Salary	622 338	603 921
Cellphone Allowance	40 800	40 800
Back Pay	29 452	35 940
Pension Fund	97 769	95 979
Medical Aid	35 341	32 810
	825 700	**809 450**

Speaker: RM Cele		
Salary	633 767	614 971
Cellphone Allowance	40 800	40 800
Back Pay	29 452	35 940
Pension Fund	99 483	97 637
Medical Aid	22 680	20 826
	826 182	**810 174**

Executive Committee Members and Other Councillors		
Salaries	11 216 975	10 970 891
Travel and Subsistance Allowance	74 271	71 928
Telephone Allowance	1 386 094	1 387 200
Back Pay	462 369	543 795
Pension	223 106	155 840
Medical Aid	230 209	229 094
Skills Development Levy	152 868	152 485
	13 745 892	**13 511 233**

The difference of R152 868 between the statement of financial performance and the note above is as a result of SDL which is disclosed separately under general expenditure in line with MSCOA Chart. This SDL only relate to remuneration of councillors and it has been singled out for disclosure purposes only. The total amount of SDL is R808 001 as disclosed under general expenditure note.

Notes to the Annual Financial Statements

	2025	2024

32. Remuneration of councillors (continued)

In-kind benefits

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

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

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

The Mayor, Deputy Mayor and Speaker has two full-time bodyguards.

The Mayor and Speaker have two full-time drivers.

33. Construction contracts expenditure

	2025	2024
Expenditure on construction contracts	11 134 871	10 299 025

34. Impairment loss on cash and non-cash generating assets

	2025	2024
Impairment Loss/Water Supply Infrastructure	611 945	-
Impairment Loss/Storm water Infrastructure	1 511 059	588 057
Impairment Loss/Other Assets	1 254 429	-
Impairment Loss/Roads Infrastructure	5 074 933	17 789 946
Impairment Loss/Community Assets	5 127 193	4 344 616
	13 579 559	**22 722 619**

The above note in the prior years was disclosed in the statement of financial position and its related note as "Impairment loss", in compliance with GRAP 1 disclosure the municipality has decided to disclose it as Impairment loss on cash and non-cash generating assets to improve diclosure of annual financial statements. In the prior years this line item was not reported within the operating expenditures and in the current year has been reported within the operating expenditure to comply with the new requirements of GRAP 1.100.

35. Depreciation and amortisation

	2025	2024
Property, plant and equipment	33 355 740	35 009 722
Intangible assets	4 418	10 215
	33 360 158	**35 019 937**

36. Loss on disposal of assets and liabilities

	2025	2024
Loss on disposal of assets	16 269 049	5 740 364

37. Lease rentals on operating lease

	2025	2024
Equipment		
Contractual amounts	1 543 502	1 076 655

38. Debt impairment

	2025	2024
Debt impairment	425 029	1 781 479

Notes to the Annual Financial Statements

	2025	2024

39. Bad debts written off

	2025	2024
Property rental	143 299	-
Property Rates/levies	10 038 874	-
	10 182 173	**-**

40. Finance cost

	2025	2024
Interest cost	451 000	414 000

The finance costs relates to the interest on employee benefits obligations that are disclosed on the actuarial report as per the GRAP 25 requirements.

41. Contracted services

	2025	2024
Outsourced Services		
Administrative and Support Staff	269 080	-
Hire Charges	1 860 010	2 572 975
Communications	757 332	-
Sound system	680 510	850 950
Clearing and Grass Cutting Services	424 787	-
Hygiene Services	1 400 000	1 569 582
Internal Auditors	1 449 379	1 305 197
Medical Services	16 000	5 500
Personnel and Labour	30 609	75 565
Professional Staff	1 333 700	877 727
Refuse Removal	1 127 101	1 331 182
Researcher	198 600	199 250
Security Services	15 511 463	12 438 963
Transport Services	1 874 780	2 964 680
Drivers Licence Cards	398 880	221 300
Consultants and Professional Services		
Business and Advisory	13 685 642	20 894 340
Contractors		
Artists and Performers	194 700	471 400
Audio-visual Services	304 000	339 750
Bore Waterhole Drilling	148 500	148 751
Catering Services	3 858 070	3 740 636
Event Promoters	2 104 597	2 443 660
Gardening Services	179 400	297 850
Graphic Designers	294 250	365 563
Maintenance of Buildings and Facilities	3 764 662	2 108 562
Maintenance of Equipment	223 435	36 824
Maintenance of Unspecified Assets	653 532	686 884
Maintenance of Roads	5 017 760	1 262 065
Medical Services	12 500	29 213
Maintenance of Vehicles	2 798 750	3 039 490
Transportation	235 550	287 300
Safeguard and Security	366 691	149 590
Sports and Recreation	-	44 950
	61 174 270	**60 759 699**

Notes to the Annual Financial Statements

	2025	2024
42. Transfer and subsidies		
Other subsidies		
Study Bursaries	1 594 815	1 699 994
Free basic services	552 971	349 816
Social relief	1 237 369	1 194 383
Indigent burial	1 070 300	1 253 708
	4 455 455	**4 497 901**

43. General expenses

	2025	2024
Advertising	1 314 386	984 853
Auditor remuneration	2 500 000	2 001 735
Bank charges	168 548	253 320
Council committee	3 289 550	3 453 550
Consulting and professional fees	-	24 469
Consumables	1 511 311	1 882 727
Entertainment	1 006 991	1 842 414
Fines and penalties	843	5 518
Gifts	3 599 829	2 539 566
Hire	108 700	-
Insurance	1 279 213	1 913 090
Conferences and seminars	293 195	154 661
Operational lease (extra copies)	69 527	361 890
Marketing	1 588 495	2 369 052
Motor vehicle expenses	323 540	355 774
Pest control	24 150	-
Fuel and oil	4 890 028	6 010 364
Postage and courier	-	2 710
Printing and stationery	382 152	593 220
Repairs and maintenance	27 200	38 200
Software expenses	3 379 389	2 917 100
Subscriptions and membership fees	1 128 023	2 088 442
Telephone and fax	2 606 866	2 780 910
Skills development levy	808 001	745 333
Travel - local	5 778 197	6 309 957
Electricity	2 348 133	2 457 259
Uniforms	1 391 290	1 523 139
Tourism development	99 850	-
Workmen's compensation fund	446 329	450 000
Study assistance	1 037 809	500 000
	41 401 545	**44 559 253**

Notes to the Annual Financial Statements

	2025	2024

44. Cash generated from operations

	2025	2024
Surplus	20 143 117	8 812 278
Adjustments for:		
Depreciation and amortisation	33 360 158	35 019 937
Loss on disposal of assets and liabilities	16 269 049	5 740 364
Impairment loss on cash and non-cash generating assets	13 579 559	22 722 620
Debt impairment	425 029	1 781 479
Bad debts written off	10 182 173	-
Finance cost (Actuarial)	451 000	414 000
Remeasurement of employee benefits	(33 492)	(91 190)
Donations	(14 497)	(7 100)
Fines, penalties and forfeits	(2 450 427)	-
Changes in working capital:		
Inventories	(199 153)	110 425
Receivables from exchange transactions	(147 556)	(3 572 075)
Debt impairment	(425 029)	(1 781 479)
Other receivables from non-exchange transactions	2 784 277	(3 343 513)
Finance cost (Actuarial)	(451 000)	(414 000)
Remeasurement of employee benefits	33 492	91 190
Payables from exchange transactions	2 991 816	6 033 289
Payables from non-exchange transactions	(2 638 275)	2 591 413
Unspent conditional grants and receipts	3 019 610	1 754 686
Consumer deposits	3 500	(1 000)
Bad debts written off	(10 182 173)	-
Movement in provisions	503 000	396 000
	87 204 178	**76 257 324**

45. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	20 730 063	33 719 539
Total capital commitments		
Already contracted for but not provided for	20 730 063	33 719 539

Authorised operational expenditure

	2025	2024
Already contracted for but not provided for		
• Operational commitments	49 743 266	57 314 239
Total operational commitments		
Already contracted for but not provided for	49 743 266	57 314 239

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	20 730 063	33 719 539
Authorised operational expenditure	49 743 266	57 314 239
	70 473 329	**91 033 778**

46. Related parties

46. Related parties (continued)

The two related party transactions in the current year are for the municipality's councilors and section 57 employees as per GRAP 20.

Management class: Councillors

June 2025

Name	Basic salary	Pension	Medical aid	Travelling and subsistance	Cellphone allowance	Back pay	Total
Councillors	13 305 663	480 439	344 497	74 271	1 508 492	562 373	16 275 73

June 2024

Name	Basic salary	Pension	Medical aid	Travelling and subsistance	Cellphone allowance	Back pay	Total
Councillors	13 052 371	349 456	329 291	71 928	1 509 600	660 600	15 973 24

The comparative figures has been detailed to disclose the nature of transactions that were for the related parties in order to be consistant with the current year.

The detailed disclosure, refer to the " Remuneration of councillors" note.

Management class: Executive management

Notes to the Annual Financial Statements

46. Related parties (continued)

June 2025

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical and Pension Funds	Skills Development Levy	Telephone Allowance	Rural Allowance	Back Pay	Medical Aid Allowance	Total
Municipal Manager- SDG Khuzwayo	753 713	256 366	64 117	13 643	72 000	120 000	79 366	72 000	1 431 205
Chief Financial Officer- XNE Hlekwane	595 418	220 057	67 591	10 475	54 000	84 000	48 460	72 000	1 152 001
Director Corporate Services - Miss TP Motaung	595 418	220 057	67 354	10 953	54 000	84 000	48 460	72 000	1 152 242
Director Community Services-Mr Mkhwanazi	609 143	227 484	46 269	11 927	54 000	84 000	-	72 000	1 104 823
Director Technical Services -DH Mzolo	596 842	220 057	67 354	10 967	54 000	84 000	48 460	72 000	1 153 680
Director Economic Development and Planning - ZP Khuluse	615 324	227 484	37 467	11 849	54 000	84 000	-	72 000	1 102 124
	3 765 858	**1 371 505**	**350 152**	**69 814**	**342 000**	**540 000**	**224 746**	**432 000**	**7 096 075**

June 2024

Notes to the Annual Financial Statements

46. Related parties (continued)

Name	Annual Remuneration	Car Allowance	Contributions to UIF, Medical and Pension Funds	Skills Development Levy	Telephone Allowance	Rural Allowance	Back Pay	Medical Aid Allowance	Total
Municipal Manager- SDG Khuzwayo	686 979	248 176	59 675	11 595	36 000	60 000	84 316	36 000	1 222 741
Chief Financial Officer-S Majola	-	-	-	-	-	-	47 488	-	47 488
Chief Financial Officer- XNE Hlekwane	497 773	195 275	60 000	11 450	27 000	42 000	56 160	36 000	925 658
Director Corporate Services- TP Motaung	485 528	177 523	54 088	8 440	27 000	42 000	11 807	36 000	842 386
Director Community Services- PP Mbonambi	101 883	33 960	354	1 291	-	-	41 182	-	178 670
DirectorTechnical Services- DH Mzolo	574 272	211 993	65 455	10 606	27 000	42 000	94 252	36 000	1 061 578
	2 346 435	**866 927**	**239 572**	**43 382**	**117 000**	**186 000**	**335 205**	**144 000**	**4 278 521**

Related party transactions		
Miyane Trading (Pty) Ltd	20 642	-
Mpangayitha Trading SN and Project	239 000	-
	259 642	**-**

1. Miyane Trading (Pty) Ltd relates to Mrs Mngadi who is a Registry Officer, and the director of Miyane Trading (Pty) Ltd is her husband. The award was for Panel of Contractors for grass cutting, cleaning and disposal within various settlements and sports fields around Ndwedwe for a period of 3 years.

2. Mpangayitha Trading SN and Project relates to Mr SF Gumede who is a Fleet Management Office, and the director of Mpangayitha Trading SN and Project is her wife. The award was for a contract of the uniform for ward committees.

47. Contingencies

	2025	2024
Contingent Liabilities (Litigations)		
DlaminDlovu Consulting Engineers CC	1 260 141	1 260 141
AIANA Consulting Engineers (Pty) Ltd	2 478 922	2 478 922
Phumelelo Shezi and Other	-	2 123 446
Lindiwe Jele	100 892	100 892
Clives Transport CC t/a JCR Transport	376 770	376 770
Arron Phembokwakhe Ngidi	-	22 560
	4 216 725	**6 362 731**

Dlamini Dlovu Consulting Engineers CC matter is in court regarding a civil claim for non-payment for work done, we are awaiting discovery to be finalized at Durban High Court with case No: D3271/2022 for an estimated amount of R1 260 141.

AIANA Consulting Engineers (Pty)Ltd matter is in court regarding a civil claim for non-payment for work done, we are awaiting pre-trail date at Durban High Court with case No: D3015/2023 for an estimated amount of R2 478 922.

Phumelele Shezi and other, with case No: D10383/2021 for an estimated amount of R2 123 446 the plaintiffs has withdrawn from the proceedings on the 2nd of September 2024 and the file is now closed.

Lindiwe Jele matter is in court civil claim for damages to a motor vehicle, currently in a pre-trail stage at High Court, Durban with case No: D10383/2021 for an estimated amount of R100 892.

Clives Transport CC t/a JCR Transport matter is in court regarding civil claim for non-payment of work done, awaiting discovery to be finalized at Regional Court, Durban case No: D5749/2020 for an estimated amount of R376 770.

Arron Phembokwakhe Ngidi with case No: 103/2022. The municipality has received the warrant of execution. The matter has been settled in the current year.

Contingent assets

	2025	2024
Contingent Assets (Litigations)		
Esethu Sipho Construction	411 893	411 893

Esethu Sipho Construction is a matter relating to debt collection for an amount of R411 893, Sheriff has served the Esethu Sipho Construction and awaiting return of service.

48. Financial instruments disclosure

Categories of financial instruments

June 2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	7 606 430	7 606 430
Cash and cash equivalents	80 929 378	80 929 378
	88 535 808	**88 535 808**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	24 500 486	24 500 486
Unspent conditional grants and receipts	4 774 871	4 774 871
Consumer deposits	5 500	5 500
Payables from non-exchange transactions	73 612	73 612
	29 354 469	**29 354 469**

June 2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	7 458 874	7 458 874
Cash and cash equivalents	71 396 653	71 396 653
	78 855 527	**78 855 527**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	23 935 888	23 935 888
Unspent conditional grants and receipts	1 755 261	1 755 261
Consumer deposits	2 000	2 000
Payables from non-exchange transactions	2 711 887	2 711 887
	28 405 036	**28 405 036**

49. 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.

	2025	2024

49. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

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 counterparty.

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

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

Financial instruments		
Consumer Debtors	10 722 859	13 507 136
Cash and cash equivalents	80 929 378	71 396 653
Trade and other receivables from exchange transactions	7 606 430	7 458 874

Market risk

Interest rate risk

The municipality's exposure to interest rate risk results from changes in investments as a result of changes in interest rate.

50. Going concern

We draw attention to the fact that on 30 June 2025, the municipality had an accumulated surplus (deficit) of R586 336 760 and that the municipality's total assets exceed its liabilities by R586 336 760.

The table below shows that the municipality is liquid and will meet all its financial liabilities with the cash and cash equivalents on hand.

Cash to settle total liabilities		
Total Non-Current Liabilities	(4 130 324)	(3 734 324)
Total Current Liabilities	(29 837 469)	(28 781 036)
Cash and Cash Equivalents	80 929 378	71 396 653
	46 961 585	**38 881 293**

50. Going concern (continued)

	2025	2024
Add: Grants to be received in 2025/2026 financial year		
Equitable Share	203 077 000	204 167 000
Financial Management Grant	3 000 000	3 000 000
Municipal Infrastructure Grant	46 208 000	34 473 000
Provincialisation of Libraries Grant	1 070 000	1 024 000
Community Library Service Grant	1 243 000	1 069 000
Expanded Public Works Programme	2 320 000	2 067 000
Infrastructure - Sport and Recreation Infrastructure	6 560 000	-
	263 478 000	**245 800 000**
Revenue expected to be generated by the municipality in 2025/2026		
Property rates	22 832 365	21 989 610
Refuse collection	680 762	714 600
Other income	3 131 978	833 000
Construction contracts revenue	-	14 000 000
Rental income	757 467	764 757
Investment income	12 528 000	12 000 000
	39 930 572	**50 301 967**
Total cash and cash equivalent available for 2025/2026		
Total revenue (grants to be received and revenue generated)	303 408 571	296 101 967
Add: Cash at the beginning of the year	80 929 378	71 396 653
	384 337 949	**367 498 620**
Total Budgeted Cost 2025/2026		
Budgeted operating expenditure 2025/2026	250 264 184	261 560 909
Budget capital expenditure 2025/2026	68 805 017	41 193 915
	319 069 201	**302 754 824**
Commitment and liabilities for 2025/2026 financial year		
Total cash and cash equivalents available for 2025/2026	384 337 949	367 498 620
Cash and cash equivalents available after settling all commitments for 2025/2026	(319 069 201)	(302 754 824)
Less: Total liabilities	(33 967 793)	(32 515 360)
	31 300 955	**32 228 436**

According to the assessment above, the municipality will have R46 961 585 in the cash and cash equivalents after settling its total liabilities as at the end of 30 June 2025. For 2025/2026 financial year, the municipality will have R303 408 571 total revenue, made up by R263 478 000 (total grants) and R39 930 571 total (Internal revenue). It must be noted that this own revenue is the amount expected to be collected and not the amount billed. The assumption of the amount to be collected is based on historical information.

The total commitments for 2025/2026 financial year is R319 069 069, which is made up by R250 264 184 for operational expenditure budget and R68 805 017 for capital expenditure budget as shown above.

Total cash and cash equivalent for 2025/2026 financial year is R384 337 949 and when you subtract 2025/2026 commitments R319 069 201, then subtract the total liabilities the municipality will remain with R31 300 955 in its cash and cash equivalents. This therefore means that the municipality is liquid and it will continue exist for the feasible future.

Notes to the Annual Financial Statements

	2025	2024

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	-	369 244
Current year subscription / fee	1 048 849	913 497
Amount paid - current year	(1 048 849)	(913 497)
Amount paid - previous years	-	(369 244)
	-	-

Audit fees

	2025	2024
Current year subscription / fee	2 500 000	2 001 735
Amount paid - current year	(2 500 000)	(2 001 735)
	-	-

PAYE and UIF

	2025	2024
Current year subscription / fee	16 021 770	15 192 292
Amount paid - current year	(16 021 770)	(15 192 292)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Current year subscription / fee	22 184 839	19 386 717
Amount paid - current year	(22 184 839)	(19 386 717)
	-	-

52. Irregular expenditure

	2025	2024
Opening balance as previously reported	10 651 430	60 170 398
Add: Irregular expenditure - current	468 850	2 595 390
Less: Amount recovered - current	(271 132)	(435 998)
Less: Amount written off - current	(8 795 390)	(51 678 360)
Closing balance	**2 053 758**	**10 651 430**

After the council committee investigations, the council adopted the council committee recommendation to write off an amount of R8 795 390 from the total of irregular expenditure. It was proven without reasonable doubt that the amount was not recoverable.

Included in a write off in the current year there is an amount related to Marry Grey Sport Centre Project of R1 037 855 which Auditor General identified as a written off without an investigation and must be refferred to consequence management.

Notes to the Annual Financial Statements

	2025	2024

52. Irregular expenditure (continued)

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

Tax clearances not obtained	-	279 950
Non-compliance with SCM processes	468 850	2 315 440
	468 850	**2 595 390**

The opening balance of irregular expenditures is made up of tenders that were awarded without following the requirement of the SCM regulations and MFMA. Amongst them is regulation 44, MBD 4 (declaration of interest), regulations 16 & 17 and section 116 of the MFMA. The MPAC is still investigating these cases.

The Non-compliance with SCM processes is made up of suppliers in the same panel with the same directors, Panel procedure/policy and listing for rotation not specified, Rotation of work to panel suppliers not visible and selection of service providers from the panel without following quotation processes.

The current year Non-compliance withSCM processes is due to mandatory documents not attached.

53. Unauthorised expenditure

Opening balance as previously reported	36 753 023	27 833 947
Add: Unauthorised expenditure - current	44 564 441	36 753 023
Less: Written off of unauthorised expenditure	(68 730 221)	(27 833 947)
Closing balance	**12 587 243**	**36 753 023**

After the council committee investigations, the council adopted the council committee recommendation to write off an amount of R68 730 221 from the total of unauthorised expenditure. It was proven without reasonable doubt that the amount was not recoverable.

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

Non-cash	44 541 939	36 753 023
Cash	22 502	-
	44 564 441	**36 753 023**

Analysed as follows: non-cash

Depreciation and amortisation	4 060 158	4 953 491
Impairment loss on cash and non-cash generating assets	13 579 559	22 722 619
Loss on disposal of assets and liabilities	16 269 049	5 740 364
Bad debts written off	10 182 173	-
Increase in leave provision	-	1 241 069
Debt impairment	-	1 681 479
Finance costs	451 000	414 000
	44 541 939	**36 753 022**

Analysed as follows: cash

Operating lease rentals	22 502	-

	2025	2024

54. Fruitless and wasteful expenditure

Opening balance as previously reported	1 207 217	3 297 478
Add: Fruitless and wasteful expenditure identified - current	10 082 350	5 972
Less: Amount written off - current	(1 208 061)	(2 096 233)
Closing balance	**10 081 506**	**1 207 217**

After the council committee investigations, the council adopted the council committee recommendation to write off an amount of R1 208 061 from the total of fruitless and wasteful expenditure. It was proven without reasonable doubt that the amount was not recoverable.

Included in a write off in the current year there is an amount for double payment of R1 205 686 which Auditor General identified as a written off without an investigation and must be refferred to consequence management.

Included in a write off in the current year there is an amount related to Marry Grey Sport Centre Project of R2 268 676 which Auditor General identified as a written off without an investigation and must be refferred to consequence management.

The balance of R10 081 506 relates to the Testing Centre and Fire Department that was supposed to be built in ward 15 but due to land disputes it was reallocated and eventually build in ward 6 as a result the expenditure for the first site was identified as wasteful expenditure.

55. Change in estimates

A change in accounting estimate resulting from the assessment of useful lives of various assets of the Municipality based on their conditional assessment conducted as at 30 June 2025 will result in the following increases/decreases in depreciation and amortisation for the 2025 financial year end and future periods. The current impact of this change in estimate is R1 815 924 and estimated impact for future periods is R1 815 924 per reporting period.

The 2024 amounts reflects the annual conditional assessment conducted in the 2024 financial year and it it disclosed hereto as a comparative.

The impact on the statement of financial performance in the 2025 financial year and future periods:

Machinery and Equipment	326 096	26 894
Furniture and Office Equipment	272 037	16 722
Computer Equipment	165 706	135 064
Community Assets	54 175	-
Infrastructure Assets	960 349	-
Computer Software	5 697	-
Transport Assets	31 155	75 018
Other Assets/Buildings	709	-
	1 815 924	**253 698**

56. Events after the reporting date

The management of the municipality is not aware of any event that have occured after the reporting date that requires to be reported as such.

57. 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

57. Prior-year adjustments (continued)

June 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
VAT receivable		-	1 091 470	(1 091 470)	-
VAT payable		(8 528 610)	8 528 610	-	-
Payables from exchange transactions		(20 483 220)	(1 911 110)	(1 541 558)	(23 935 888)
Receivables from exchange transactions		-	-	2 633 029	2 633 029
Accummulated surplus		(559 251 636)	(9 910 302)	-	(568 490 788)
WIP - Infrastructure - Opening balance		4 799 785	-	24 299 357	29 099 142
WIP - Infrastructure - Additions		12 611 631	-	15 514 865	28 126 496
WIP - Community - Additions		45 800 928	-	(15 514 867)	30 286 061
WIP - Other Assets - Opening balance		5 684 519	-	(1 200 872)	4 483 647
WIP- Community - Opening balance		35 175 799	-	(23 098 484)	12 077 315
Property, plant and equipment		506 856 711	(767 396)	-	506 089 315
		22 665 907	**(2 968 728)**	**-**	**20 368 329**

Statement of financial performance

June 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Government grants and subsidies - Operational		209 674 544	-	(8 694 836)	200 979 708
Government grants and subsidies -		35 654 000	-	8 694 836	44 694 836
Employee related costs - Leave		77 695 020	(782 982)	1 643 123	78 555 162
Increase in leave accrued		1 241 069	402 055	(1 643 123)	-
Contracted services - electrical		71 058 724	-	(10 299 025)	60 759 699
Construction contracts expenditure		-	-	10 299 025	10 299 025
Depreciation and amortisation		33 962 321	1 057 617	-	35 019 938
Other income		(5 448 008)	2 292 038	-	(3 155 970)
Surplus for the year		**423 837 670**	**2 968 728**	**-**	**427 152 398**

Cash flow statement

June 2024

June 2024	**As previously reported**	**Restated**
Cash flow from operating activities		
Receipts from customers	34 601 555	31 114 758
Compensation of employees and councillors	(93 272 266)	(93 261 132)
Payments made to suppliers	(119 083 288)	(113 401 762)
Transfers and subsidies	-	4 497 901
Cash flow from investing activities		
Retention	1 174 522	1 117 516
	(176 579 477)	**(169 932 719)**

57. Prior-year adjustments (continued)

Errors: Statement of financial position

VAT receivable

The amount of R9 620 080 was input VAT and the municipality took the decision to correct that what was viewed as an error that occured in prior years as a result of claiming input VAT on Intergrated National Electrification Grant. National Treasury has recently provided clear guidance on the treatment of this grant which will be fully implemented on the next version of mSCOA 6.9. The VAT receivable has been allocated to receivables from exchange to disclose the amount of input (R2 633 029) that was declared to SARS to comply with the new disclosure requirements, prevoiusly net input and output was disclosed as line item on the statement of financial position.

Payables from exchange transactions

The leave report in the prior year was over stated by two days which resulted in the provision amount being overstated by R380 927. In the prior year the payments for leave were not captured agianst the provision as they were expensed in the Statement of Financial Performance thus overstating both the expenditure and leave provision with an amount of R782 981. The total adjustment relating to these transactions amount to R1 163 908. The retention account has been adjusted by R2 292 038 which was incorrectly raised against other income in the prior year for over-payment of retention to suppliers in recognition of debtor. The VAT payable has been allocated to payables from exchange to disclose the amount of output (R1 541 558) that was declared to SARS to comply with the new disclosure requirements, prevoiusly net input and output was disclosed as line item on the statement of financial position.

Accummulated surplus

The accumulated surplus has been adjusted by the VAT amount (R9 620 080 which is made up of R8 528 610 a liability reversal and R1 091470 a refund per GL for 2024 financial year) that was previously reversed back to it to create a "liability" as the view was that, the municipality owes it to SARS due to lack of information. The adjustment to accumulated surplus of R290 222 relating to property, plant and equipment for prior years, due to the review of Estimated Useful Lives of Fixed Assets. The nett effect to accummulated surplus is R9 910 302.

Reconciliation of Work-in-Progress Note

The reconciliation of work in progress note for 2024 has been adjusted to correctly account for work in progress projects per their classes as per the fixed assets register in compliance with mSCOA and other related reporting framework requirments.

Property, plant and equipment

The adjustment to accumulated surplus is due to the review of Estimated Useful Lives of Fixed Assets. This resulted in the change in the accumulated depreciation for prior years. The 2024 financial year has been adjusted by R1 057617 and previous years -R290 222 the nett effect to property, plant and equipment carrying value is R 276 396.

57. Prior-year adjustments (continued)

Errors: Statement of Financial Performance

Employee related costs - Leave

The leave that was paid in the prior year was not captured against the provision which overstated the amount of employee related cost. The prior year leave accrual has been reclasified to employee related cost from being a line item in the statement of financial performance.

Increase in accrued leave

The provision in leave accrual for the prior year was based on a leave report that was overstated by 2 days for every employee. The municipality decided to adjust that provision to fairly present the leave provision balance amount and accuracy for the current year. The amount of R1 643 123 has been reclasified to employee cost no longer a line item on the statement of financial performance.

Contracted service and Construction contracts expenditure

The expenditure for construction contracts has been reclassified in the current year to disclose it as a line item in the statement of financial performance in line with its corresponding construction contracts revenue.

Depreciation and amortisation

The depreciation for the prior year has been adjusted by R1 057 617 due to the review of Estimated Useful Lives of Fixed Assets.

Other income

The other income has been adjusted by R2 292 038 which was incorrectly raised against it in the prior year for over-payment of retention to suppliers in recognition of debtor.

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Reclassifications: Statement of financial performance

Government grants and subsidies - Operational

In the prior year Municipal Disaster Recovery Grant was incorrectly disclosed on the note as an operational grant while its was a capital grant.

Government grants and subsidies - Capital

In the prior year Municipal Disaster Recovery Grant was incorrectly disclosed on the note as an operational grant while its was a capital grant.

57. Prior-year adjustments (continued)

Other Reclassifications and correction of errors

Note 24 Interest received

The interest from call accounts and cheque accounts was consolidated in one account in prior year. In the current year the municipality has decided to split the accounts on the notes to clearly disclose the interest earned in those accounts.

Note 20 Rental of facilities and equipment

In the prior year the income from rental of facilities and equipment on the note was disclosed as one line item. In the current year the municipality has decided to disclose those amounts separetely on the note to clearly show the amounts of income earned.

Note 46 Going Concern

The prior year going concern note has been adjusted by the movements that occurred under the payables from exchange transactions in the leave accrual as the prior year adjustment above. The budgeted commitments have been updated with the amount for liabilities to clearly show the amount of cash and cash equivalent the municipality will have should all its liabilities be called upon.

Segment Reporting

Segment reporting note has been updated by all the prior year adjustments as they had impact on the disclosure note.

Difference between the AFS and GL

The difference between the AFS and GL is due to disclosure of INEP VAT as the municipality is in a process of implementing circular 18 guidance on INEP by National Treasury.

Cash Flow Statement

The cash flow statement has been adjusted by the prior year transactions as shown above in the Cash Flow Statement.

58. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational 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.

58. Segment information (continued)

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Governance and administration	Provision of overall governance, financial and administration to other segment for the municipality
Community and public safety	Provision for social cohesion and public safety to the community.
Economic and environmental services	Construction and maintenance of roads and infrastructure owned by the municipality
Trading services	Provision of trading services to the community

58. Segment information (continued)

Segment surplus or deficit, assets and liabilities

June 2025

	Governance and Administration	Community and Public Safety	Economic Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	158 336 477	29 596 383	96 351 777	8 034 348	292 318 985
Revenue from exchange transactions	2 762 771	5 440	-	11 786 210	14 554 421
Trading interest revenue	10 510 040	-	-	-	10 510 040
Total segment revenue	**171 609 288**	**29 601 823**	**96 351 777**	**19 820 558**	**317 383 446**
Entity's revenue					**317 383 446**
Expenditure					
Salaries and wages	46 426 317	14 812 490	19 684 077	6 065 100	86 987 984
Remuneration of councillors	16 275 736	-	-	-	16 275 736
Other expenses	111 620 517	11 038 260	18 118 875	13 168 177	153 945 829
Impairment loss on cash and non-cash generating assets	8 504 626	-	5 074 932	-	13 579 558
Material non cash item	26 451 221	-	-	-	26 451 221
Total segment expenditure	**209 278 417**	**25 850 750**	**42 877 884**	**19 233 277**	**297 240 328**
Total segmental surplus/(deficit)	**(37 669 129)**	**3 751 073**	**53 473 893**	**587 281**	**20 143 118**
Assets					
Segment assets	543 818 072	-	-	-	543 818 072
Additions	3 323 984	3 356 313	71 029 290	-	77 709 587
Total segment assets	**547 142 056**	**3 356 313**	**71 029 290**	**-**	**621 527 659**
Total assets as per Statement of financial Position					**621 527 659**

June 2024

58. Segment information (continued)

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	216 301 933	5 004 000	43 108 836	-	264 414 769
Revenue from exchange transactions	6 273 919	963	-	8 604 900	14 879 782
Interest revenue	10 917 068	-	-	-	10 917 068
Total segment revenue	**233 492 920**	**5 004 963**	**43 108 836**	**8 604 900**	**290 211 619**
Entity's revenue					**290 211 619**
Expenditure					
Salaries and wages	45 779 442	11 849 830	16 925 444	4 000 446	78 555 162
Remuneration of councillors	15 973 246	-	-	-	15 973 246
Impairment loss	6 714 152	-	17 789 946	-	24 504 098
Other expenses	111 464 512	12 706 422	18 896 917	13 558 611	156 626 462
Material non cash item	5 740 364	-	-	-	5 740 364
Total segment expenditure	**185 671 716**	**24 556 252**	**53 612 307**	**17 559 057**	**281 399 332**
Total segmental surplus/(deficit)	**47 821 204**	**(19 551 289)**	**(10 503 471)**	**(8 954 157)**	**8 812 287**
Assets					
Segment assets	511 194 559	-	-	-	511 194 559
Additions	3 562 881	11 291 647	72 659 475	-	87 514 003
Total segment assets	**514 757 440**	**11 291 647**	**72 659 475**	**-**	**598 708 562**
Total assets as per Statement of financial Position					**598 708 562**