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

Maphumulo Local Municipality
(Registration number KZN294)
Annual Financial Statements for the year ended 30 June 2025

General Information

Executive Committee	
Mayor	Cllr Z.F. Khuzwayo Dlamini ANC
Ordinary Councillors	Cllr P.S. Shezi (IA) Councillor (Deputy Mayor) (23 August 2024 to 30 June 2025)
	Cllr C.S. Shange (ANC) Councillor (Deputy Mayor) (1 July-22 August 2024) and Speaker (16 August 2024 to 30 June 2025)
	Cllr S.T. Chili (EFF) Speaker (01 July 2024 to16 August 2025)and Councillor (16 August 2024- 30 June 2025)
	Cllr S.Z. Nyathikazi (IFP) Councillor (Exco member)
	Cllr L.N. Nkosi (ANC) Councillor (Chief WHIP)
	Cllr T.C. Mathibela (ANC) Councillor (MPAC Chair)
	Cllr M.L Ngidi (IFP) Councillor
	Cllr E.S. Maphumulo (IFP) Councillor
	Cllr M.H. Khoza (ANC) Councillor
	Cllr N.N. Ngidi (IFP) Councillor
	Cllr H.N. Ngcobo (ANC) Councillor
	Cllr N.S. Ntuli (ANC) Councillor
	Cllr N. Sithole (IFP) Councillor
	Cllr. S.H. Zulu (ANC) Councillor
	Cllr M.P. Bhengu (ANC) Councillor
	Cllr I.M. Biyela (IFP) Councillor
	Cllr W.M.S. Ntanzi (IFP) Councillor
	Cllr F.B. Khuzwayo (ANC) Councillor
	Cllr N.M. Mhlongo (IFP) Councillor
	Cllr N.L. Mhlongo (IFP) Councillor
	Cllr S.F. Phungula (IA) Councillor (01 July- 23 August 2025)
	Cllr B.E. Gumede (IFP) councillor
	Cllr H.H. Mhlongo (ANC) councillor
Grading of local authority	Grade Three
Accounting Officer	Mr. T Khuluse
Chief Finance Officer (CFO)	Mr. V Dube
Business address	MR 711 LOT 152 Maphumulo 4470
Postal address	Private Bag X9205 Maphumulo 4470
Bankers	Nedbank Limited 198765
Auditors	Auditor General of South Africa

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Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases Act
MIG	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
FMG	Financial Management Grant
INEP	Integrated National Electrification Programme
SARS	South African Revenue Service
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
DORA	Division of Revenue Act

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is 85% dependent on grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's Internal auditors. The annual financial statements have been examined by the municipality's internal auditor.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 28 November 2025 and were signed on its behalf by:

Accounting Officer
Mr. T khuluse

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	56 621 084	40 568 890
Receivables from exchange transactions	3	7 929 260	5 492 290
Receivables from non-exchange transactions	4	10 681 970	542 770
		75 232 314	**46 603 950**
Non-Current Assets			
Investment property	5	33 237 100	30 692 828
Property, plant and equipment	6	371 696 799	364 767 098
Intangible assets	7	-	-
		404 933 899	**395 459 926**
Total Assets		**480 166 213**	**442 063 876**
Liabilities			
Current Liabilities			
Payables from eschnaged transactions	8	13 265 435	13 709 812
Employee benefit obligation	9	8 564 420	8 045 909
Unspent conditional grants and receipts	10	8 363 544	5 768 299
		30 193 399	**27 524 020**
Non-Current Liabilities			
Employee benefit obligation	9	3 205 843	2 720 000
Total Liabilities		**33 399 242**	**30 244 020**
Net Assets		**446 766 971**	**411 819 856**
Accumulated surplus		446 766 971	411 819 856
Total Net Assets		**446 766 971**	**411 819 856**

* See Note 37

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Refuse removal	11	287 084	257 921
Construction Contract Revenue	12	8 740 000	20 146 087
Rental of facilities and equipment	13	1 036 173	894 634
Interest charged on trade and other receivable	14	157 916	126 049
Agency services	15	191 638	192 141
Licences and permits	16	55 118	26 914
Reversal of provision	17	-	349 107
Other income	18	1 122 536	865 717
Interest received - investment	19	5 556 494	3 857 286
Fair value adjustments	20	2 544 272	757 188
Remeasurements of employee benefits	34	225 888	-
Total revenue from exchange transactions		**19 917 119**	**27 473 044**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	31 461 672	24 689 927
Transfer revenue			
Government grants & subsidies	22	162 788 755	145 332 701
Total revenue from non-exchange transactions		**194 250 427**	**170 022 628**
Total revenue		**214 167 546**	**197 495 672**
Expenditure			
Employee related costs	23	(61 396 603)	(54 615 915)
Remuneration of councillors	24	(10 103 114)	(9 721 591)
Construction Contract Expenditure	25	(8 740 000)	(20 146 087)
Depreciation and amortisation	26	(17 812 366)	(17 585 982)
Impairment loss on cash and non-cash generating assets	27	(12 190 270)	(7 929 409)
Finance costs	28	(359 792)	(319 138)
Lease rentals on operating lease	29	(522 745)	(902 572)
Debt Impairment	30	(7 091 770)	(3 631 214)
Contracted services	31	(31 955 270)	(32 293 096)
Transfers and Subsidies	32	(3 417 641)	(2 995 938)
Loss on disposal of assets and liabilities	33	(1 693 478)	(3 392 666)
Remeasurements of employee benefits	34	-	(149 056)
General Expenses	35	(22 863 489)	(24 708 263)
Inventory consumed	36	(1 073 893)	(1 296 819)
Total expenditure		**(179 220 431)**	**(179 687 746)**
Surplus for the year		**34 947 115**	**17 807 926**

* See Note 37

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	366 842 615	366 842 615
Adjustments		
Prior prior year adjustment : Property, Plant and Equipment	27 169 315	27 169 315
Balance at 01 July 2023 as restated*	**394 011 930**	**394 011 930**
Changes in net assets		
Surplus for the year	16 654 724	16 654 724
Correction of error: Prior year Property, Plant and Equipment	1 153 202	1 153 202
Total changes	17 807 926	17 807 926
Balance at 01 July 2024 as restated*	**411 819 856**	**411 819 856**
Changes in net assets		
Surplus for the year	34 947 115	34 947 115
Total changes	34 947 115	34 947 115
Balance at 30 June 2025	**446 766 971**	**446 766 971**

Note(s)

* See Note 37

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property Rates and Taxes		14 734 216	20 566 016
Sale of goods and services		9 961 478	24 965 902
Government Grants and Subsidies		165 384 000	151 101 000
Interest income		5 246 500	3 781 125
		195 326 194	200 414 043
Payments			
Employee costs		(70 882 226)	(65 435 083)
Suppliers		(69 476 739)	(81 946 216)
Finance costs		(15 792)	(670)
		(140 374 757)	(147 381 969)
Net cash flows from operating activities	38	**54 951 437**	**53 032 074**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(38 899 243)	(29 539 420)
Net increase/(decrease) in cash and cash equivalents		**16 052 194**	**23 492 654**
Cash and cash equivalents at the beginning of the year		40 568 890	17 076 236
Cash and cash equivalents at the end of the year	2	**56 621 084**	**40 568 890**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget
2025										
Financial Performance										
Service charges	287 083	-	287 083	-		287 083	287 084		1	100 %
Construction contracts	8 740 000	-	8 740 000	-		8 740 000	8 740 000		-	100 %
Rental of facilities and equipment	947 127	10 000	957 127	-		957 127	1 036 173		79 046	108 %
Interest charged on trade and other receivable	332 000	(35 000)	297 000	-		297 000	157 916		(139 084)	53 %
Agency services	200 000	-	200 000	-		200 000	191 638		(8 362)	96 %
Licences and permits	11 500	23 500	35 000	-		35 000	55 118		20 118	157 %
Other income	165 000	11 000	176 000	-		176 000	1 122 536		946 536	638 %
Interest received - investment	2 755 231	1 044 946	3 800 177	-		3 800 177	5 556 494		1 756 317	146 %
Fair value adjustments	-	-	-	-		-	2 544 272		2 544 272	- %
Property rates	33 454 042	-	33 454 042	-		33 454 042	31 461 672		(1 992 370)	94 %
Government grants & subsidies	126 108 000	322 000	126 430 000	-		126 430 000	126 430 000		-	100 %
Remeasurements of employee benefits	-	-	-	-		-	225 888		225 888	- %
Total revenue (excluding capital transfers and contributions)	**172 999 983**	**1 376 446**	**174 376 429**	**-**		**174 376 429**	**177 808 791**		**3 432 362**	**102 %**
Employee costs	(63 127 435)	822 203	(62 305 232)	-	-	(62 305 232)	(61 396 603)	-	908 629	99 %
Remuneration of councillors	(9 876 534)	(567 501)	(10 444 035)	-	-	(10 444 035)	(10 103 114)	-	340 921	97 %
Depreciation and asset impairment	(23 024 000)	-	(23 024 000)			(23 024 000)	(31 176 433)	8 152 433	(8 152 433)	135 %
Finance charges	(10 000)	(390 000)	(400 000)	-	-	(400 000)	(359 792)	-	40 208	90 %
Inventory consumed	(1 090 000)	11 709	(1 078 291)	-	-	(1 078 291)	(1 073 893)	-	4 398	100 %
Lease rentals on operating lease	(760 000)	249 200	(510 800)	-	-	(510 800)	(522 745)	11 945	(11 945)	102 %
Debt Impairment	(2 100 000)	-	(2 100 000)	-	-	(2 100 000)	(7 091 770)	4 991 770	(4 991 770)	338 %
Construction Contract Cost	(8 740 000)	-	(8 740 000)	-	-	(8 740 000)	(8 740 000)	-	-	100 %
Contracted services	(33 196 657)	(2 848 597)	(36 045 254)	-	-	(36 045 254)	(31 955 270)	-	4 089 984	89 %
Loss on disposal of assets and liabilities	-	-	-	-	-	-	(1 693 478)	1 693 478	(1 693 478)	- %
Transfers and grants	(3 220 000)	570 590	(2 649 410)	-	-	(2 649 410)	(3 417 641)	768 231	(768 231)	129 %

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	
Other expenditure	(23 400 462)	(327 176)	(23 727 638)	-	-	(23 727 638)	(22 863 489)	-	864 149	96 %	
Total expenditure	**(168 545 088)**	**(2 479 572)**	**(171 024 660)**	**-**	**-**	**(171 024 660)**	**(180 394 228)**	**15 617 857**	**(9 369 568)**	**105 %**	
Surplus/(Deficit)	**4 454 895**	**(1 103 126)**	**3 351 769**	**-**		**3 351 769**	**(2 585 437)**		**(5 937 206)**	**(77)%**	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	25 576 000	19 146 299	44 722 299	-		44 722 299	36 358 755		(8 363 544)	81 %	
Surplus (Deficit) after capital transfers and contributions	**30 030 895**	**18 043 173**	**48 074 068**	**-**		**48 074 068**	**33 773 318**		**(14 300 750)**	**70 %**	
Surplus/(Deficit) for the year	**30 030 895**	**18 043 173**	**48 074 068**	**-**		**48 074 068**	**33 773 318**		**(14 300 750)**	**70 %**	
Capital expenditure and funds sources											
Total capital expenditure	23 810 000	22 526 720	46 336 720	-		46 336 720	38 625 912		(7 710 808)	83 %	
Sources of capital funds											
Transfers recognised - capital	22 240 000	16 505 791	38 745 791	-		38 745 791	34 006 652		(4 739 139)	88 %	88 %
Internally generated funds	1 570 000	6 020 929	7 590 929	-		7 590 929	4 619 260		(2 971 669)	61 %	61 %
Total sources of capital funds	**23 810 000**	**22 526 720**	**46 336 720**	**-**		**46 336 720**	**38 625 912**		**(7 710 808)**	**83 %**	**83 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget
Financial position										
Receivables from exchange transactions	1 081 044	15 025 830	16 106 874	-		16 106 874	7 929 260		(8 177 614)	49 %
Receivables from non-exchange transactions	1 722 184	5 844 399	7 566 583	-		7 566 583	10 681 970		3 115 387	141 %
Cash and cash equivalents	24 917 438	9 372 472	34 289 910	-		34 289 910	56 621 084		22 331 174	165 %
Investment property	29 935 640	5 808 100	35 743 740	-		35 743 740	33 237 100		(2 506 640)	93 %
Property, plant and equipment	335 970 608	85 331 901	421 302 509	-		421 302 509	343 557 581		(77 744 928)	82 %
Intangible assets	65 623	1 717 571	1 783 194	-		1 783 194	-		(1 783 194)	- %
Payables from exchange transactions	(10 762 197)	(7 720 276)	(18 482 473)	-		(18 482 473)	21 480 942		39 963 415	(116)%
Employee benefit obligation	(3 028 740)	(257 259)	(3 285 999)	-		(3 285 999)	3 554 751		6 840 750	(108)%
Unspent conditional grants and receipts	(3 000 000)	2 781 290	(218 710)	-		(218 710)	8 363 544		8 582 254	(3 824)%
NET ASSETS	376 901 599	121 190 030	498 091 629	-		498 091 629	414 516 883		(83 574 746)	83 %
Community wealth/Equity	376 901 599	121 190 030	498 091 629	-		498 091 629	418 627 752		(79 463 877)	84 %
Cash flows										
Net cash from (used) operating	31 855 367	15 152 882	47 008 249	-		47 008 249	54 951 437		7 943 188	117 %
Net cash from (used) investing	(26 770 000)	(26 517 229)	(53 287 229)	-		(53 287 229)	(38 899 243)		14 387 986	73 %
Net increase/(decrease) in cash and cash equivalents	**5 085 367**	**(11 364 347)**	**(6 278 980)**	**-**		**(6 278 980)**	**16 052 194**		**22 331 174**	**(256)%**
Cash and cash equivalents at the beginning of the year	19 832 005	20 736 885	40 568 890	-		40 568 890	40 568 890		-	100 %
Cash and cash equivalents at year end	**24 917 372**	**9 372 538**	**34 289 910**	**-**		**34 289 910**	**56 621 084**		**(22 331 174)**	**165 %**

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

Standards and interpretations issued but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after July 1, 2025 or later periods:

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

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

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

1.6 Investment property (continued)

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

Fair value

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

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

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

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

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

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When the property interest is held to earn rentals
When the property interest is held for capital appreciation.
When the property interest is held for both rentals and capital appreciation.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

When the property is held primarily to support service delivery objectives rather than to earn rentals or for capital appreciation
When the property is held primarily to support service delivery objectives rather than to earn rentals or for capital appreciation
When the property is retained for long-term policy or strategic reasons, such as urban renewal, local economic development, or community upliftment projects

The nature OR type of properties classified as held for strategic purposes are as follows:

Land held for future municipal use
Administrative and operational buildings
: Public amenities and heritage sites.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 5).

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment are initially recognized at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	10 - 30 years
Plant and machinery	Straight-line	10 - 15 years
Furniture and fittings	Straight-line	7-10 years
Motor vehicles	Straight-line	5 - 20 years
Office equipment	Straight-line	3-7 years
IT equipment	Straight-line	3 - 10 years

1.7 Property, plant and equipment (continued)

Infrastructure	Straight-line	10 - 50 years
Community	Straight-line	20-30 years
Roads	Straight-line	10-30 years
Computer Equipment	Straight-line	5 years
Bins and Containers	Straight-line	5-10 years

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 6).

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Accounting Policies

1.8 Intangible assets (continued)

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.9 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.9 Financial instruments (continued)

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

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

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

A financial asset is:

cash;
a residual interest of another entity; or
a contractual right to:

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

equity instruments or similar forms of unitised capital;
a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
the entity designates at fair value at initial recognition; or
are held for trading.

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

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

Classification

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

Class	Financial assets
Cash and cash equivalents	Financial asset measured at At amortised cost
Other receivables from non-exchange transactions	Financial asset measured at At amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at At amortised cost

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

Class	Financial liabilities
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Taxes and transfers payable (non-exchange)	Financial liability measured at amortised cost

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

Class	Financial assets
Cash and cash equivalents	Financial asset measured at At amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

Accounting Policies

1.10 Statutory receivables (continued)

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

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

the rights to the cash flows from the receivable are settled, expire or are waived;

the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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

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

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

1.11 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.

Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.12 Inventoy consumed

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

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

Inventoy consumed are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

When inventoy consumed are sold, the carrying amounts of those inventoy consumed 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 inventoy consumed to net realisable value or current replacement cost and all losses of inventoy consumed are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventoy consumed, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventoy consumed recognised as an expense in the period in which the reversal occurs.

1.13 Construction Contracts

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

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

Accounting Policies

1.13 Construction Contracts (continued)

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

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

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

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

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

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

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

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

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

community hall and libraries

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.

Accounting Policies

1.16 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

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

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

Short-term employee benefits

Recognition and measurement

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

1.16 Employee benefits (continued)

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.17 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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 are not grossed up for the amount of tax expenditures.

Transfers

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

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

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

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.

Accounting Policies

1.21 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Recognition

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

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

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

Accounting Policies

1.22 Comparative figures

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

1.23 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.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote at

- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

1.26 Segment information (continued)

Measurement

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

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

1.27 Budget information

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

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

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

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

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

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

1.28 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.28 Related parties (continued)

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

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

Figures in Rand	2025	2024

2. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	11 881	4 712
Bank balances	4 215 688	20 670 890
Short-term Investments	52 393 515	19 893 288
	56 621 084	**40 568 890**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB BANK MAIN 620 238 6899 98	1 574 071	2 923 041	3 362 110	1 574 071	2 923 041	3 362 110
FNB BANK INVESTMENT ACCOUNT 710 44 3426 67	671 824	621 640	577 904	671 824	621 640	577 904
FNB BANK INVESTMENT ACCOUNT 74105603986	3 524 174	3 272 452	3 068 757	3 524 174	3 272 452	3 068 757
FNB BANK INVESTMENT ACCOUNT 623 467 553 01	4 265 820	32 641	30 208	4 265 820	32 641	30 208
ABSA BANK CURRENT ACCOUNT 405 610 286 6	2 293 036	8 126 795	971 507	2 293 036	8 126 795	971 507
STANDARD BANK 30 DAYS ACCOUNT 268 693 404 009	249 350	230 298	425 027	249 350	230 298	425 027
STANDARD BANK 30 DAYS ACCOUNT 268 693 404 011	686	686	-	686	686	-
STANDARD BANK 30 DAYS ACCOUNT 036988979	235 633	214 112	-	235 633	214 112	-
STANDARD BANK 30 DAYS ACCOUNT 268 693 404 014	-	6 137 500	-	-	6 137 500	-
NEDBANK INVESTMENT ACCOUNT 037 881 154 381	38 712	573 094	219 360	38 712	573 094	219 360
NEDBANK MAIN ACCOUNT 121 285 889 1	348 448	9 620 922	405 714	348 448	9 620 922	405 714
ABSA BANK INVESTMENT ACCOUNT 937 696 396 5	21 595 124	8 810 997	8 015 650	21 595 124	8 810 997	8 015 650
STANDARD BANK 30 DAYS ACCOUNT 268 693 404 019	21 812 324	-	-	21 812 324	-	-
Total	**56 609 202**	**40 564 178**	**17 076 237**	**56 609 202**	**40 564 178**	**17 076 237**

3. Receivables from exchange transactions

	2025	2024
Gross balances		
Rentals	926 285	459 259
Refuse	114 165	26 122
Rental debtors straighlining	-	25 426
Staff debtors	946 085	74 870
Prepaid expenses	309 207	1 134 482
Input VAT accrued on outstanding creditors	2 917 420	1 519 105
Other debtors	1 718 881	1 690 837
VAT receivables due from SARS	1 851 968	910 447
	8 784 011	**5 840 548**

Figures in Rand	2025	2024

3. Receivables from exchange transactions (continued)

Less allowance for Impairment		
Rental debtors	(787 846)	(348 258)
Consumer debtors - Refuse	(66 905)	(2 980)
	(854 751)	**(351 238)**

Net balances		
Rentals Debtors	138 439	111 001
Refuse	47 260	23 143
Rental debtors straighlining	-	25 426
Staff debtors	946 085	74 870
Prepaid expenses	309 207	1 134 482
Input VAT accrued on outstanding creditors	2 917 420	1 519 105
Other debtors	1 718 881	1 690 837
VAT receivables due from SARS	1 851 968	910 447
	7 929 260	**5 489 311**

Rentals		
Current (0-30 days)	81 104	62 228
31-60 days	57 334	58 693
61-90 days	115 767	53 565
91-120 days	53 420	48 695
121-365 days	53 078	32 405
120/>365 days	565 582	203 673
	926 285	**459 259**

Rentals past due but not impaired

Trade and other receivables which are less than 3 months due are not considered to be impaired. At 30 June 2025, R19 358 (2024: R56 260 were due but not impaired.

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

One month due	57 334	56 260

Rentals impaired

As of 30 June 2025, trade and other receivables of R787 847 (2024:348 258) were impaired and provided for. The amount of the provision contribution as of 30 June 2025 R63 926 (2024: 184 002.

The ageing of the impairment is as follows:		
3 to 6 months	222 265	164 256
Over 6 months	565 582	184 002
	787 847	**348 258**

Reconciliation of provision for impairment on rentals		
Opening balance	(348 258)	(164 256)
Provision for impairment	(439 588)	(184 002)
	(787 846)	**(348 258)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3. Receivables from exchange transactions (continued)

Refuse

Current (0-30 days)	27 902	9 637
31-60 days	45 275	9 581
61-90 days	19 445	1 490
91-120 days	2 280	1 490
121-365 days	1 686	3 924
120/>365 days	17 577	-
	114 165	**26 122**

Refuse past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R19 358 (2024: R9 581) were past due but not impaired.

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

2 months past due	19 358	9 581

Refuse impaired

As of 30 June 2025, trade and other receivables of R787 847 (2024: R2 980) were impaired and provided for. The amount of the provision contribution as of 30 June 2025 R63 926 (2024: R1 490).

The ageing of the impairment is as follows:

3 to 6 months	51 014	1 490
Over 6 months	15 891	1 490
	66 905	**2 980**

Reconciliation of provision for impairment on refuse

Opening balance	2 980	1 490
Provision for impairment	63 926	1 490
	66 906	**2 980**

Rental debtors straight lining

120/>365 days	-	25 426

VAT receivables due from SARS

Current (0-30 days)	1 851 968	910 447

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	22 321 138	5 593 682
Less: Allowance for impairment		
Consumer debtors - Rates	(11 639 168)	(5 050 912)
Net balance		
Consumer debtors - Rates	10 681 970	542 770
Statutory receivables included in Receivables from Non- Exchange transactions above are as follows: on a gross basis		
Property Rates- Residential Properties	1 156 946	881 981
Property Rates-State owned Properties	18 804 831	2 788 944
Property Rates-Business and Commercial Properties	2 359 360	1 922 546
	22 321 137	**5 593 471**
Statutory receivables that are past due and impaired included in Receivables from Non- exchange transactions are as follows:		
Property Rates- Residential Properties	(1 133 320)	(859 414)
Property Rates-State owned Properties	(8 306 201)	(2 324 606)
Property Rates-Business and Commercial Properties	(2 199 646)	(1 866 681)
	(11 639 167)	**(5 050 701)**
Financial asset receivables included in consumer debtors above	-	-
Total Receivables from Non-exchange transactions	10 681 970	542 770
Statutory receivables included in Receivables from Non- exchanged transactions above are as follows, Net of impairment		
Property Rates- Residential Properties	23 626	22 567
Property Rates-State owned Properties	109 458	64 338
Property Rates-Business and Commercial Properties	159 714	456 276
	292 798	**543 181**
Net balance	**292 798**	**543 181**
Commercials		
Current (0 -30 days)	81 141	403
31 - 60 days	78 572	16 298
61 - 90 days	78 473	15 881
91 - 120 days	78 373	15 877
121 - 365 days	78 250	15 877
> 365 days	1 964 550	2 724 606
	2 359 359	**2 788 942**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

State owned		
Current (0 -30 days)	64 034	199 466
31 - 60 days	11 822	256 808
61 - 90 days	11 201	254 964
91 - 120 days	11 201	251 836
121 - 365 days	11 201	189 734
> 365 days	18 674 712	770 357
	18 784 171	**1 923 165**

Residentials		
Current (0 -30 days)	11 813	9 052
31 - 60 days	11 813	13 515
61 - 90 days	11 813	13 463
91 - 120 days	11 813	13 357
121 - 365 days	11 813	13 357
> 365 days	1 097 880	819 237
	1 156 945	**881 981**

Statutory receivables impaired - Commercial		
61 - 90 days	78 473	254 965
91 - 120 days	78 373	251 836
121 - 365 days	78 250	189 734
> 365 days	1 964 550	770 357
	2 199 646	**1 466 892**

Statutory receivables impaired -State owned		
> 365 days	8 285 541	2 724 606

Statutory receivables impaired -Residential		
61 - 90 days	11 813	13 462
91 - 120 days	11 813	13 357
121 - 365 days	11 813	13 357
> 365 days	1 097 880	819 238
	1 133 319	**859 414**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from non-exchange transactions (continued)

Statutory receivables impaired

Statutory receivables of 30 June 2025 R11 618 507 (2024:5 050 912) were impaired and provided for.

The amount of the provision is 30 June 2025, R6 567 596 (2024: R3 444 232).

The ageing o statutory receivables impaired is as follows:

61 90 Days	90 286	268 427
91 120 Days	90 186	265 192
121 365 Days	11 438 035	4 517 292
	11 618 507	5 050 912

Statutory receivables bases of measurement

Statutory receivables from property rates are measured at the transaction amount as determined in accordance with the MPRA and the municipality’s approved rates policies.Subsequent measurement is done using the cost method, which includes Original invoiced amount (property rates levied)Plus: interest and penalties legally leviedLess: amounts collected less: impairment losses recognised.

Interest on overdue property rates is charged in terms of the municipality's Credit Control the rate determined annually by Council.Interest is charged on all arrear accounts after 30 days. Interest is calculated monthly on the outstanding balance.

Statutory receivables are divided into three groups of debtors which are Government debtors, Commercial debtors and Residential debtors. Commercial and rental debtors which are due from 2 months upwards are considered to be impaired and commercial and rental debtors which are due for less than 2 months are not considered to be impaired.

Government debtors which are due from 5 months upwards are considered to be impaired and government debtors which are due for less than 5 months are not considered to be impaired. ITB debtors are getting a 100% rebate.

Reconciliation of provision for impairment of Statutory receivables

Opening balance	(5 050 911)	(1 606 679)
Provision for impairment	(6 567 596)	(3 444 232)
	(11 618 507)	**(5 050 911)**

Notes to the Annual Financial Statements

Figures in Rand

5. Investment property

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	33 237 100	-	33 237 100	30 692 828	-	30 692 828

Reconciliation of investment property - 2025

	Opening balance	**Fair value adjustments**	**Total**
Investment property	30 692 828	2 544 272	33 237 100

Reconciliation of investment property - 2024

	Opening balance	**Fair value adjustments**	**Total**
Investment property	29 935 640	757 188	30 692 828

Fair value of investment properties	33 237 100	30 692 828

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. Revaluations were performed by an independent valuer, professional valuer PC Jacobs, of Umhlaba Geomatics Inc. PC Jacobs is not connected to the municipality and have recent experience in location and category of the investment property being valued.

Land value	16 077 100	15 497 828
Building value	17 160 000	15 198 000

There were no assets pledged as security for the year ended 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Investment property (continued)

Amounts recognised in surplus or deficit

Income received	529 457	925 441
Repairs and maintenance	(144 000)	(679 369)
	385 457	**246 072**

Notes to the Annual Financial Statements

Figures in Rand

6. 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	181 022 391	(54 925 780)	126 096 611	180 247 593	(48 319 213)	131 928 380
Plant and machinery	26 199 078	(14 870 699)	11 328 379	25 546 278	(13 144 406)	12 401 872
Furniture and fixtures	5 467 578	(3 683 966)	1 783 612	5 413 687	(3 408 202)	2 005 485
Motor vehicles	7 341 480	(2 998 667)	4 342 813	7 341 480	(2 264 519)	5 076 961
Office equipment	5 776 876	(4 098 485)	1 678 391	5 233 173	(3 493 543)	1 739 630
IT equipment	3 599 905	(2 430 701)	1 169 204	3 658 064	(1 999 109)	1 658 955
Infrastructure	301 778 696	(76 480 907)	225 297 789	267 052 272	(57 096 457)	209 955 815
Total	**531 186 004**	**(159 489 205)**	**371 696 799**	**494 492 547**	**(129 725 449)**	**364 767 098**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Write off	Disposals	Transfers received	Transfers Out	Depreciation	Impairment loss	Total
Buildings	131 928 380	774 798	-	-	8 320 260	(8 320 260)	(6 256 006)	(350 476)	126 096 696
Plant and machinery	12 401 872	652 801	-	-	-	-	(1 726 294)	-	11 328 379
Furniture and fixtures	2 005 485	122 650	-	(13 337)	-	-	(331 186)	-	1 783 612
Motor vehicles	5 076 961	-	-	-	-	-	(734 148)	-	4 342 813
Office equipment	1 739 630	546 342	-	(148)	-	-	(607 433)	-	1 678 391
IT equipment	1 658 955	145 415	-	(22 522)	-	-	(612 644)	-	1 169 204
Infrastructure	209 955 815	36 383 895	(1 657 471)	-	38 647 097	(38 647 097)	(7 544 655)	(11 839 795)	225 297 789
	364 767 098	**38 625 901**	**(1 657 471)**	**(36 007)**	**46 967 357**	**(46 967 357)**	**(17 812 366)**	**(12 190 271)**	**371 696 884**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposal/ write-offs	Depreciation	Impairment loss	Total
Buildings	137 679 242	3 608 923	(1 871 887)	(6 042 581)	(1 445 325)	131 928 372
Plant and machinery	14 067 998	235 412	(168 974)	(1 732 564)	-	12 401 872
Furniture and fixtures	2 476 062	105 750	(201 783)	(374 544)	-	2 005 485
Motor vehicles	3 351 984	2 430 505	-	(705 528)	-	5 076 961
Office equipment	2 435 109	240 999	(246 481)	(689 997)	-	1 739 630
IT equipment	2 162 534	242 773	(73 339)	(673 013)	-	1 658 955
Infrastructure	200 215 886	25 668 991	(830 201)	(7 257 681)	(7 841 180)	209 955 815
	362 388 815	**32 533 353**	**(3 392 665)**	**(17 475 908)**	**(9 286 505)**	**364 767 090**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Property, plant and equipment (continued)

work-in-progress taking significant longer to complete

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

Esinamfini Bridge	-	1 274 971
During current financial year 2024/25 Esinamfini Bridge was written off following an investigation by the Internal Auditor. The MPAC concluded that the expenditure incurred was fruitless and wasteful. A journal was processed to reverse the WIP to expenditure.		
Mnawe Black top road	6 028 240	6 028 240
Due to budget availability, Council prioritised the Okhalweni project for the 2024/25 financial year. Mnawe Blacktop Road project is scheduled for implementation in the 2025/26 financial year. The consultants are currently preparing for the procurement process following the design review. The total cost incurred on the project to date amounts to R9,195,829. Following an assessment, an impairment loss of R3,167,588 was recognised during the 2023/24 financial year, reducing the carrying value of the project to R6,028,240. No impairment test was performed for the 2024/25 financial year .		
Ogagwini Road	211 044	211 044
The project is planned to be undertaken in the 2025/26 financial year. The project has been tested for impairment, and no impairment was identified. Therefore, the costs incurred to date remain recoverable and are classified accordingly in the financial statements.		
Okhalweni Black top road	23 934 960	21 208 318
Construction is 90% complete. The specification was completed at the end of January and submitted to SCM for procurement initiation The contractor was appointed at the end of April. The project experienced delays due to inclement weather conditions. The major scope of the project has been completed, and the road is fully paved with asphalt. Only snag items for ancillary works remain outstanding.The project has been tested for impairment, and no impairment was identified. Therefore, the costs incurred to date remain recoverable.		
Sabuyaze Sport field	-	7 300 783
This Project has been commissioned during 2024/25 and handed over to community.		

Property, Plant and Equipment where construction or development has been halted

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Mnawe Black top road	6 028 240	6 028 240

The project was initially halted due to the failure of the previously appointed service provider to meet contractual obligations. Poor performance resulted in delays and non-compliance with project specifications, leading the municipality to terminate the contract in accordance with supply chain management processes. A new service provider has been appointed, and the project will resume after 30 June 2025 as per approved budget.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2025

	Infrastructure	Buildings	Total
Opening balance	52 619 172	7 545 462	60 164 634
Additions/capital expenditure	36 383 895	774 798	37 158 693
Disposal/ write-offs	(1 657 471)	-	(1 657 471)
Transferred to completed items	(38 647 096)	(8 320 260)	(46 967 356)
	48 698 500	**-**	**48 698 500**

Reconciliation of Work-in-Progress 2024

	Infrastructure	Buildings	Total
Opening balance	30 870 873	6 007 193	36 878 066
Additions/capital expenditure	25 669 015	3 410 154	29 079 169
Disposal/ write-offs	(753 127)	(1 871 886)	(2 625 013)
Impairment	(3 167 589)	-	(3 167 589)
	52 619 172	**7 545 461**	**60 164 633**

6. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by nature and type of expenditure - 2025

	Direct Costs Contracted services
Buildings	1 207 402
Plant and machinery	2 712 527
Motor vehicles	927 466
Office equipment	378 344
borehole	211 320
	5 437 059

Maintenance of property, plant and equipment by nature and type of expenditure - 2024

	Direct Costs Contracted services
Buildings	1 316 280
Plant and machinery	429 825
Motor vehicles	1 745 622
IT equipment	244 747
Roads	2 607 440
	6 343 914

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.

Pledged as security

There's no property, plant and equipment assets pledged as security

7. 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	867 597	(867 597)	-	867 597	(867 597)	-

Reconciliation of intangible assets - 2025

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software, other	110 073	(110 073)	-

Pledged as security

There's no intangible assets pledged as security.

8. Payables from eschnaged transactions

Trade payables	2 374 217	2 550 672
Other payables	-	171 362
Output VAT accrual on outstanding debtors	876 440	450 858
Unallocated Deposits	16 814	16 314
Retention and guarantees	9 851 759	10 422 344
Income received in-advanced	146 205	98 262
	13 265 435	**13 709 812**

9. Employee benefit obligation

Defined benefit plans

Retirement Fund

The scheme is subject to a triennial actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2014 by SNG Argen Actuarial Solution.

The interim actuarial valuation performed as at 30 March 2024 revealed that the fund had a increase of R366 057 000 (31 March 2024: increase of R 153 541 000), with a funding level of 124.5% (31 March 2015: 124.7%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (28.37%) should be sufficient to eradicate the shortfall in the fund by 30 June 2024. However, the basic contribution payable is 2.95% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 35% of Pensionable emoluments, of which 1,65% is payable by members and 20% is payable by the local authority. This surcharge is payable until 2027. It is necessary that the basic employer contribution be increased by 15.85% to 20 % and the surcharge be increased to 17.5% and extended by a further 3 years to 30 June 2027. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 35% with effect from 1 July 2024 over a valuation period.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund.

Long Term Services Awards

A longterm service awards is guaranteed to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2025 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfounded defined benefit obligation were carried out as at 30 June 2025 by the One Pangaea Expectise and solutions a member of the Actuarial Society of South Africa.

The Long Service Awards plans are defined are defined benefit plan. As at year end, 119 employees were eligible for Long Services Awards.

The future service cost for the ensuring year is estimated to be R293 478 where as the Interest-cost for the next year is estimated to be R308 808.

Provident Fund

The KwaZulu Natal Joint Municipal Provident Fund scheme is subject to a triannual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2024 by SNG Argen Actuarial Solution.

The interim actuarial valuation performed as at 31 March 2014 revealed that the market value of the fund was R R 5 866 043 000. The contribution rate payable (either 5,00%, 7,5% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2024.

None of the abovementioned plans are State Plans.

long service award provision

9. Employee benefit obligation (continued)

The municipality provides long-term employee benefits in the form of long-service awards to its employees. These benefits are unfunded and are recognised as a liability in the statement of financial position. The obligation is valued annually by independent actuaries using the Projected Unit Credit Method. The valuation considers factors such as expected future salary increases, employee turnover and mortality rates, and is discounted using a government bond yield that matches the term of the obligation. The cost of providing long-term employee benefits is recognised in the statement of financial performance as it is incurred, and comprises current service cost, interest cost, and actuarial gains and losses. Actuarial gains and losses are recognised immediately in surplus or deficit in the period in which they arise. The municipality does not provide any post-employment defined benefit plans, and no other employee benefit obligations exist apart from the long-term service award liability disclosed.

Key assumptions used

The principal assumptions used for the purpose of the actuarial were as follows:

	2025	2024
Discount rates used	9.33 %	11.43 %
Expected rate of return on assets	3.71 %	5.53 %
Expected rate of return on reimbursement rights	4.71 %	6.53 %
Expected retirement age Male and Female	62	62

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation	(3 371 445)	(3 285 999)
Accrued leave pay	(6 443 907)	(5 874 893)
Accrued Bonuses	(1 771 605)	(1 605 017)
Perfomance bonuses	(183 306)	-
	(11 770 263)	**(10 765 909)**
Non-current liabilities	(3 205 843)	(2 720 000)
Current liabilities	(8 564 420)	(8 045 909)
	(11 770 263)	**(10 765 909)**

Movements in the defined benefit obligation is as follows

	2025	2024
Opening balance	3 285 999	3 028 743
Service cost	343 000	276 263
Net interest expense or revenue	344 000	318 468
Remeasurements	(225 888)	149 056
Benefit Payments	(375 667)	(486 531)
Perfomance bonuses	183 306	-
	3 554 750	**3 285 999**

The historical of experienced adjustments are

	2025	**2026**	**2027**	**2028**	**2029**
Present value of defined benefit obligation	3 371 445	3 808 125	8 517 385	4 068 125	4 326 884

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	2 766 534	-
Municipal Disaster Response Grant (MDRG)	5 597 010	5 768 299
	8 363 544	**5 768 299**

See note 22 for reconciliation of grants from National/Provincial Government.

11. Refuse removal

Service charges	287 084	257 921

12. Construction Contract Revenue

Construction Revenue	8 740 000	20 146 087

Municipality received a Dora 5B INEP allocation of R10 051 000 VAT inclusive for the construction of a bulk electrification infrastructure from DMRE, and DMRE and Municipality enters into a contract in this regard. Municipality is an unlicenced municipality and Municipality appoints service providers to assist with the construction and project management activities required to complete the construction of the infrastructure asset. Transferred amount was fully spent during the financial year received.

At 30 June 2025, INEP allocation received were 10 051 000 (2024: 23 168 000) inclusive of VAT.

13. Rental of facilities and equipment

Premises		
Rentals	1 011 782	887 808
Hall hire	24 391	6 826
	1 036 173	**894 634**

14. Interest charged on trade and other receivable

Interest on receivables from non-Exchange transaction	127 495	110 123
Interest on receivables from Exchange transaction	30 421	15 926
	157 916	**126 049**

15. Agency services

Vehicle Registration	191 638	192 141

16. Licences and permits

Licenses and permits	55 118	26 914

17. Reversal provision

Reversal of annual leave provision	-	349 107

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Other income

Tender Document Sale	89 742	136 930
Staff recoveries	967 094	28 504
Sundry income	110 519	617 532
Admin Fee and Commission	13 133	58 714
Reversal of Other income	(98 741)	-
Library collection	40 789	24 037
	1 122 536	**865 717**

19. Investment revenue

Interest revenue		
Other financial assets (Investments)	5 542 879	3 724 952
Bank (Main and Current)	13 615	132 334
	5 556 494	**3 857 286**

20. Fair value adjustments

Investment property (Fair value model)	2 544 272	757 188

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Property rates

Rates billed

Rates	43 156 036	31 645 012
Less: Income forgone	(11 694 364)	(6 955 085)
	31 461 672	**24 689 927**

Market Value municipal Property Rates Acts

Residential	16 545 000	14 980 000
Commercial	96 825 000	68 326 000
Municipal	40 151 000	31 047 000
Vacant Land	253 988 000	253 488 000
Public Service Property	593 570 000	405 240 000
Agricultural	2 580 000	2 300 000
Place of worship	8 429 000	5 230 000
	1 012 088 000	**780 611 000**

Randages in terms of municipal Property Rates Acts

Residential	0.025359	0.028177
Commercial	0.050720	0.056355
Public Service Property	0.050720	0.563550
Agricultural	0.006340	0.007044
Place of worship	0.006340	0.007044
Public benefit Organisation	0.006340	0.007044

Valuation on land and buildings are performed every 5 years. The last general valuation roll came into effect on 1 July 2024. Supplementary valuation rolls are prepared annually to consider changes in individual property values due to alterations and subdivisions.

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 1 July 2009. The council approved randage for this financial year as above table.

Ingonyama Trust Board receive; agricultural properties receive and Place of worship receive 100% rebate; residential properties receive R15 000.00 exemption and the R30 000.00 reduction.

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

Rebates in terms of municipal Property Rates Acts

income forgone	11 694 364	6 955 085

Figures in Rand	2025	2024

22. Government grants & subsidies

Operating grants		
Equitable share	119 979 000	114 027 000
Financial Management Grant (FMG)	1 800 000	1 850 000
Expanded Public Works Program (EPWP)	1 858 000	1 524 000
Library Grant	2 793 000	2 673 000
	126 430 000	**120 074 000**
Capital grants		
Municipal Infrastructure Grant (MIG)	22 809 466	19 327 000
Municipal Disaster Response Grant (MDRG)	13 549 289	5 931 701
	36 358 755	**25 258 701**
	162 788 755	**145 332 701**

Unspent conditional grants and receipts

Library Grant

Current-year receipts	2 793 000	2 673 000
Conditions met - transferred to revenue	(2 793 000)	(2 673 000)
	-	-

Financial Management Grant (FMG)

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

Expanded Public Works Program (EPWP)

Current-year receipts	1 536 000	1 524 000
Conditions met - transferred to revenue	(1 536 000)	(1 524 000)
	-	-

Municipal Infrastructure Grant (MIG)

Current-year receipts	25 576 000	19 327 000
Conditions met - transferred to revenue	(22 809 466)	(19 327 000)
	2 766 534	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Inventoy consumed (continued)

Municipal Disaster Response Grant (MDRG)

Balance unspent at beginning of year	5 768 299	-
Current-year receipts	13 378 000	11 700 000
Conditions met - transferred to revenue	(13 549 289)	(5 931 701)
	5 597 010	**5 768 299**

Conditions still to be met - remain liabilities (see note 10).

The municipality received the Municipal Disaster Response Grant (MDRG) on 18 March 2025, three months before the financial year-end. A special adjustment was approved to accommodate the R13 378 000 MDRG. A service provider was appointed and commenced work before the financial year-end.

The conditions attached to this grant specify that the funds must be utilized within six calendar months following the date of transfer to the municipality. Therefore, the municipality is confident that the entire grant will be fully spent by 21 September 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Employee related costs

Basic	39 143 013	35 921 643
Bonus	3 103 961	2 806 994
Medical aid - company contributions	2 127 459	2 058 189
Unemployment Insurance Fund	289 376	261 506
Pension fund contributions	5 981 808	5 500 031
Overtime payments and nightwork allowance	103 964	145 927
Long-service awards	343 000	276 264
Acting allowances	31 597	-
Car allowance	2 182 043	2 097 253
Housing benefits and allowances	145 151	144 502
Cellphone Allowance	230 941	382 428
Non Pensionable Allowance	383 979	310 176
Standby allowance	29 488	92 324
Contribution to Leave pay	1 278 695	-
Membership Fees	18 346	17 138
	55 392 821	**50 014 375**

Remuneration of Municipal Manager : Mr. T Khuluse (1 July 2024 to 30 June 2025)

Annual Remuneration	774 400	727 556
Car Allowance	331 886	311 810
Other allowances	311 806	106 194
Back pay 2023	-	11 034
	1 418 092	**1 156 594**

Remuneration of Chief Financial Officer: Mr. V Dube (01July 2024 to 30 June 2025)

Annual Remuneration	630 923	447 357
Car Allowance	270 395	191 724
Other allowances	257 291	83 772
	1 158 609	**722 853**

Remuneration of Director: Technical Services: Mrs. SYPT Mhlongo (2024 back pay)

Annual Remuneration	19 684	613 779
Car Allowance	8 436	263 049
Other allowances	-	83 137
Non Pensionable Allowance	20 340	-
Other	-	20 340
	48 460	**980 305**

Figures in Rand	2025	2024

23. Employee related costs (continued)

Remuneration of Director: Technical Services: Mrs. KP Gumede (01 July 2024 to 30 June 2025)

Annual Remuneration	410 773	-
Car Allowance	176 046	-
Other allowances	132 000	-
	718 819	**-**

Mr. K.P. Gumede joined the municipality on 1 November 2024.

Remuneration of Director : Corporates Services: Mrs NW Makhoba (01 July 2024 to 30 June 2025)

Annual Remuneration	630 923	447 357
Car Allowance	270 395	191 724
Other allowances	272 492	99 000
Non Pensionable Allowance	15 255	-
	1 189 065	**738 081**

Remuneration of Director: Community Services: Mr. CS Mhlongo (01 July 2024 to 30 June 2025)

Annual Remuneration	635 844	613 849
Car Allowance	272 504	263 078
Other allowances	272 492	94 697
Non Pensionable Allowance	20 340	20 340
	1 201 180	**991 964**

Remuneration of Director: Economic, Development and Planning (EDP) Ms. KO Khuzwayo

Annual Remuneration	154 040	-
Car Allowance	66 017	-
Back pay (2023)	-	11 743
Other allowances	49 500	-
	269 557	**11 743**

Ms KO Khuzwayo joined the municipality on 1 April 2025

24. Remuneration of councillors

Non-executive Mayor(Cllr ZF Khuzwayo Dlamini)(01 July 2024 to 30 June 2025)	1 022 441	973 445
Speaker (Cllr ST CHILI) (01 July 2024 to 16 August 2025)	98 719	786 850
Executive Committee Member (Cllr SZ Nyatikazi) (01 July 2024 to 30 June 2025)	451 529	446 183
Speaker (Cllr CS Shange) (16 August 2024 to 30 June 2025) Deputy Mayor (01 July 2024 to 15 August 2024)	826 114	796 461
Ordinary Councillors	6 530 823	6 284 849
Deputy Mayor (Cllr PS Shezi) (23 August 2024 to 30 June 2024)	721 958	-
Chief WHIP (Cllr LN Nkosi) (01 July 2024 to 30 June 2025)	451 529	433 803
	10 103 113	**9 721 591**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Remuneration of councillors (continued)

Non-executive Mayor(Cllr ZF Khuzwayo Dlamini)(01 July 2024 to 30 June 2025)		
Annual remuneration	736 231	699 484
Car allowance	245 410	233 161
Cellphone allowance	40 800	40 800
	1 022 441	**973 445**

Speaker (Cllr CS Shange) (16 August 2024 to 30 June 2025) Deputy Mayor (01 July 2024 to 15 August 2024)		
Annual remuneration	588 986	559 538
Car allowance	196 328	186 512
Cellphone allowance	40 800	40 800
	826 114	**786 850**

Executive Committee Member (Cllr SZ Nyatikazi) (01 July 2024 to 30 June 2025)		
Annual remuneration	308 046	304 037
Car allowance	102 682	101 346
Cellphone allowance	40 801	40 800
	451 529	**446 183**

Deputy Mayor (Cllr PS Shezi) (23 August 2024 to 30 June 2025)		
Annual remuneration	512 067	-
Car allowance	170 689	-
Cellphone allowance	39 202	-
	721 958	**-**

Ordinary Councillors		
Annual remuneration	4 347 041	4 162 835
Car allowance	1 449 013	1 387 613
Cellphone allowance	734 769	734 401
	6 530 823	**6 284 849**

Speaker (Cllr ST CHILI) (01 July 2024 to 16 August 2024)		
Annual remuneration	72 841	566 746
Car allowance	24 280	188 915
Cellphone allowance	1 598	40 800
	98 719	**796 461**

Chief WHIP (Cllr LN Nkosi) (01 July 2024 to 30 June 2025)		
Annual remuneration	308 046	294 752
Car allowance	102 682	98 251
Cellphone allowance	40 801	40 800
	451 529	**433 803**

24. Remuneration of councillors (continued)

In-kind benefits

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

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

The Mayor has two full-time bodyguards. The Deputy Mayor and WHIP has one fulltime bodyguard and speaker have two full-time bodyguards.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Construction Contract Expenditure

Construction Contract Cost	8 740 000	20 146 087

Municipality received a Dora 5B INEP allocation of R10 051 000 VAT inclusive for the construction of a bulk electrification infrastructure from DMRE, and DMRE and Municipality enters into a contract in this regard. Municipality is an unlicenced municipality but Municipality appoints service providers to assist with the construction and project management activities required to complete the construction of the infrastructure asset. Transfered amount was fully spent during the financial year received.

At 30 June 2025, INEP allocation received were R10 051 000 (2023: R23 168 000) inclusive of VAT

26. Depreciation and amortisation

Property, plant and equipment	17 812 366	17 475 909
Intangible assets	-	110 073
	17 812 366	**17 585 982**

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

Impairments		
Property, plant and equipment	12 190 270	7 929 409

Reason for impairment, the municipality does not have sufficient funds or provisions to maintain an asset once it is completed or while it is in use

28. Finance costs

Interest cost : Employee benefit	344 000	318 468
Other interest paid	15 792	670
	359 792	**319 138**

29. Lease rentals on operating lease

Equipment		
Contractual amounts	522 745	902 572

30. Debt impairment

Contributions to debt impairment provision(receivable Non- exchanged transactions	6 588 256	3 444 232
Contributions to debt impairment provision(Rental and Refuse)	503 514	22 137
Bad debts written off	-	164 845
	7 091 770	**3 631 214**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
31. Contracted services		
Outsourced Services		
Administrative and Support Staff	244 350	151 500
Business and Advisory	-	493 436
Catering Services	519 282	631 705
Call Centre	-	17 600
Cleaning Services	1 200 945	2 045 987
Fire Services	323 785	-
Professional Staff	114 063	87 861
Refuse Removal	537 994	872 000
Security Services	9 538 299	7 730 972
Transport Services	291 992	277 298
Drivers Licence Cards	238 627	162 987
Consultants and Professional Services		
Business and Advisory	7 050 865	7 148 077
Infrastructure and Planning	-	147 870
Legal Cost	3 734 255	2 924 036
Contractors		
Building	102 394	958 696
Catering Services	531 368	569 430
Event Promoters	259 200	310 804
Fire Protection	280 450	-
Graphic Designers	628 100	418 035
Interior Decorator	4 995	-
Maintenance of Buildings and Facilities	1 207 402	1 316 280
Maintenance of Equipment	3 090 871	2 418 695
Maintenance of Unspecified Assets	1 428 916	3 284 416
Plants, Flowers and Other Decorations	-	17 000
Transportation	450 417	188 111
Stage and Sound Crew	176 700	120 300
	31 955 270	**32 293 096**

32. Transfer and subsidies

	2025	2024
Other subsidies		
Transfers and Subsidies	3 417 641	2 995 938

33. Loss on disposal of assets and liabilities

	2025	2024
Gains or losses arising from a change in fair value less point of sale costs	(1 693 478)	(3 392 666)

34. Remeasurements of employee benefits

	2025	2024
actuarial gains and losses- Long Service Award	225 888	(149 056)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

35. General expenses

Advertising, Publicity and Marketing	310 896	1 002 207
External Audit Fee	2 494 117	2 324 778
Bank charges	63 211	90 153
Commission paid	849	2 737
Entertainment	135 460	238 300
Fines and penalties	-	21 612
Healthy and safety	15 720	-
Vehicle Tracking	166 967	61 114
Hire charges	21 157	176 938
Insurance	2 021 902	2 111 494
Community development and training	134 900	-
Toll Gate Fees	42 481	48 553
Medical expenses	82 756	11 280
Fuel and oil	2 907 516	3 442 359
Drivers Licences and Permits	972 900	618 000
Postage and courier	2 593	2 322
Printing and stationery	524 483	166 450
Bursaries (Employees)	211 425	229 768
Subscriptions and membership fees	675 830	1 221 748
Telephone and fax	909 116	960 897
Travel and Subsistence	2 838 727	3 495 383
Municipal Services	1 986 966	2 707 764
Uniforms	1 270 984	909 775
Ward Committees	2 294 450	2 426 350
COID	243 586	-
Rewards Incentives	193 650	302 000
Licences	1 522 355	1 117 092
Skills Development Fund Levy	613 292	561 279
Indigent Relief	199 700	195 000
System Access and Information Fees	5 500	90 910
Supplier Development Programme	-	172 000
	22 863 489	**24 708 263**

36. Inventoy consumed

Finished goods	1 073 893	1 296 819

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Prior period errors

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Receivables from exchange transactions	5 492 290	-	-	5 492 290
Receivables from non-exchange transactions	542 770	-	-	542 770
Cash and cash equivalents	40 568 890	-	-	40 568 890
	46 603 950	**-**	**-**	**46 603 950**
Non-Current Assets				
Investment property	30 692 828	-	-	30 692 828
Property, plant and equipment	336 444 582	28 322 518	-	364 767 100
	367 137 410	**28 322 518**	**-**	**395 459 928**
Total Assets	**413 741 360**	**28 322 518**	**-**	**442 063 878**
Liabilities				
Current Liabilities				
Payables from eschnaged transactions	21 189 723	-	(7 479 911)	13 709 812
Employee benefit obligation	565 998	-	7 479 911	8 045 909
Unspent conditional grants and receipts	5 768 299	-	-	5 768 299
	27 524 020	**-**	**-**	**27 524 020**
Non-Current Liabilities				
Employee benefit obligation	2 720 000	-	-	2 720 000
	2 720 000	**-**	**-**	**2 720 000**
Total Liabilities	**30 244 020**	**-**	**-**	**30 244 020**
Net Assets	**383 497 340**	**28 322 518**	**-**	**411 819 858**

Figures in Rand	2025	2024

37. Prior period errors (continued)

37.1. Property, plant and equipment Prior prior year opening balance

Correction of Error – Infrastructure	28 257 327
Correction of Error –Buildings	(1 015 212)
Correction of Error –Motor vehicle	83 702
Correction of Error –Plant and machinery	(156 501)
	27 169 316

During the audit of the 2025 Annual Financial Statements, a prior period error was identified relating to the opening balances of the 2023/24 financial year. The error was specifically linked to the accumulated depreciation balances for Infrastructure, Buildings, Motor Vehicles, and Plant as at 1 July 2023. The correction of this error resulted in both increases and decreases in accumulated depreciation, as follows

Infrastructure: A decrease in accumulated depreciation (R28,257,326.89), resulting in an increase in the carrying amount of the asset.

Motor Vehicles: A decrease in accumulated depreciation (R83,701.65), resulting in an increase in the carrying amount of the asset..

Buildings: An increase in accumulated depreciation (R1,015,211.85), resulting in a decrease in the carrying amount of the asset

Plant and machinery: An increase in accumulated depreciation (R156,501.22), resulting in a decrease in the carrying amount of the asset

37.2. Property, Plant and Equipment : Prior period error

Correction of error: impairment of Building	1 357 095
Correction of error: impairment of Infrastructure	(1 989 122)
Correction of error: Depreciation of Building	(605 611)
Correction of error: Depreciation of Infrastructure	2 470 186
Correction of error: Depreciation of Motor vehicle	(80 432)
Correction of error: impairment of Plant and machunery	1 086
	1 153 202

During the preparation and audit of the 2025 Annual Financial Statements, a prior year error was identified relating to the depreciation and impairment charges disclosed in the 2023/24 Annual Financial Statements. These errors affected the accuracy of the prior-year depreciation and impairment expenses for Infrastructure, Buildings, Motor Vehicles, and Plant as at 30 June 2024.The correction of this error resulted in the following adjustments.

Building (Impairment): A decrease in accumulated impairment of of R1 357 095, results in an increase of currying amount of an asset.

Infrastructure (Impairment): A increase in accumulated impairment of R1,989,121.65 results in decrease in currying value of an asset.

Buildings (Depreciation): A increase in accumulated depreciation R605,611.16 results in decrease in currying value of an asset.

Infrastructure (Depreciation): A decrease in accumulated depreciation of R2,470,185.57 result in increase in currying value of asset.

Motor Vehicles (Depreciation): A increase in accumulated depreciation of R80,432.43 results in decrease in currying amount of asset.

Plant (Depreciation): An decrease in accumulated depreciation of R1,086.29 results in increase in currying amount of asset.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Prior period errors (continued)

37.3. Reclassification of changes in Property, plant, and equipment useful lives

During the preparation of the 2025 Annual Financial Statements, management identified discrepancies between the 2023/24 Property, Plant and Equipment asset management policy approved by Council and the PPE accounting policy disclosed in the audited 2023/24 AFS.

Firstly, the Council-approved policy did not include Land as an asset category, as the municipality does not own any land. To correct this inconsistency, all references and statements relating to Land were removed from the accounting policy.

Secondly, discrepancies were noted in the estimated useful lives of several asset categories, specifically Plant and Machinery, Furniture and Fittings, Motor Vehicles, and Equipment. The estimated useful lives presented in the audited 2023/24 AFS were not aligned with those in the Council-approved policy. These useful lives have since been corrected and reclassified appropriately in the 2024/25 AFS to ensure full alignment with the approved policy.

	Audited	Restated
Property, plant, and equipment		
Plant and machinery	10-55 year	10-15 years
Furniture and fittings	10-20 years	7-10 years
Motor vehicles	5-15 years	5-20 years
Office equipment	5-20 years	3-7 years

37.4. Reclassification of Current portion of Employeebenefits obligation

Balance previously reported	565 999
Reclassification : Leave pay	5 874 893
Reclassification: Accrued bonuses	1 605 017
	8 045 909

GRAP 25 defines employee benefits as all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits therefore includes short-term employee benefits: Benefits expected to be settled wholly within twelve months after the reporting date and Termination benefits: Benefits provided as a result of either an employer’s decision to terminate an employee before normal retirement age, or an employee’s decision to accept voluntary redundancy.

In line with GRAP 25 requirements, municipality has reclassified leave paid and accrued bonuses from payables from exchanged transactions to Employee benefits obligation.

37.5. Reclassification of Cash Flow Statement

During the current financial year, management reassessed the presentation of certain cash flows in terms of GRAP 2. As a result, certain items were reclassified between cash flows from operating, investing, and financing activities.

The reclassification had no impact on the total cash and cash equivalents at the end of the year, but affected the classification of individual line items in the Cash Flow Statementt

The effect of the reclassification on the prior year comparatives is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Prior period errors (continued)

Statement of Comparison of Budget and Actual Amounts
Cash flow statement

	2023/24 Previously Reported	2024/25 Restated
Property rates and taxes	26 163 169	20 566 016
Sale of goods and services	20 653 124	24 965 902
Government Grants and Subsidies	151 101 000	151 101 000
Interest income	3 857 286	3 781 125
Employee costs	(64 337 506)	(65 435 083)
Suppliers	(81 091 928)	(81 946 216)
nterest paid	(319 138)	(670)
Purchase of property, plant and equipment	(32 533 353)	(29 539 420)
Cash and cash equivalents at the beginning of the year	17 076 236	17 076 236
Cash and cash equivalents at the end of the year	**40 568 890**	**40 568 890**

38. Cash generated from operations

Surplus	34 947 115	17 807 926
Adjustments for:		
Depreciation and amortisation and impairment loss	17 812 366	17 585 982
Gain or loss on sale of assets and liabilities	1 693 478	3 392 666
Actuarial losses-Employee benefit	(225 888)	149 056
Fair value adjustments	(2 544 272)	(757 188)
senior managers provisions	183 306	-
Finance cost - Actuarial Interest	344 000	318 468
Impairment deficit	12 190 270	7 929 409
Debt Impairment and Bad debts written off	7 091 770	3 631 214
Contribution to long service awards included in employee cost	343 000	276 264
Annual bonus accruals	3 103 961	2 806 994
reversal of provision	98 711	-
Contribution to staff leave	1 278 695	(349 107)
Accrued interest on investments	(366 123)	(28 550)
Changes in working capital:		
Receivables from exchange transactions	(467 026)	(270 825)
Refuse	(88 043)	(3 309)
Input VAT Accrual on outstanding Creditors	(1 398 315)	685 811
Output VAT Accrual on outstanding Debtors	425 582	(41 218)
VAT receivable due from SARS	(941 521)	3 891 543
Prepaid expense	825 275	315 693
Staff debtors	(871 215)	(28 501)
Receivables from non-exchange transactions	(16 727 456)	(4 123 911)
Unallocated deposits	500	13 640
Payables from eschnaged transactions	(644 418)	(743 788)
Income received in advance	47 943	(113 961)
Accrued bonus	(2 937 372)	(2 716 006)
Unspent conditional grants and receipts	2 595 245	5 768 299
Other debtors	239 368	(990 927)
Trade payables	(176 456)	(219 942)
Other payables	(171 362)	(83 515)
Accrued leave pay	(709 681)	(1 070 143)
	54 951 437	**53 032 074**

39. Accounting by principals and agents

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Motor Vehicle Registration.

The municipality is part of principal-agent arrangement intems of motor vehicle registration, the municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in arrangement.

The municipality collects motor vehicle registration fees on behalf of the provincial government. In accordance with GRAP 109, the municipality recognizes only the commission received as revenue, while the fees collected on behalf of the provincial government are not recognized as revenue in the municipality's financial statements.

The municipality earns a commission of 10% on the total motor vehicle registration fees collected. This commission is recognized as revenue in the Statement of Financial Performance.

During the financial year, the municipality collected R2 550 568.05. All the monies collected were paid over to the principal as banking is done weekly.

Revenue has been recognised as the compansations of the transactions carried out on behalf of the principal is R191 638.07 (2024 R189 677) excluding VAT.

No liability were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end .

40. Unauthorised expenditure

Opening balance as previously reported	-	37 962 553
Add: Unauthorised expenditure - current	15 617 854	9 025 615
Less: Amount recovered - prior period	-	(37 962 553)
Less: Amount authorised - current	(15 617 854)	(9 025 615)
Closing balance	**-**	**-**

The above unauthorised expenditure was incurred as a result of overspending on the approved budget. The Council, at its meeting held on the 28 August 2025, considered the matter and resolved to authorise the expenditure in terms of section 32(2)(a)(ii) of the MFMA.

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

Non-cash	14 837 678	5 078 657
Cash	780 176	3 946 958
	15 617 854	**9 025 615**

Analysed as follows: non-cash

Depreciation and assets impairments	8 152 433	2 411 314
Loss on disposal of property, plant and equipment	1 693 478	767 653
Debts impairment	4 991 770	1 750 634
Actuarial loss: Employee benefits	-	149 056
	14 837 681	**5 078 657**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Unauthorised expenditure (continued)

Analysed as follows: cash

Lease rentals on operating lease	11 495	-
Transfers and grants	768 231	-
Other Expenditure	-	3 263 888
Inventory consumed	-	11 645
Finance charges	-	309 138
Remuneration of councillors	-	362 287
	779 726	**3 946 958**

41. Commitments

Authorised capital expenditure

Capital commitments

Already contracted for but not provided for		
Property, Plant and Equipment	20 922 880	36 887 240
Investment Property	-	7 568 264
	20 922 880	**44 455 504**
Operational commitments		
Already contracted for but not provided for	-	413 811
	-	**413 811**
Total commitments	**20 922 880**	**44 869 315**

Operating leases - as lessee (expense)

Minimum lease payments due		
- in second to fifth year inclusive	251 232	212 581
-After five years	-	145 626
	251 232	**358 207**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Fruitless and wasteful expenditure

Opening balance as previously reported	4 248 219	1 627 318
Add: Fruitless and wasteful expenditure identified - current	30	2 625 783
Add: Fruitless and wasteful identified current but incurred prior years	2 144 972	-
Less: Amount recovered - identified current but incurred prior years	(868 000)	-
Less: Amount written off - incurred current year	(30)	-
Less: Amount written off - from prior period balance	(2 625 783)	(4 882)
Less: Amount written off -identified current but incurred prior years	(1 274 971)	-
Less: Amount reversal - error identified current year but incurred prior year (Bhova market stalls)(2019 & 2020)	(1 093 945)	-
Less: Amount recovered- Late for flight in JHB : CS Shange (2019)	(1 414)	-
Less: Amount written off - from period balance (2016,2019 &2020)	(458 687)	-
Less: Amount written off - from prior-prior period balance (2021)	(39 888)	-
Less: Amount written off - irreconcilable amount	(30 503)	-
Closing balance	**-**	**4 248 219**

42. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Interest on long overdue account - identified current	Referred to internal auditor for investigation and Council recommended that this expenditure to be written-off	30	-
Work-in Progress Esinamfini bridge Identified in current year	Referred to internal auditor for investigation and Council recommended that this expenditure to be written-off	1 274 971	-
Late for flight in JHB ND Hlongwa	Referred to internal auditor for investigation and Council recommended that this expenditure to be recovered	2 001	-
Work-in-progress Mnawe (undelivered material)identified current but incurred prior years	Referred to internal auditor for investigation and Council recommended that this expenditure to be recovered	868 000	-
Work-in Progress Esinamfini bridge (Extension of municipal offices and professional fee for Tsipo Road	Referred to internal auditor for further investigation	-	2 625 016
Interest on long overdue account	Referred to internal auditor for further investigation	-	767
All previous year fruitless expenditure	Referred to internal auditor for investigation and Council recommended that this expenditure to be written-off	4 248 219	-
		6 393 221	**2 625 783**

Amount recovered

After the council committee investigations, council adopted the council committee recommendations to recover an amount of R 871 414 from Municipal officials .

WIP Mnawe (undelivered material) Tech Director SYPT Mhlongo	289 333	-
WIP Mnawe (undelivered material) PMU Manager M Kwinana	289 333	-
WIP Mnawe (undelivered material) PMU Senior Officer M Makhanya	289 333	-
Late for flight in JHB: ND Hlongwa	2 001	-
Late for flight in JHB : CS Shange	1 414	-
	871 414	**-**

42. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R5 521 807 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that no financial loss was suffered by the municipality.

	Condoned by (Condoning authority)		
Interest on long overdue account - identified prior year	Written- off by Council after investigation	767	4 882
Interest on long overdue account - identified current	Written- off by Council after investigation	30	-
Work-in Progress Esinamfini bridge Identified in current year	Written- off by Council after investigation	1 274 971	-
Work-in Progress Esinamfini bridge (Extension of municipal offices and professional fee for Tsipo Road- identified prior year	Written- off by Council after investigation	2 625 016	-
Prior year balance	Written- off by Council after investigation	1 621 023	-
		5 521 807	**4 882**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Irregular expenditure

Restated opening balance	20 904 045	29 482 626
Add: Irregular expenditure - current	9 656 933	2 826 533
Restated : Irregular expenditure - prior period write-off	-	2 826 533
Add: Amount recovered - Irregular expenditure incured in prior year but identified in current year	-	6 216 534
Less: Amount transfered- incured prior period and transfered to fruitless	(2 001)	-
Less: Amount written off - current	(7 869 742)	(2 826 533)
Less: Amount written off - current	(1 787 191)	-
Less: Amount written off - prior periods (2018,19,20,24)	(14 693 031)	(17 621 648)
Less: Amount written off - prior periods (2023/24)	(5 396)	-
Less: Amount written off - prior periods (2018, 19 and 2020)	(6 073 116)	-
Less: Amount written off - prior periods (2021 and 2022)	(130 501)	-
Closing balance	**-**	**20 904 045**

Notes to the Annual Financial Statements

Figures in Rand

43. Irregular expenditure (continued)

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

Declaration of interest not submitted	505 704	-
Non compliance with SCM Regulation PPPFA	9 145 318	-
No competitive bidding process was conducted for this procurement, resulting in non-compliance with the prescribed SCM legislative framework	5 912	-
	9 656 934	**-**

Notes to the Annual Financial Statements

43. Irregular expenditure (continued)

Amount recovered

During our investigation, we noted transaction recorded in the 2019 irregular expenditure register, that does not meet the Irregular definition, however should be disclosed as fruitless and wasteful expenditure. Therefore, should be removed from irregular expenditure register and correctly disclosed as fruitless and wasteful expenditure.

	Condoned by (Condoning authority)		
Late for flight in JHB	Transfered to fruitless and wasteful expenditur	2 001	-

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off all amount of from the total irregular expenditure incured in current year and peior years .

Notes to the Annual Financial Statements

44. Related parties

The following employees have significant influence or control in entities that transacted with the municipality during the financial year.

Key management information

Class	Description	Number
Municipal Manager	Accounting officers	1
section 57 employee	Head of Finance	1
section 57 employee	Head of Community services	1
section 57 employee	Head of Technical services	1
section 57 employee	Head of Corporates services	1
section 57 employee	Head of Economic Development and Planning	1
Executive Commitee members	Mayor, Deputy Mayor and PR Councillor	3
Councillors	Councillors	19
Speaker	PR Councillor	1

44. Related parties (continued)

Remuneration of management

Management class: Senior Managers

2025

Name	Basic salary	Car allowance	Non Pensionable Allowance	Other allowances	Total
Municipal Manager T Khuluse	774 400	331 886	20 340	291 476	1 418 102
Chief Financial Officer: V Dube	630 923	270 395	15 255	242 036	1 158 609
Director Technical: KP Gumede	410 773	176 046	-	132 000	718 819
Director Corporates; NW Makhoba	630 923	270 395	15 255	272 492	1 189 065
Director Community: CS Mhlongo	635 844	272 504	20 340	272 492	1 201 180
Director Economic, Planning and Development ; KO Khuzwayo	154 040	66 017	-	49 500	269 557
	3 236 903	**1 387 243**	**71 190**	**1 259 996**	**5 955 332**

2024

Name	Basic salary	Car allowance	Cellphone allowance	Acting allowance	Non-Pensionable allowance	Other allowance(Rural and medical allowance)	Back pays	Total
Municipal Manager T Khuluse	727 556	311 810	13 194	-	-	93 000	11 034	1 156 594
Chief Financial Officer: V Dube	447 356	191 724	8 772	-	-	75 000	-	722 852
Director Technical	613 779	263 049	8 137	-	20 340	75 000	-	980 305
Director Corporates; NW Makhoba	447 357	191 724	24 000	-	-	75 000	-	738 081
Director Community: CS Mhlongo	613 848	263 078	19 696	793	20 340	75 000	-	992 755
Director Econimic, Planning and Development	-	-	-	-	-	-	11 743	11 743
	2 849 896	**1 221 385**	**73 799**	**793**	**40 680**	**393 000**	**22 777**	**4 602 330**

44. Related parties (continued)

Management class: Councillors

2025

Name	Basic salary	Car allowance	Cellphone allowance	Back pays	Total
Mayor: Cllr ZF Khuzwayo Dlamini	710 993	236 998	40 800	44 869	1 033 659
Deputy Mayor: Cllr PS Shezi	507 377	169 127	39 202	6 247	721 953
Speaker: Cllr CS Shange	568 795	189 598	40 800	35 895	835 088
WHIP: Cllr L Nkosi	297 487	99 162	40 800	18 773	456 222
Exco Member: Cllr SZ Nyathikazi	297 487	76 593	40 800	18 773	456 222
Cllr S.T. Chili	237 332	76 593	40 800	32 489	387 214
Cllr T.C. Mathibela	288 754	96 251	40 800	18 223	444 028
Cllr M.L Ngidi	224 996	74 999	40 800	14 186	354 980
Cllr E.S. Maphumulo	224 996	74 999	40 800	14 186	354 980
Cllr M.H. Khoza	224 996	74 999	40 800	14 186	354 980
Cllr N.N. Ngidi	224 996	74 999	40 800	14 186	354 980
Cllr H.N. Ngcobo	288 754	96 251	40 800	18 223	444 028
Cllr N.S. Ntuli	224 996	74 999	40 800	14 186	354 980
Cllr N. Sithole	224 996	74 999	40 800	14 186	354 980
Cllr. S.H. Zulu	224 996	74 999	40 800	14 186	354 980
Cllr M.P. Bhengu	224 996	74 999	40 800	14 186	354 980
Cllr I.M. Biyela	224 996	74 999	40 800	14 186	354 980
Cllr W.M.S. Ntanzi	224 996	74 999	40 800	14 186	354 980
Cllr F.B. Khuzwayo	224 996	74 999	40 800	14 186	354 980
Cllr N.M. Mhlongo	224 996	74 999	40 800	14 186	354 980
Cllr N.L. Mhlongo	224 996	74 999	40 800	14 186	354 980
Cllr B.E. Gumede	224 996	74 999	40 800	14 186	354 980
Cllr H.H. Mhlongo	224 996	74 999	40 800	14 186	354 980
	6 571 919	**2 165 558**	**936 802**	**406 282**	**10 103 114**

2024

Name	Basic salary	Car allowance	Cellphone allowance	Total
Mayor	669 484	223 161	40 800	973 445
Deputy Mayor	559 538	186 512	40 800	786 850
Speaker	566 746	188 915	40 800	796 461
WHIP	249 752	98 251	40 800	433 803
Executive Committee Member	304 037	101 346	40 800	446 183
Other Councilors	4 162 835	1 387 613	734 401	6 284 849
	6 512 392	**2 185 798**	**938 401**	**9 721 591**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	3 705 416	3 705 416
Cash and cash equivalents	56 621 084	56 621 084
	60 326 500	**60 326 500**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	2 374 217	2 374 217
Unallocated Deposits	16 840	16 840
Retention and guarantees	9 851 759	9 851 759
Income received in-advanced	146 205	146 205
	12 389 021	**12 389 021**

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	2 276 514	2 276 514
Cash and cash equivalents	40 568 890	40 568 890
	42 845 404	**42 845 404**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	2 550 673	2 550 673
Other payables	171 362	171 362
Unallocated Deposits	16 314	16 314
Retention and guarantees	10 422 344	10 422 344
Income received in-advanced	98 262	98 262
	13 258 955	**13 258 955**

46. Contingencies

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EMMANUEL MANDLENKOSI MCHUNU VS MAPHUMULO LOCAL MUNICIPALITY.

This is an application instituted by Mr Mchunu for a return of land owned by Maphumulo Local Municipality which includes ERF 214 and ERF 215 zoned as a residential property to him personally. This application is a spoliation brought against the Municipality.

Current Status: The Applicant (Mr Mchunu) filed his founding affidavit together with the Notice of Motion. The Municipality appointed the Firm of Attorneys and Counsel, prepared the opposing papers which includes the Notice of Opposition, Notice in terms of Rule 35(12), Notice of Appointment as Attorneys of Record, had a brief consultation with Counsel whereof the memorandum is being prepared to be delivered to Client.Current Status: We believe that we have a strong enough case until the contrary is proved. Hence we are pursuing the matter further.

MAPHUMULO MUNICIPALITY // SIBGEM MANAGEMENT & CONSULTING

Attorney's was appointed by Maphumulo municipality to defend the claim of R1 864 476.11 for the non-payment of invoices for the electrification work at Ziqgayini, Mphise and Mzulwini ward.

Attorney’s issued the appearance to defend and filed a plea in which they raised the points in limner as follows:

1. There had been no contract between the Municipality and the plaintiff.

2. In terms of the letter of appointment dated 21 May 2014, there were conditions that had to be adhered to

   before the commencement of the work, which were not complied with.

3. Thereafter filed a claim in Reconvention for the amount of R1 628 357.34, after which plaintiff filed a plea to the

   Claim in reconvention denying our claim.

The municipality’s legal firm who was handling the case had since dissolved due to passing of the owner and there has been no communication since then from the plaintiff.

47. 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.

Aggregated segments

The municipality operates throughout the Kwa-Zulu Natal Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation.

Notes to the Annual Financial Statements

47. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Community and Social Services
Segment 2	Roads Transport
Segment 3	Waste Management
Segment 4	Planning and Development
Segment 5	Housing
Segment 6	Sports and Recreation

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and Social Services	Roads Transport	Waste Management	Planning and Development	Sports and Recreation	Total
Revenue						
Refuse Revenue	-	-	287 084	-	-	287 084
Construction Contracts	89 742	-	-	-	-	89 742
Rental facilities and Equipment	24 391	-	-	-	-	24 391
Licence and Permits	55 118	-	-	-	-	55 118
Transfers and subsidies - Operational	1 701 259	-	-	-	-	1 701 259
Transfers and subsidies - Capital	-	22 809 466	-	-	-	22 809 466
Interest	111 129	-	-	-	-	111 129
Total segment revenue	**1 981 639**	**22 809 466**	**287 084**	**-**	**-**	**25 078 189**
Construction Contracts						8 650 258
Rental facilities and Equipment						1 011 782
Interest charged on trade and other receivables						46 787
Agency services						191 638
Transfers and subsidies - Operational						124 728 741
Transfers and subsidies - Capital						13 549 289
Other income						1 122 536
Interest received Investment						5 556 494
Property Rates						31 461 672
Remeasurements of employee benefits						225 888
Revaluation of Investment						2 544 272
Total revenue reconciling items						**189 089 357**
Entity's revenue						**214 167 546**

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

	Community and Social Services	Roads Transport	Waste Management	Planning and Development	Sports and Recreation	Total
Expenditure						
Employee Related Cost	12 478 197	2 373 926	-	10 102 698	-	24 954 821
Finance Cost	15 792	-	-	-	-	15 792
Transfers and Subsidies	3 366 520	-	-	-	-	3 366 520
Contracted services	1 710 187	183 729	1 715 478	686 892	-	4 296 286
General Expenses	223 313	-	100 400	279 357	-	603 070
Inventory Consumed	-	-	56 630	188 870	-	245 500
Total segment expenditure	**17 794 009**	**2 557 655**	**1 872 508**	**11 257 817**	**-**	**33 481 989**
Total segmental surplus/(deficit)	**(15 812 370)**	**20 251 811**	**(1 585 424)**	**(11 257 817)**	**-**	**(8 403 800)**
Employee Related Cost						(36 441 783)
Remuneration of Councillors						(10 103 114)
Construction Contract Cost						(8 740 000)
Depreciation and Amortisation						(20 543 021)
Impairment Loss						(10 633 412)
Finance Cost						(344 000)
Lease Rentals on Operating Lease						(522 745)
Debts impairment						(7 091 770)
Contracted services						(27 658 987)
General Expenses						(22 260 416)
Inventory Consumed						(828 393)
Loss on disposal						(1 693 478)
Transfers and Subsidies						(51 120)
Total revenue reconciling items						181 829 354
Entity's surplus (deficit) for the period						**34 917 115**

Notes to the Annual Financial Statements

Figures in Rand

47. Segment information (continued)

	Community and Social Services	Roads Transport	Waste Management	Planning and Development	Sports and Recreation	Total
Assets						
Receivables from Exchange transactions	652	-	-	-	-	652
Receivables from Non- exchanged transactions	7 574	-	-	-	-	7 574
Cash and Cash Equivalents	41 700 000	81 673	270 290	1 158 134	-	43 210 097
Property, Plant and Equipment	148 533 603	150 388 138	3 102 134	17 831 617	8 320 253	328 175 745
Total segment assets	**190 241 829**	**150 469 811**	**3 372 424**	**18 989 751**	**8 320 253**	**371 394 068**
Receivables from Exchange transactions						7 928 607
Receivables from Non- exchanged transactions						10 674 396
Cash and Cash Equivalents						13 410 988
Investment Property						33 237 100
Property, Plant and Equipment						15 381 836
Total assets as per Statement of financial Position						**452 026 995**
Liabilities						
Payables from exchange transactions	(241 052)	(994)	-	-	-	(242 046)
Unspent conditional grants and receipts	-	-	-	(7 000 000)	-	(7 000 000)
Total segment liabilities	**(241 052)**	**(994)**	**-**	**(7 000 000)**	**-**	**(7 242 046)**
Payables from exchange transactions						(21 238 902)
Provision						(3 554 751)
Unspent conditional grants and receipts						(1 363 544)
Total liabilities as per Statement of financial Position						**(33 399 243)**

47. Segment information (continued)

2024

	Community ans Social Seervices	Roads Transport	Waste management	Planning and sevelopment	Total
Revenue					
Refuse revenue	-	-	257 921	-	257 921
Rental facilities and Equipment	6 826	-	-	-	6 826
Interest charged on trade and other receivables	108 423	-	-	-	108 423
Licence and Permits	23 914	-	-	-	23 914
Other income	136 930	-	-	-	136 930
Government and grants and subsidies	1 850 000	19 327 000	-	-	21 177 000
Total segment revenue	**2 126 093**	**19 327 000**	**257 921**	**-**	**21 711 014**
Construction Contracts					20 146 087
Rental facilities and Equipment					887 807
Reversal of provission					349 107
Interest charged on trade and other receivables					17 627
Agency Services					192 141
Licence and Permits					3 000
Other income					728 787
Interest received invetment					3 857 286
Fair value adjustment					757 188
Property rates					24 689 927
Government and grants and subsidies					124 155 701
Total revenue reconciling items					**175 784 658**
Entity's revenue					**197 495 672**

Notes to the Annual Financial Statements

Figures in Rand

	Community ans Social Seervices	Roads Transport	Waste management	Planning and sevelopment	Total
47. Segment information (continued)					
Expenditure					
Employee Related Cost	9 800 221	4 620 365	-	9 319 343	23 739 929
Finance cost	669	-	-	-	669
Transfers and subsidies	2 995 938	-	-	-	2 995 938
Contracted services	1 839 583	2 935 310	2 872 903	359 411	8 007 207
Actuarial losses- employee benefits	149 056	-	-	-	149 056
General expenses	449 873	113 465	68 890	267 285	899 513
Inventory consumed	41 200	-	20 150	139 000	200 350
Total segment expenditure	**15 276 540**	**7 669 140**	**2 961 943**	**10 085 039**	**35 992 662**
Total segmental surplus/(deficit)	**(13 150 447)**	**11 657 860**	**(2 704 022)**	**(10 085 039)**	**(14 281 648)**
Total revenue reconciling items					175 784 658
Employee Related Cost					(30 875 895)
Remuneration of Counsellors					(9 721 590)
Construction Contract Cost					(20 146 087)
Depreciation and Amortisation					(19 371 211)
Finance Cost					(318 469)
Lease Rentals on Operating Lease					(902 572)
Debts impairment					(3 631 214)
Contratced services					(24 285 889)
Loss on disposal of assets and liabilities					(3 392 666)
General expenses					(23 808 842)
Inventory consumed					(1 096 469)
Loss on Disposal of Assets and Liabilities					(7 297 382)
Total expenditure reconciling items					(13 128 446)
Entity's surplus (deficit) for the period					**17 807 926**

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

47. Segment information (continued)

Information about geographical areas

The municipality is category B municipality located with in ILembe District municipality in the eastern part of KwaZulu Natal. It is a smallest of four municipality that makes up the district. Management has as per the GRAP standard decided to report on Maphumulo as a single geographical area. .

Management is of the opinion that, the cost of developing geographical information will be excessive, secondly that due to the nature of the municipality, it would therefore not on the interest of the users of the financial statement to develop geographical information for reporting:

48. Risk management

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.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payable from exchange transaction	2 374 217	-	-	-
Unallocated Deposits	16 814	-	-	-
Retention and guarantees	9 851 759	-	-	-
Income received in-advanced	146 205	-	-	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payable from exchange transactions	2 550 673	-	-	-
Other payables	171 362	-	-	-
Unallocated Deposits	16 314	-	-	-
Retention and guarantees	10 422 344	-	-	-
Income received in-advanced	98 262	-	-	-

Credit risk

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

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

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

Financial instrument	2025	2024
Trade and other receivables from exchange transactions	3 705 416	2 276 514
Cash and cash equivalents / Bank balances	56 621 084	40 537 370

Market risk

48. Risk management (continued)

Interest rate risk

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

Based on the various scenarios, the municipality manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the municipality raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the municipality borrowed at fixed rates directly. Under the interest rate swaps, the municipality agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

49. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 446 766 971 and that the municipality's total assets exceed its liability by 446 766 971.

The municipality's current liabilities are secured against the municipal current assets as it can be seen that current assets are greater than liabilities and there is a surplus of R45 038 914 (R75 232 314 current assets R30 193 400 current liabilities). This shows an much improvement compared to previous year where there was a surplus of R19 081 340.

Current Assets includes VAT receivables due from SARS of R1 851 968 which would be received from South African Revenue Services(SARS) during next financial year.

The going concern of the municipality is positive since the municipality has cash and cash equivalent of R56 621 084 to settle current liability of R30 193 400 .

Current liabilities includes R16 295 666 for leave payables and retention which is not payable with in the period of 12 months. Leave is payable on the termination of contract and retention is payable after the completion of the project, 50% is due after 6 months and 50% after 12 months.

Based on the above, we have no doubts that the municipality will be financially sustainable and be able to provide service delivery in the next twelve months.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Current year subscription / fee	662 749	666 297

Audit fees

	2025	2024
Current year subscription / fee	2 494 117	2 673 258
Amount paid - current year	(2 488 470)	(2 563 465)
	5 647	**109 793**

PAYE and UIF

	2025	2024
Current year subscription / fee	11 284 425	9 732 763
Amount paid - current year	(11 284 425)	(9 732 763)
	-	-

Pension and Medical Aid Deductions

	2025	2024
Amount paid - current year	12 326 114	11 173 065

VAT

	2025	2024
VAT receivable	4 769 388	2 429 552
VAT payable	(876 440)	(450 858)
	3 892 948	**1 978 694**

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

Councillors' arrear consumer accounts

There were no Councillors in arrears for more than 90 days at any time during the year ended 30 June 2025:

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

Supply chain management regulations

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

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

Goods and services of R149 951 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

	2025	2024
Incident		
Social crime prevention	-	598 500
Earthmoving equipment repairs	-	36 000
Emergency pipeline repairs	-	2 430 505
Information technology upgrade	-	1 102 500
Upgrading of electricity services	-	540 000
Upgrading of road infrastructure	-	48 000
Sole service provider	149 951	-
	149 951	**4 755 505**

51. Budget differences

Material differences between budget and actual amounts

Variances greater than 10% are considered significant and therefore require detailed explanation to ensure transparency and accountability. Variances below 10% are regarded as minor and within acceptable operational thresholds; accordingly, they are not explained in detail as they do not materially affect the overall financial performance.

Interest trade and other receivables- The reason for the variance is that during the final budget preparation, the interest earned from exchange revenue was overbudgeted. This means that the actual interest income generated from exchange revenue is less than the amount originally budgeted.

Interest earned Investment -During the final budget preparation, the interest generated from investments was adjusted upwards. This adjustment was made to avoid exaggerating the revenue projections. This cautious approach resulted in a variance between the actual and budgeted revenue figures.

Depreciation and asset impairment- The primary cause of this variance was the conditional assessment of infrastructure assets, which resulted in higher depreciation and impairment charges than initially budgeted. The increase in impairment is mainly due to the municipality allocating a smaller budget for the maintenance of existing assets. Inadequate maintenance has therefore accelerated the deterioration of assets, leading to a decrease in the overall carrying value of assets.

Debt impairment- The variance is mainly due to a significant increase in debt impairment, which arose from delays in payments from the Department of Public Works.

Contrated Services- Several planned projects and operational activities was not commence as scheduled.

Transfers and grants - Variance is mainly due to Free Basic Services budget was underestimated. During the year, the indigent register was continuously updated as new applications were received through walk-ins and IDP roadshows, which increased the number of qualifying households beyond the original budget provision. In addition, the June 2024 expenditure for FBS was only received and processed in July 2024. As a result, the 2025 financial year expenditure includes June 2024 costs, which contributed to the over-expenditure.