Greater Kokstad Local Municipality
(Registration number KZN433)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Local Municipality	
Mayoral committee		
	Cllr M N L Madikizela	Mayor
	Cllr B T Nozaza	Speaker
	Cllr K J Walker	Deputy Mayor
	Cllr A Y Luhabe	PR Member of Executive Committee
	Cllr P Nocanda	Chief Whip
	Cllr M Hlakanyana	MPAC Chair
Councillors	Cllr K N Norsworthy	PR Member
	Cllr S Njisane	Councillor
	Cllr N Mfukuli - Mngonyama	Councillor
	Cllr Z Maphalana	PR Member
	Cllr A Y Jikazi	Councillor
	Cllr Z R Tshazi	Councillor
	Cllr N Mda	Councillor
	Cllr K Putuma	PR Member
	Cllr N E Thabethe	PR Member
	Cllr B P Gugwana	Councillor
	Cllr L N Mashibini	PR Member
	Cllr N Mathe	PR Member
	Cllr Z Njobe	PR Member
Grading of local authority	Grade 3	
Accounting Officer	Mr S R Zwane	
Chief Finance Officer (CFO)	Mrs L Sotshede	Acting CFO
Registered office	75 Hope Street Kokstad 4700	
Postal address	P O Box 8 Kokstad 4700	
Bankers	First National Bank Limited	
Auditors	Auditor General South Africa (AGSA)	

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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 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 financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The accounting officer certifies that the salaries, benefits and allowances as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and placed considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the set 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 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 access to adequate resources to continue in operational existence for the foreseeable future.

1. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of 1,078,665,152 and that the municipality's total assets exceed its liabilities by 1,078,665,152.

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

Amount of cash and cash equivalents at year-end is R 122 729 175.

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), set out on pages 4 to 83, which have been prepared on the going concern basis.

Accounting Officer
Mr SR Zwane

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventory	3	670,446	968,809
Receivables from exchange transactions	4	40,364,498	40,553,659
Receivables from non-exchange transactions	5	49,103,561	43,369,801
Prepayments	6	1,133,505	4,581,148
Cash and cash equivalents	7	122,729,175	112,924,639
		214,001,185	**202,398,056**
Non-Current Assets			
Investment property	8	128,963,326	114,661,428
Property, plant and equipment	9	876,104,826	830,115,625
Intangible assets	10	2,923,128	2,090,039
Heritage assets	11	2,232,400	2,232,400
		1,010,223,680	**949,099,492**
Total Assets		**1,224,224,865**	**1,151,497,548**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	12	61,417,128	62,389,817
Consumer deposits	13	5,825,924	5,645,783
Employee benefit obligation	14	1,153,892	1,372,953
Unspent conditional grants and receipts	15	17,560,802	7,561,744
Provisions	16	14,419,084	1,003,828
Deferred income	17	4,005,886	2,173,902
Finance lease obligation	18	329,019	-
		104,711,735	**80,148,027**
Non-Current Liabilities			
Employee benefit obligation	14	34,324,218	28,276,400
Provisions	16	5,941,330	16,792,527
Finance lease obligation	18	582,430	-
		40,847,978	**45,068,927**
Total Liabilities		**145,559,713**	**125,216,954**
Net Assets		**1,078,665,152**	**1,026,280,594**
Accumulated surplus		1,078,665,152	1,026,280,594
Total Net Assets		**1,078,665,152**	**1,026,280,594**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	226,385,981	220,452,020
Rental of facilities and equipment	20	3,098,091	3,003,109
Licences and permits	21	5,303,755	5,052,163
Other income	22	3,057,659	1,651,894
Interest earned on outstanding receivables and external investments	23	12,583,243	13,305,768
Total revenue from exchange transactions		**250,428,729**	**243,464,954**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	152,376,487	150,625,532
Interest earned on property rates	24	3,783,844	3,082,055
Transfer revenue			
Government grants & subsidies	25	168,182,409	167,460,466
Public contributions and donations	26	9,102,464	12,497,084
Fines, Penalties and Forfeits	27	3,636,700	2,160,127
Total revenue from non-exchange transactions		**337,081,904**	**335,825,264**
Total revenue		**587,510,633**	**579,290,218**
Expenditure			
Employee related costs	28	(178,753,463)	(163,360,183)
Remuneration of councillors	29	(8,723,712)	(8,309,433)
Depreciation and amortisation	30	(34,870,650)	(33,006,211)
Finance costs	31	(947,896)	(827,670)
Debt written off	32	(13,260,304)	(11,595,303)
Bulk purchases	33	(178,709,813)	(151,164,159)
Debt impairment	34	(1,005,453)	(7,321,283)
Operating Expenses	35	(57,451,735)	(64,143,021)
Contracted services	36	(57,714,224)	(63,927,322)
Total expenditure		**(531,437,250)**	**(503,654,585)**
Operating surplus		**56,073,383**	**75,635,633**
(Loss) gain on disposal of assets		(11,534,513)	(7,400,794)
(Loss) gain on landfill site		(1,621,575)	(804,533)
Fair value adjustments		5,553,445	5,833,676
Actuarial gain/(loss)	14	(272,027)	1,234,367
Impairment loss		(539,804)	(559,424)
Recovery for provision debtors		6,143,641	141,304
Provision for performance recovery of bonuses		42,843	569,563
		(2,227,990)	**(985,841)**
Surplus for the year		**53,845,393**	**74,649,792**

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**951,630,802**	**951,630,802**
Changes in net assets		
Surplus for the year	74,649,792	74,649,792
Total changes	74,649,792	74,649,792
Restated* Balance at 01 July 2024 as restated*	1,026,280,592	1,026,280,592
Adjustments		
Prior year adjustments 53	(1,460,833)	(1,460,833)
Openning balance as previously reported	**1,024,819,759**	**1,024,819,759**
Changes in net assets		
Surplus for the year	53,845,393	53,845,393
Total changes	53,845,393	53,845,393
Balance at 30 June 2025	**1,078,665,152**	**1,078,665,152**

Note(s)

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from interest		10,575,471	10,920,874
Cash receipts from taxes and levies		150,970,552	147,673,908
Cash receipts from sale of goods and services		237,940,407	232,539,465
Cash receipts from grants and transfers		178,181,467	151,788,649
Cash receipts from interest on outstanding debtors		1,587,924	2,641,478
		579,255,821	545,564,374
Payments			
Cash payments to and on behalf of employees and councillors		(181,920,445)	(166,448,008)
Cash payments to suppliers for goods and services		(291,605,886)	(300,775,691)
		(473,526,331)	(467,223,699)
Net cash flows from operating activities	37	**105,729,490**	**78,340,675**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(87,049,369)	(95,911,160)
Proceeds from sale of property, plant, and equipment	9	1,257,967	-
Purchase of investment property	8	(8,748,453)	-
Purchase of intangible assets	10	(1,270,393)	(1,790,076)
Net cash flows from investing activities		**(95,810,248)**	**(97,701,236)**
Cash flows from financing activities			
Finance Lease- Interest paid		(24,307)	-
Finance lease repayment		(90,399)	-
Net cash flows from financing activities		**(114,706)**	**-**
Net increase/(decrease) in cash and cash equivalents		**9,804,536**	**(19,360,561)**
Cash and cash equivalents at the beginning of the year		112,924,639	132,285,200
Cash and cash equivalents at the end of the year	7	**122,729,175**	**112,924,639**

The accounting policies on pages 12 to 31 and the notes on pages 32 to 82 form an integral part of the annual financial statements.

* See Note 53

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges- Electricity	213,208,000	632,000	**213,840,000**	201,770,563	**(12,069,437)**	**F1**
Service charges- Waste management	21,245,000	4,000,000	**25,245,000**	22,676,796	**(2,568,204)**	**F2**
Sale of goods and services	4,723,000	12,543,000	**17,266,000**	1,938,622	**(15,327,378)**	**F3**
Interest earned from receivables	-	2,657,000	**2,657,000**	310,886	**(2,346,114)**	**F4**
Rental from fixed assets	3,457,000	555,000	**4,012,000**	3,098,091	**(913,909)**	**F5**
Licences and permits	5,436,000	2,060,000	**7,496,000**	5,303,755	**(2,192,245)**	**F9**
Operational revenue	122,000	1,000,000	**1,122,000**	3,057,659	**1,935,659**	**F6**
Interest received from assets	6,586,000	5,500,000	**12,086,000**	12,272,357	**186,357**	**2% variance**
Total revenue from exchange transactions	**254,777,000**	**28,947,000**	**283,724,000**	**250,428,729**	**(33,295,271)**	
Revenue from non-exchange transactions						
Property rates	147,686,000	4,698,000	**152,384,000**	152,376,487	**(7,513)**	**0% variance**
Interest	6,099,000	(1,732,000)	**4,367,000**	3,783,844	**(583,156)**	**F11**
Transfer revenue						
Transfers and subsidies	169,419,000	7,002,000	**176,421,000**	168,182,409	**(8,238,591)**	**F10**
Public contributions and donations	-	-	**-**	9,102,464	**9,102,464**	**F7**
Fines, Penalties and Forfeits	239,000	60,000	**299,000**	3,636,700	**3,337,700**	**F8**
Total revenue from non-exchange transactions	**323,443,000**	**10,028,000**	**333,471,000**	**337,081,904**	**3,610,904**	
Total revenue	**578,220,000**	**38,975,000**	**617,195,000**	**587,510,633**	**(29,684,367)**	
Expenditure						
Employee cost	(165,152,000)	(10,464,000)	**(175,616,000)**	(178,753,463)	**(3,137,463)**	**F12**
Remuneration of councillors	(8,500,000)	(343,000)	**(8,843,000)**	(8,723,712)	**119,288**	**-1% variance**
Depreciation and amortisation	(24,997,000)	4,745,000	**(20,252,000)**	(34,870,650)	**(14,618,650)**	**F15**
Finance costs	-	-	**-**	(947,896)	**(947,896)**	**F16**
Debt Impairment	(5,864,000)	4,500,000	**(1,364,000)**	(1,005,453)	**358,547**	**F14**
Irrecoverable debt	(2,000,000)	(3,415,000)	**(5,415,000)**	(13,260,304)	**(7,845,304)**	**F17**
Bulk purchases	(150,000,000)	(28,710,000)	**(178,710,000)**	(178,709,813)	**187**	**0% variance**
Contracted Services	(53,180,000)	(3,388,000)	**(56,568,000)**	(57,714,224)	**(1,146,224)**	**2% variance**
Operational costs	(62,493,000)	3,392,000	**(59,101,000)**	(57,451,735)	**1,649,265**	
Total expenditure	**(472,186,000)**	**(33,683,000)**	**(505,869,000)**	**(531,437,250)**	**(25,568,250)**	
Operating surplus	**106,034,000**	**5,292,000**	**111,326,000**	**56,073,383**	**(55,252,617)**	
(Loss) gain on disposal of assets	-	-	**-**	(11,534,513)	**(11,534,513)**	
(Loss) gain on landfill site	-	-	**-**	(1,621,575)	**(1,621,575)**	
Actuarial gain/(loss)	-	-	**-**	(272,027)	**(272,027)**	
Fair value adjustments	-	-	**-**	5,553,445	**5,553,445**	
Impairment loss	-	-	**-**	(539,804)	**(539,804)**	

Greater Kokstad Local Municipality
(Registration number KZN433)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Recovery for provision debtors	-	-	-	6,143,641	**6,143,641**	
Provision for performance recovery of bonuses	-	-	-	42,843	**42,843**	
	-	**-**	**-**	**(2,227,990)**	**(2,227,990)**	
Surplus before taxation	**106,033,000**	**6,435,000**	**37,850,000**	**53,845,393**	**15,995,393**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**106,033,000**	**6,435,000**	**112,468,000**	**53,845,393**	**(58,622,607)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventory	884,000	(513,000)	**371,000**	670,446	**299,446**	**F21**
Receivables from non-exchange transactions	79,623,000	(8,943,000)	**70,680,000**	49,103,561	**(21,576,439)**	**F20**
Trade and other receivables from exchange transactions	71,712,000	(9,472,000)	**62,240,000**	40,364,498	**(21,875,502)**	**F19**
Prepayments	787,000	-	**787,000**	1,133,505	**346,505**	**F23**
Cash and cash equivalents	141,160,000	(6,412,000)	**134,748,000**	122,729,175	**(12,018,825)**	**F18**
	294,166,000	**(25,340,000)**	**268,826,000**	**214,001,185**	**(54,824,815)**	
Non-Current Assets						
Investment property	108,994,000	-	**108,994,000**	128,963,326	**19,969,326**	**F24**
Property, plant and equipment	794,577,000	(643,000)	**793,934,000**	876,104,826	**82,170,826**	**F25**
Intangible assets	1,053,000	-	**1,053,000**	2,923,128	**1,870,128**	**F27**
Heritage assets	2,066,000	(500,000)	**1,566,000**	2,232,400	**666,400**	**F26**
	906,690,000	**(1,143,000)**	**905,547,000**	**1,010,223,680**	**104,676,680**	
Total Assets	**1,200,856,000**	**(26,483,000)**	**1,174,373,000**	**1,224,224,865**	**49,851,865**	
Liabilities						
Current Liabilities						
Trade and other payables from exchange transactions	103,534,000	(31,493,000)	**72,041,000**	61,417,128	**(10,623,872)**	**F29**
Trade and other payables from non-exchange transactions	23,234,000	(281,000)	**22,953,000**	17,560,802	**(5,392,198)**	**F30**
Consumer deposits	5,511,000	-	**5,511,000**	5,825,924	**314,924**	**F28**
Provisions	12,483,000	-	**12,483,000**	14,419,084	**1,936,084**	**F31**
Other current liabilities	5,180,000	-	**5,180,000**	4,005,886	**(1,174,114)**	**F33**
	149,942,000	**(31,774,000)**	**118,168,000**	**103,228,824**	**(14,939,176)**	
Non-Current Liabilities						
Borrowings	25,608,000	-	**25,608,000**	35,478,110	**9,870,110**	**F35**
Finance lease obligation	-	-	**-**	911,449	**911,449**	**F34**
Provisions	15,049,000	-	**15,049,000**	5,941,330	**(9,107,670)**	**F36**
	40,657,000	**-**	**40,657,000**	**42,330,889**	**1,673,889**	
Total Liabilities	**190,599,000**	**(31,774,000)**	**158,825,000**	**145,559,713**	**(13,265,287)**	
Net Assets	**1,010,257,000**	**5,291,000**	**1,015,548,000**	**1,078,665,152**	**63,117,152**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,004,636,000	5,291,000	**1,009,927,000**	1,078,665,152	**68,738,152**	**F37**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from taxes	156,135,000	2,168,000	**158,303,000**	150,970,552	**(7,332,448)**	
Cash receipts from charges for goods and services	249,844,000	(318,000)	**249,526,000**	237,940,407	**(11,585,593)**	
Other revenue	33,462,000	32,336,000	**65,798,000**	-	**(65,798,000)**	
Cash receipts from grants or transfers and other appropriations	169,419,000	5,235,000	**174,654,000**	178,181,467	**3,527,467**	
Cash receipts from Interest charged	6,586,000	18,772,000	**25,358,000**	12,163,395	**(13,194,605)**	
	615,446,000	**58,193,000**	**673,639,000**	**579,255,821**	**(94,383,179)**	
Payments						
Cash payments to suppliers for goods and services, employees and councillors	(440,215,000)	(67,663,000)	**(507,878,000)**	(473,526,331)	**34,351,669**	
Net cash flows from operating activities	**175,231,000**	**(9,470,000)**	**165,761,000**	**105,729,490**	**(60,031,510)**	
Cash flows from investing activities						
Cash payments to acquire property, plant and equipment	(105,308,000)	3,057,000	**(102,251,000)**	(87,049,369)	**15,201,631**	
Proceeds from sale of property, plant and equipment	-	-	**-**	1,257,967	**1,257,967**	
Purchase of investment property	-	-	**-**	(8,748,453)	**(8,748,453)**	
Proceeds from sale of investment property	-	-	**-**	(1,270,393)	**(1,270,393)**	
Net cash flows from investing activities	**(105,308,000)**	**3,057,000**	**(102,251,000)**	**(95,810,248)**	**6,440,752**	
Finance cost- Finance leases	-	-	**-**	(24,307)	**(24,307)**	
Finance lease obligation repayment	-	-	**-**	(90,399)	**(90,399)**	
Net increase/(decrease) in cash and cash equivalents	69,923,000	(6,413,000)	**63,510,000**	9,804,536	**(53,705,464)**	
Cash and cash equivalents at the beginning of the year	71,238,000	-	**71,238,000**	112,924,639	**41,686,639**	
Cash and cash equivalents at the end of the year	**141,161,000**	**(6,413,000)**	**134,748,000**	**122,729,175**	**(12,133,531)**	

The standard requires that the actual amounts should be presented on a comparable basis to the budget in comparison of actual and budgeted amounts. It should be noted that the municipal budget is a legal document through which the municipality is held accountable, as such the actual amounts in the financial statements are adjusted to align with the budget.

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending online items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.5 Significant judgements and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant Accounting Policies

1.5 Significant judgements and estimates (continued)

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value estimation

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

Impairment testing

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

Provisions

Provisions are raised based on reliable estimates provided by industry professionals, e.g Engineers and actuaries. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful life of Property, plant and equipment, and intangible assets

The municipality's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and other assets. This estimate involves a matter of industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated useful lives and decrease the depreciation and amortisation charges where useful lives are more than previously estimated useful lives.

Allowance for doubtful debts

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

Pension and other post-employment benefits

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

Principal - Agent Arrangements

The municipality is party to a principal-agent arrangement for collection of drivers licence and motor vehicle licencing revenue. In terms of the arrangement the municipality is the agent and is responsible for collection of revenue on behalf of the Department of Transport.

Additional information is disclosed in Note 46.

Significant Accounting Policies

1.6 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.

Land held for a currently undetermined future use.

A building owned (or held by under a finance lease) and leased out under one or more operating leases.

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;

A building that is vacant but is held to be leased out under one or more operating leases.

Property that is being constructed or developed for future use as investment property.

Subsequent measurement - Fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuator on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the Municipality measures that investment property using the cost model.

Derecognition / Disposal

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

All transfers will be as per GRAP 16.

Significant Accounting Policies

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 year.

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.

Capital Work in Progress (CWIP) is recognised at cost of construction, including all direct costs attributable to bringing the asset to its location and condition. Once the asset is available for its intended use, CWIP is transferred to the appropriate asset category and depreciated in line with its useful life.

Initial recognition and measurement

Where assets are donated or received at no cost, they are recognised at fair value on the date of transfer in accordance with GRAP 23. Such assets are credited to revenue as ‘Public contributions and donations’ and simultaneously capitalised under Property, Plant and Equipment.

Items of property plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost Mode

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have useful lives that are depreciated separately.

Land is not depreciated as it is deemed to have indefinite useful life.

Capital work in progress is not depreciable until it is transferred to the applicable property, plant and equipment category once it is ready and available for its intended use.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimates in the Statement of Financial Performance.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

The municipality tests for impairment where there is an indication that an asset maybe impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) and an impairment amount is charged to the Statement of Financial Performance.

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

Asset class	Depreciation method	Average useful life (Years)
Buildings	Straight-line	80 years
Motor vehicles	Straight-line	5-7 years
Infrastructure	Straight-line	
• Roads and paving		12 years
• Bridges		30 years
• Storm water		15 years
• Gravel		20 years
• Substations and transformers		30 years
• Poles, cable and lights		15-25 years
• Robots		10 years
Community	Straight-line	
• Buildings		80 years
• Recreational facilities		5 years
• Security system		5 years
• Dams		1-15 years
• Libraries		15-20 years
• Parks and gardens		15 years
• Cemeteries		15-20 years
• Community centres		5-20 years
• Sports facilities		30 years
Other Property, plant and equipment	Straight-line	
• Emergency equipment		5 years
• Landfill sites		15 years
• Office equipment		5 years
• Furniture and fittings		5 years
• Bins and containers		5 years
• Computer equipment		5-8 years

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

Derecognition.

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

1.8 Site rehabilitation and restoration costs

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Significant Accounting Policies

1.8 Site rehabilitation and restoration costs (continued)

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Residual value of intangible assets is estimated to be zero. Fully depreciated assets which are still in use are not written off.

Computer software	Straight-line	3 - 8 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Significant Accounting Policies

1.10 Heritage assets

Initial Recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
(b) the cost or fair value of the asset can be measured reliably.

Initial Measurement

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage Assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Derecognition

The carrying amount of a heritage asset is derecognised:
(a) on disposal, or;
(b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Significant Accounting Policies

1.11 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

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

Initial recognition and measurement

A financial instrument is recognised, when the Municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement of financial assets and financial liabilities

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot reliably be subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Trade receivables are measured at amortised cost, net of an impairment allowance determined on an expected credit loss basis, considering historical payment patterns and collection rates of municipal debtors.Consumer deposits are recognised as financial liabilities and are only derecognised when services are terminated or deposits refunded.

1.12 Statutory receivables

Identification

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

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.

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.

Significant Accounting Policies

1.13 Leases

The municipality as lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments.t

The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payment, the municipality uses the interest rate that exactly discounts the lease payments and unguarenteed residual value to the fair value of the asset plus any direct costs incurred.

Measurement

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

Derecognition

The finance lease liabilities are derecognised when the municipality’s obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

1.14 Inventory

Initial recognition and measurement

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for items which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

The carrying amount of inventory is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Consumable stores include electricity tokens, water meters, refuse bins, and other items issued during operations. These are expensed when consumed in service delivery.

The cost of inventory is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventory having a similar nature and use to the municipality.

1.15 Impairment of cash-generating assets

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.16 Impairment of non-cash-generating assets

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Significant Accounting Policies

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Significant Accounting Policies

1.17 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Long service awards

GRAP25 states that the current service cost should be recognised as a periodic expense in operating profit and should be matched to the benefit received during the working life of the employee.

Greater Kokstad offers bonuses for every 5 years of completed service from 5 years to 45 years. Below we outline the benefits awarded to qualifying employees.

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

Medical Aid

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actual valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the value projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [or is not] presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduces by the fair value of plan assets

Significant Accounting Policies

1.18 Provisions and contingencies

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

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

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Leave pay provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position.

Performance bonus provision

The Municipality recognises the expected cost of bonuses as a provision only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.19 Commitments

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

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.

Significant Accounting Policies

1.20 Revenue from exchange transactions

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Sale of goods - Exchange revenue

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.

Service charges - exchange revenue

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

Significant Accounting Policies

1.20 Revenue from exchange transactions (continued)

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

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

1.21 Revenue from non-exchange transactions

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.

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

Government grants and subsidies are recognised as revenue when there is reasonable assurance that the municipality will comply with the conditions attached and the grants will be received. Conditional grants unspent at year-end are recognised as unspent conditional grants under liabilities until such conditions are met.

Rates and taxes - non-exchange revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Transfers and subsidies - non-exchange revenue

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Deferred income

Amounts received before the related work is performed are included in the statement of financial position as a liability, Deferred Income.

Fines - non exchange revenue

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Revenue from traffic fines is initially measured on the value stipulated on the notice, summons or equivalent document. The revenue from traffic fines is subject to further judicial process which is outside the municipality’s control. These reductions are not considered in measuring the revenue and receivable on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process. Once this separated process has been concluded, any reductions are accounted for as a change in estimated revenue and in accordance with GRAP1.

1.21 Revenue from non-exchange transactions (continued)

Services received in-kind - non-exchange revenue

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

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

1.22 Investment income

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

1.23 Value added taxation

The municipality accounts for Value Added Tax (VAT) on the payment basis in accordance with section 15(2) of the VAT Act. VAT receivable represents refunds due from SARS at year-end, while VAT payable represents amounts owed. Where refunds are withheld or offset by SARS, these are adjusted against the receivable.

The Municipality accounts for Value Added Tax on the accrual basis. The municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

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.

1.24 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

1.25 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.26 Comparative figures

Comparative figures have been reclassified to conform to changes in presentation in the current year.

1.27 Unauthorised expenditure

Unauthorised expenditure is an expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

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

1.28 Fruitless and wasteful expenditure

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

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

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

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

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

1.29 Irregular expenditure (continued)

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

1.30 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations
2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP1	Not yet determined	None
GRAP103	Not yet determined	None
GRAP104	1 April 2025	Minimal
Amendments	Improvements to Standards of GRAP	None

3. Inventory

Stores and materials	670,446	968,809
Carrying value of inventories carried at fair value less costs to sell	670,446	968,809

The amount of write-down of inventories recognized as an expense is R 332,412.83 (2024: R-0).

The amount of write-on of inventory surplus is R 136,327.78 (2024: R-0).

4. Receivables from exchange transactions

Gross balances		
Electricity	23,056,642	23,108,443
Fire levy	2,218,475	2,871,630
Refuse	16,172,979	20,513,272
Sundry and other debtors	8,474,073	8,128,071
	49,922,169	**54,621,416**
Less: Allowance for impairment		
Electricity	(523,103)	(1,237,815)
Fire levy	(1,120,978)	(1,744,483)
Refuse	(7,913,590)	(11,085,459)
	(9,557,671)	**(14,067,757)**
Net balance		
Electricity	22,533,539	21,870,628
Fire levy	1,097,497	1,127,147
Refuse	8,259,389	9,427,813
Sundry and other debtors	8,474,073	8,128,071
	40,364,498	**40,553,659**
Electricity		
Current (0 -30 days)	15,112,219	15,696,209
31 - 60 days	5,336,663	5,552,767
61 - 90 days	1,082,609	170,082
91 - 120 days	85,821	104,570
121 - 365 days	43,605	102,963
> 365 days	1,395,725	1,481,852
	23,056,642	**23,108,443**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1,890,977	2,035,472
31 - 60 days	1,169,285	1,389,879
61 - 90 days	779,711	1,023,899
91 - 120 days	627,719	855,502
121 - 365 days	526,947	746,146
> 365 days	11,178,340	14,462,374
	16,172,979	**20,513,272**

Fire levy		
Current (0 -30 days)	115,632	126,495
31 - 60 days	86,849	99,774
61 - 90 days	64,718	82,313
91 - 120 days	53,565	72,019
121 - 365 days	46,814	408,132
> 365 days	1,850,897	2,082,897
	2,218,475	**2,871,630**

Sundry debtors		
Current (0 -30 days)	443,655	161,432
31 - 60 days	101,986	145,931
61 - 90 days	80,241	15,446
91 - 120 days	57,049	90,688
121 - 365 days	337,334	247,157
> 365 days	3,421,662	2,562,939
	4,441,927	**3,223,593**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(14,067,756)	(11,155,597)
Contributions to allowance	-	(2,912,159)
Reversal of allowance	4,510,085	-
	(9,557,671)	**(14,067,756)**

Receivables from exchange transactions

Other receivables include outstanding debtors for services such as property rental and sundry services.

Receivables from exchange transactions are billed monthly. No interest is charged on receivables until the end of the following month, thereafter interest is charged at 18% as determined by council on the outstanding balance.

No receivables from exchange transactions were pledged as collateral for liabilities or contingent liabilities.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025: 6,319,959 (2024: 5,246,280) were past due but not impaired.

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

1 month past due	5,136,513	5,061,506
2 months past due	1,088,896	88,593
3 months past due	94,550	96,181

5. Receivables from non-exchange transactions

Fines	23,092,444	20,709,168
Consumer debtors - Rates	22,406,155	19,746,796
VAT Receivable	3,604,962	2,913,837
	49,103,561	**43,369,801**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	23,092,444	20,709,168
Property Rates	22,470,764	19,746,796
VAT Receivable	3,604,962	2,913,837
	49,168,170	**43,369,801**

Fines Reconciliation

Gross balance	28,866,972	27,154,802
Opening impairment of fines	(8,405,775)	(8,547,079)
Current year fines	3,636,700	1,960,141
Unused amounts reversed	-	141,304
Current year impairment	(1,005,453)	-
	23,092,444	**20,709,168**

Total receivables from non-exchange transactions	49,103,561	43,369,801

Property Rates

Gross rates	38,580,533	37,490,118
Impairment	(16,109,769)	(17,743,322)
	22,470,764	**19,746,796**

Rates		
Current	6,800,464	6,393,359
31 - 60 days	2,685,137	2,807,510
61 - 90 days	1,472,787	1,724,001
91 - 120 days	1,409,538	1,159,823
121 - 150 days	1,036,026	959,633
> 151 days	25,176,581	24,445,792
	38,580,533	**37,490,118**

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates

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

Fines

Fines are issued to offenders in terms of the Criminal Procedure Act, hence this is therefore recognised as a Statutory receivables. The receivable is calculated by determining the value of the fine to paid at initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court judgement.

VAT Recievable

Additional textThe municipality is required to levy or pay Vat at a rate of 15% as per requirements of section 7 of the Vat Act No. 89 of 1991. The Vat amount is based on the amount charged by the municipality on the supply of goods or services

Determination of transaction amount

Property Rates

Property rates are levied by applying the Council Approved rates randages against the valuation of the individual properties within the Municipality,s jurisdiction.

Fines

Fines are determined in accordance with the Criminal Procedure Act no.51 of 1977.

VAT Receivable

The amount due to SARS is determined based on the Vat returns that are submitted to SARS on a monthly basis. A receivable arises when Vat input paid is greater than Vat output received received from customers.

Interest or other charges levied/charged

The Municipality charges interest on all outstanding debtor balances older than 30 days in respect of property rates account at 18%

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

The municipality assesses at each reporting period whether is there any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. When the carrying amount is higher than the estimated future cash flows, the carrying amount of the receivable is reduced. The amount of a loss is recognised in the surplus or deficit.

SARS is required by the Act to refund the municipality unless if there is an assessment. This guarantees recoverability of the amount claimed, hence no impairment has been provided.

Reconciliation of provision for impairment for rates

Opening balance	17,743,322	13,334,199
Provision for impairment	-	4,409,123

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Reversal of allowance	(1,633,553)	-
	16,109,769	**17,743,322**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, 3,014,688 (2024: 2,043,354) were past due but not impaired.

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

1 month past due	1,827,035	1,481,003
2 months past due	597,439	347,995
3 months past due	590,214	214,356

6. Prepayments

Figures in Rand	2025	2024
Adobe Sign	7,430	63,600
Cibecs perpetual	74,474	76,769
ECAPS	-	513,333
Elliot and Walker Trust account	-	3,000,000
Exclaimer cloud	133,043	122,237
Lensweeper	59,500	47,016
Managed engine audit	46,583	50,823
Nefcon roadtech	9,633	-
Papercut MF print	55,562	61,633
Poeples MCS	-	16,521
Profecia IT- Customer care	-	58,963
SAGE VIP	226,887	223,645
SMS Portal	10,056	10,344
Solar winds	112,636	115,859
Sophos	141,183	156,805
Tenable management tool scan	44,027	63,600
True systems	212,492	-
	1,133,506	4,581,148
	1,133,506	**4,581,148**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Excess of petty cash on Main account	25,295	25,295
Bank balances	15,337,861	7,836,437
Short-term deposits	107,366,019	105,062,907
	122,729,175	**112,924,639**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Cash and cash equivalents (continued)

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 527 2002 4258 Main Acc	38,548,185	7,157,280	56,277,335	15,363,156	7,861,731	56,421,486
FNB 620 4994 7825 Reserves	24,013,686	55,233,643	174,334	24,013,686	40,233,611	174,334
FNB 622 9521 8947 Arts & Culture	22,514	44,640	2,000	22,514	44,650	1,999
FNB 620 6810 2682 PHP	109	25,306	24,836	109	25,306	24,836
FNB 620 8937 2868 MIG	144,673	474,759	7,314,154	144,673	474,759	7,314,154
FNB 620 8992 7663 MSIG	307,691	289,317	270,753	307,691	289,317	270,753
FNB 621 9170 1476 FMG	504,357	404,465	1,380	504,357	404,465	1,380
FNB 621 0368 9230 HHP	4,369	1,037,120	1,017,740	4,369	1,037,120	1,017,741
FNB 621 9024 8221 HOA	10,478	1,385,196	3,238,009	10,478	1,385,196	3,238,009
STD 308644085 Small Town	14,095,868	1,656,106	120,727	14,095,868	1,656,106	120,727
NED 037165013687 Excellence	1,299,995	1,212,385	1,118,668	1,307,527	1,212,385	1,118,668
FNB 62300641611 GKM Rental	2,237	2,237	2,237	2,237	2,237	2,237
NED 0371 6501 3660 EPWP	7,000	111,377	46,540	10,416	111,377	46,540
NED 037165014276 Sports	152,760	142,465	131,453	153,645	142,465	131,453
ABSA 2080124654 Reserves	9,283,451	9,283,451	8,344,471	9,676,255	8,879,155	8,344,471
NED 037165022295 Reserves	6,055,326	5,647,242	5,209,574	-	5,647,242	5,209,574
NED 037165021256 Reserves	9,149,195	8,532,608	7,873,046	15,292,624	8,532,608	7,873,046
STD 638516196 Reserves	30,672,812	29,322,310	26,929,107	31,971,198	29,322,310	26,929,107
STD 638515580 DOE	8,331,368	4,236,260	12,584,935	8,331,368	4,236,260	12,584,935
FNB 62866900337 TRP	1,517,004	1,426,336	1,440,335	1,517,004	1,426,336	1,440,335
Total	**144,123,078**	**127,624,503**	**132,121,634**	**122,729,175**	**112,924,636**	**132,265,785**

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	128,963,326	-	128,963,326	114,661,428	-	114,661,428

Reconciliation of investment property - 2025

	Opening balance	Additions	Fair value adjustments	Total
Investment property	114,661,428	8,748,453	5,553,445	128,963,326

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	108,993,752	5,667,676	114,661,428

Pledged as security

No assets are pledged as security.

Investment property of R 8,748,453 was acquired during the current financial year. The cash paid for the investment property is R 8,748,453.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Investment property (continued)

Details of valuation

The effective date of the revaluations is1 July 2025. Valuations were performed by Bonakude Consulting. Bonakude Consulting is not connected to the entity and has recent experience in location and category of the investment property being valued. The valuation was based on various market trends and the latest public rental prices.

Rental trends of properties were obtained from PayProp rental index for Quarter 1 2025. The rental index specific to KwaZulu Natal has been selected as all assets are in KwaZulu Natal.

In the absence of current prices in an active market, the valuators considers information from various sources, including recent prices of similar properties on less active market with adjustments to reflect any changes in economic conditions since the date of the transaction that occurred on those prices.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	2,926,166	2,765,100
From Investment property that generated rental revenue		
Direct operating expenses from rental generating property	2,065,863	3,529,506

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16,605,600	-	16,605,600	16,605,600	-	16,605,600
Buildings	118,207,995	(95,570,403)	22,637,592	110,118,777	(95,629,974)	14,488,803
Motor vehicles	22,984,298	(16,162,356)	6,821,942	21,091,707	(16,626,736)	4,464,971
Infrastructure	1,003,148,895	(456,872,251)	546,276,644	948,827,714	(435,943,600)	512,884,114
Community	403,567,589	(127,936,811)	275,630,778	394,429,883	(122,200,539)	272,229,344
Other property, plant and equipment	41,050,009	(32,917,739)	8,132,270	39,287,469	(29,844,676)	9,442,793
Total	**1,605,564,386**	**(729,459,560)**	**876,104,826**	**1,530,361,150**	**(700,245,525)**	**830,115,625**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers Out	Donation	Depreciation	Impairment loss	Total
Land	16,605,600	-	-	-	-	-	-	-	16,605,600
Buildings	14,488,803	9,037,418	(87,308)	-	-	-	(801,321)	-	22,637,592
Motor vehicles	4,464,971	4,638,178	(152,780)	-	-	-	(2,128,427)	-	6,821,942
Infrastructure	512,884,114	68,456,478	(9,368,504)	60,643,902	(60,643,902)	(2,759,103)	(22,724,895)	(211,446)	546,276,644
Community	272,229,344	12,909,369	(1,873,948)	23,506,108	(23,506,108)	(1,897,713)	(5,407,916)	(328,358)	275,630,778
Other property, plant and equipment	9,442,793	2,112,238	(51,973)	-	-	-	(3,370,788)	-	8,132,270
	830,115,625	**97,153,681**	**(11,534,513)**	**84,150,010**	**(84,150,010)**	**(4,656,816)**	**(34,433,347)**	**(539,804)**	**876,104,826**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers Out	Donation	Depreciation	Impairment loss	Total
Land	16,605,600	-	-	-	-	-	-	-	16,605,600
Buildings	13,888,598	1,307,504	-	-	-	-	(707,299)	-	14,488,803
Motor vehicles	6,103,426	647,525	-	-	-	-	(2,285,980)	-	4,464,971
Infrastructure	483,879,587	65,292,458	(1,726,228)	61,276,105	(65,747,915)	(8,897,335)	(21,028,379)	(164,179)	512,884,114
Community	266,247,254	37,193,494	(2,118,696)	12,304,810	(36,393,782)	-	(4,608,491)	(395,245)	272,229,344
Other property, plant and equipment	11,930,486	3,967,263	(3,072,599)	-	-	-	(3,382,357)	-	9,442,793
	798,654,951	**108,408,244**	**(6,917,523)**	**73,580,915**	**(102,141,697)**	**(8,897,335)**	**(32,012,506)**	**(559,424)**	**830,115,625**

Other information

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Community projects put on hold due to budget reprioritisation	959,803	-

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	141,805,708	119,265,626	261,071,334
Additions	68,456,476	12,847,628	81,304,104
Transfer to PPE	(60,643,902)	(23,506,108)	(84,150,010)
Donation	(2,759,102)	(1,897,713)	(4,656,815)
WIP write off	-	(1,873,948)	(1,873,948)
	146,859,180	**104,835,485**	**251,694,665**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	151,158,520	118,577,696	269,736,216
Additions/capital expenditure	65,292,458	37,081,712	102,374,170
Transfer to PPE	(65,747,915)	(36,393,782)	(102,141,697)
Donation	(4,454,958)	-	(4,454,958)
Reclassification	(4,442,396)	-	(4,442,396)
	141,805,709	**119,265,626**	**261,071,335**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	16,175,083	22,440,362

The municipality dispose off property, plant, and equipment at an open bid auction. The property sold had a carrying value of R 9,572,336. Auction proceeds received amounted to R 609,912.58

A Buildings with a carrying value of R 87,308 was burnt down. Insurance proceeds received amounted to R 648,054.84

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

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,046,244	(1,123,116)	2,923,128	2,775,851	(685,812)	2,090,039

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,090,039	1,270,393	(437,304)	2,923,128

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	1,052,656	1,790,076	(483,271)	(269,422)	2,090,039

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of preserved insects, butterflies and fossils	1,120,000	-	1,120,000	1,120,000	-	1,120,000
Collections of rare books, manuscripts and records	1,112,400	-	1,112,400	1,112,400	-	1,112,400
Total	**2,232,400**	**-**	**2,232,400**	**2,232,400**	**-**	**2,232,400**

Reconciliation of heritage assets 2025

	Opening balance	Total
Statue	1,120,000	1,120,000
Museum	1,112,400	1,112,400
	2,232,400	**2,232,400**

Reconciliation of heritage assets 2024

	Opening balance	Other changes, movements	Total
Statue	954,000	166,000	1,120,000
Museum	1,112,400	-	1,112,400
	2,066,400	**166,000**	**2,232,400**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Trade and other payables from exchange transactions

Trade payables	4,969,343	3,411,543
Accrued leave pay	11,285,108	9,460,678
Accruals	5,524,456	12,257,789
Unallocated deposits	15,974,750	15,801,889
Debtors with credit balances	7,523,986	5,916,767
Retention	15,958,127	15,283,793
Other payables	181,358	257,358
	61,417,128	**62,389,817**

13. Consumer deposits

Electricity	4,703,047	4,610,512
Posters	6,285	6,285
Rental properties	1,116,592	1,028,986
	5,825,924	**5,645,783**

14. Employee benefit obligations

Defined benefit plans

The plan is a post employment medical benefit plan.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	35,478,110	29,649,353
Non-current liabilities	(34,324,218)	(28,276,400)
Current liabilities	(1,153,892)	(1,372,953)
	(35,478,110)	**(29,649,353)**

Post employment health care benefits

Opening balance	21,198,506	19,704,000
Net actuarial gains (losses) recognised	(226,154)	(1,545,947)
Current service costs	1,516,848	1,076,000
Interest costs	3,552,599	2,448,000
Contributions by employer	(544,945)	(483,547)
	25,496,854	**21,198,506**

Long service awards

Opening balance	8,450,858	7,863,000
Net actuarial gains (losses) recognised	498,181	311,590
Current service costs	882,802	859,608
Interest costs	837,583	838,000
Contributions by employer	(688,168)	(1,421,340)
	9,981,256	**8,450,858**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Key assumptions used

PeHCL report

Assumptions used at the reporting date:

Post-Employment Medical Aid subsidy liability

Table 5.1 Key financial assumptions used		
Discount rate	12.28 %	13.50 %
Health care cost inflation	7.73 %	8.90 %
Net-of-health-care-cost-inflation discount rate	4.22 %	4.23 %
Maximum subsidy inflation rate	- %	5.75 %
Net-of-maximum-subsidy-inflation discount rate	- %	6.45 %

Table 5.2 Key demographic assumptions used	**Value**
Average retirement age	62
Continuation of membership at retirement	75%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	60%
Proportion of employees opting for early retirement	25%
Mortality during employment	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010

Accrued Liability	**2025**	**2024**
In-service members	16 497 462	12 536 220
In-service non members	4 319 068	3 698 345
Continuation members	4 680 324	4 963 941
Total accrued liability	25 496 854	21 198 506
Value of assets	0.00	0.00
Total unfunded accrued liability	25 496 854	21 198 506
Expected current portion of liability (payable within 12 months)	572 501	0.579
Expected non-current portion of liability (payable thereafter)	24 924 352	20.619

Comparison of assumptions	**2025**	**2024**
Discount rate	12.28%	12.59%
Health care cost inflation discount rate	7.73%	16.36%
Net of health care cost inflation discount rate	4.22%	4.23%
Maximum subsidy inflation rate		5.75%
Net of maximum subsidy inflation rate		6.45%
Average retirement age	62	65
Mortality during employment	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a from 2010
Proportion with a spouse dependent at retirement	60%	60%
Continuation of membership at retirement	75%	75%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Employee benefit obligations (continued)

Proportion of eligible in-service non-members joining a scheme by retirement and continuing with the subsidy at and after retirement (“take-up rate”)	25%	25%

Current Valuation Sensitivity:

Healthcare Cost Inflation Rate	**Percentage Change**	**1% decrease R’s**	**Valuation Basis R’s**	**1% decrease R’s**	**Percentage Change**
Accrued Liability	-13.79	21 981 520	25 496 854	29 835 329	17.02%
Service Cost	-18.17%	1 612 062	1 969 963	2 428 194	23.26%
Net Interest Expense	-12.46%	3 377 238	3 857 953	4 530 667	17.44%

Discount Rate	**Percentage Change**	**1% decrease R’s**	**Valuation Basis R’s**	**1% decrease R’s**	**Percentage Change**
Accrued Liability	16.30%	29 652 041	25 496 854	22 161 737	-13.08%
Service Cost	21.30%	2 389 636	1 969 963	1 642 500	-16.62%
Net Interest Expense	7.36%	4 141 754	3 857 953	3 608 109	-6.48%

Withdrawal Rates	**Age Band**	**Withdrawal Rates (Females)**	**Withdrawal Rates (Males)**
	20-24	9.0%	9.0%
	25-29	8.0%	8.0%
	30-34	6.0%	6.0%
	35-39	5.0%	5.0%
	40-44	5.0%	5.0%
	45-49	4.0%	4.0%
	50-54	3.0%	3.0%
	55-59	-	-
	60+	-	-

Post-retirement mortality	**30-Jun-25 Valuation basis R’s**	**PA (90) -2 1 R’s**	**Percentage Change**
Employer’s accrued liability	25,496,854	26,169,829	2.64%
Employer’s service cost (year following)	1,969,963	2,016,258	2.35%
Employer’s interest cost (year following)	3,857,953	3,969952	2.90%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Building plans and management systems grant	-	1,193
Cultural village grant	858,549	858,549
Department of transport grant	12,416,830	-
Furniture world grant	226,413	226,413
Greenest municipality grant	178,710	178,710
Horseshoe township grant	-	1,591,217
Housing grant	2,226,398	2,226,398
Infrastructure skills development grant	218,092	600,000
Integrated development plan grant	69,019	69,019
LG SETA grant	-	416,756
Light industrial park grant	177,382	177,382
Massification grant	41,352	41,352
People's housing project 12 and 13 grant	-	26,702
Shayamoya eco-complex grant	1,031,743	1,031,743
Small town rehabilitation grant	95,508	95,508
Sports and recreation grant	20,806	20,806
	17,560,802	**7,561,748**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Addition	Interest	Total
Rehabilitation of landfill site	16,792,527	1,683,314	923,589	19,399,430
Insurance claims	65,848	-	-	65,848
Performance bonus for the current period	937,980	(42,844)	-	895,136
	17,796,355	**1,640,470**	**923,589**	**20,360,414**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Interest	Total
Rehabilitation of landfill site	15,048,542	916,315	827,670	16,792,527
Insurance claims	65,848	-	-	65,848
Performance bonus for the prior-year	569,563	368,417	-	937,980
	15,683,953	**1,284,732**	**827,670**	**17,796,355**

	2025	2024
Non-current liabilities	5,941,330	16,792,527
Current liabilities	14,419,084	1,003,828
	20,360,414	**17,796,355**

The provision for rehabilitation of refuse disposal sites relates to a legal obligation to rehabiltate the disposal sites. The municipality has two landfill sites, one at Kransfontein and the other at Shayamoya. The licence for landfill sites was issued on the 10th of November 2015 and 20th of June 2016 respectively and are both valid for 10 years. The licence for Kransfontein landfill site is due for compliance review and possible extension. The Shayamoya landfill site is currently closed, not operational, and does not receiving general domestic waste from the town and nearby residential areas. The provision represents the present value of estimated future rehabilitation costs for these landfill sites. The report was prepared by Masimba Mapfurira (BSc Hons, MEng (Civil Engineering)) representing One Pangaea Expertise and Solutions.

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date.

17. Deferred income

	2025	2024
Electricity units purchases unused	2,675,256	843,272
Deferred Income relates to unused electricity credits .		
Sale of land	1,330,630	1,330,630
Income was received for the sale of land which the risks and rewards are still with the municipality.This refers to -Erf 2291.		
	4,005,886	**2,173,902**

	2025	2024
Current liabilities		
Income received in advance	4,005,886	2,173,902

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Finance lease obligation

Minimum lease payments due		
- Not later than one year	396,775	-
- Later than 1 year and not later than 5 years	629,069	-
	1,025,844	-
less: future finance charges	(114,395)	-
Present value of minimum lease payments	**911,449**	**-**

Present value of minimum lease payments due		
- Not later than one year	329,019	-
- Later than 1 year and not later than 5 years	582,430	-
	911,449	**-**

Non-current liabilities	582,430	-
Current liabilities	329,019	-
	911,449	**-**

It is municipality's policy to lease computer equipment (laptops and tablets) under finance leases.

The average lease term was 3 years for laptops and 2 years for tablets and the average effective borrowing rate is (2025: 9%).

Interest rates are linked to prime at the contract date. All leases escalate depending on the number of laptops and tablets leased per month and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

19. Service charges

Fire levy	1,081,997	1,212,516
Other service charges	856,625	662,392
Refuse removal	22,676,796	25,834,896
Sale of electricity	201,770,563	192,742,216
	226,385,981	**220,452,020**

20. Rental of facilities and equipment

Premises		
Rental of investment property	2,926,166	2,765,100
Rental of property, plant, and equipment	171,925	238,009
	3,098,091	**3,003,109**

21. Licences and permits

Business licences	63,229	20,665
Testing ground	5,240,526	5,031,498
	5,303,755	**5,052,163**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

22. Other income

Advertising	200,905	135,166
Auction sales	561,911	102,549
Building plans	558,291	416,068
Cemetery and burial fees	197,556	201,348
Clearance certificates	73,285	92,369
Compliance certificate	52,720	22,278
Entrance fees	1,078	539
Incidental surpluses	17,188	2,049
Insurance refund	595,408	-
Legal fees refund	99,241	-
Printing	772	15,969
Relaxation application	59,084	52,300
Special application	42,012	52,567
Staff rental	598,208	558,692
	3,057,659	**1,651,894**

23. Investment revenue

Interest revenue		
Interest capitalised	10,481,230	9,140,185
Accrued interest	1,791,127	1,780,689
Interest charged on exchange receivables	310,886	2,384,894
	12,583,243	**13,305,768**

The amount included in Investment revenue arising from exchange transactions amounted to R 310,886: 2025 and R 2,384,894: 2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Property rates

Rates received

Residential	40,951,624	38,950,309
Commercial	30,427,591	29,747,859
Government	71,127,407	68,963,750
Industrial	10,022,098	10,445,540
Agriculture	9,645,666	9,525,954
Less: Income forgone	(9,797,899)	(7,007,880)
	152,376,487	150,625,532
Interest charged on non-exchange receivables	3,783,844	3,082,055
	156,160,331	**153,707,587**

Valuations

Residential	3,994,225,525	3,874,798,025
Commercial	1,493,073,500	1,425,511,500
Public benefit organisations	80,813,000	87,943,000
Municipal properties	491,121,500	581,069,500
Government	1,781,998,500	1,789,104,000
Industrial	446,257,500	500,563,000
Agricultural	3,765,474,448	3,849,419,400
Public service infrastructure	36,806,000	45,532,400
Place of workship	221,744,000	198,546,500
	2,311,513,973	**2,352,487,325**

Category Of Owner	**House hold Income from and to**	**Age from and to**	**Percentage Rebate**
Indigent persons	Nil	Amount Equal to 2 state pensions	100%
Pensioner or Retiree or Disabled person or Medically boarded	Nil	Amount Equal to 2 state pensions	100%
Pensioner or Retiree or Disabled person	60 - 65 years	60 -65 years	55%
Pensioner or Retiree or Disabled person	66 - 76 years	66 - 76 years	75%
Pensioner or Retiree or Disabled person	71 years and above	71 years and above	100%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies

Operating grants		
Equitable share	85,848,000	80,202,000
Financial management grant	1,800,000	1,750,000
LG SETA grant	245,869	260,191
Municipal excellence awards	-	1,000,000
Expanded public works programme	1,657,000	2,508,000
Smart city development strategy grant	-	896,813
Arts and culture	4,496,600	3,280,660
Infrastructure skills and development	913,308	-
	94,960,777	**89,897,664**
Capital grants		
Integrated national electrification programme	18,709,000	20,560,000
Municipal infrastructure grant	26,665,996	18,562,000
Department of transport grant	9,619,038	15,375,000
Housing account	18,227,598	23,065,802
	73,221,632	**77,562,802**
	168,182,409	**167,460,466**

Equitable share

Unconditional grant received	85,848,000	80,202,000
Unconditional grant spent	(85,848,000)	(80,202,000)
	-	-

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

Financial management grant

Current-year receipts	1,800,000	1,750,000
Conditions met - transferred to revenue	(1,800,000)	(1,750,000)
	-	-

LG SETA grant

Balance unspent at beginning of year	416,756	416,756
Current-year receipts	245,869	260,191
Conditions met - transferred to revenue	(662,625)	(260,191)
	-	**416,756**

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

Municipal award excellence grant

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

Expanded public works programme grant

Current-year receipts	1,657,000	2,508,000
Conditions met - transferred to revenue	(1,657,000)	(2,508,000)
	-	-

EPWP Grant is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured .

Smart city development strategy grant

Balance unspent at beginning of year	-	896,813
Conditions met - transferred to revenue	-	(896,813)
	-	-

KZN arts and culture grant

Current-year receipts	4,496,000	4,278,013
Conditions met - transferred to revenue	(4,496,000)	(4,278,013)
	-	-

Integrated national electrification programme grant

Current-year receipts	18,709,000	20,560,000
Conditions met - transferred to revenue	(18,709,000)	(20,560,000)
	-	-

Municipal infrastructure grant

Current-year receipts	26,665,996	18,562,000
Conditions met - transferred to revenue	(26,665,996)	(18,562,000)
	-	-

Department of transport grant

Balance unspent at beginning of year	-	15,375,000
Current-year receipts	20,000,000	-
Conditions met - transferred to revenue	(7,583,170)	(15,375,000)
	12,416,830	-

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

Housing grant

Balance unspent at beginning of year	2,226,398	2,226,398
Current-year receipts	18,227,598	23,065,802
Conditions met - transferred to revenue	(18,227,598)	(23,065,802)
	2,226,398	**2,226,398**

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

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

Greenest municipality grant

Balance unspent at beginning of year	178,710	178,710

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

Cultural village grant

Balance unspent at beginning of year	858,549	858,549

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

Grant is used to boost local economic tourism and environment.

Furniture world grant

Balance unspent at beginning of year	226,413	226,413

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

This grant is used for for road infrastructure as part of upgrading of infrastructure projects.

Horseshoe township grant

Balance unspent at beginning of year	1,591,217	1,591,217
Conditions met - transferred to revenue	(1,591,217)	-
	-	**1,591,217**

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

This grant is used for development in town like upgrading sidewalks, parking and storm water drainage.

Light industrial park grant

Balance unspent at beginning of year	177,382	177,382

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

People's housing project 12 and 13 grant

Balance unspent at beginning of year	26,702	26,702
Conditions met - transferred to revenue	(26,702)	-
	-	**26,702**

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

Shayamoya eco-complex grant

Balance unspent at beginning of year	1,031,743	1,031,743

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants & subsidies (continued)

Small town rehabilitation grant

Balance unspent at beginning of year	95,508	95,508

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

Building plans and management systems grant

Balance unspent at beginning of year	1,193	1,193
Conditions met - transferred to revenue	(1,193)	-
	-	**1,193**

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

Massification grant

Balance unspent at beginning of year	41,352	41,352

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

This grant is used to boost the local tourism sector.

Sports and recreation grant

Balance unspent at beginning of year	20,806	20,806

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

This grant is used for the provision of staffing costs for Library services within the Municipality.

Infrastructure skills development grant

Balance unspent at beginning of year	600,000	600,000
Current-year receipts	532,000	-
Conditions met - transferred to revenue	(913,908)	-
	218,092	**600,000**

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

Integrated development plan grant

Balance unspent at beginning of year	69,019	69,019

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

26. Public contributions and donations

Donations received	9,102,464	12,497,084

The KwaZulu Natal Department of Public Woks donated land and buildings situated on Erven 53, and 62 Kokstad at the corner of Elliot and Zietsman street.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Fines, Penalties and Forfeits

Fines	3,636,700	2,160,127

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Employee related costs

Basic salary	113,851,333	105,510,454
Bonus	7,963,428	7,232,930
Medical aid	8,844,206	7,033,523
Unemployment insurance fund	785,969	742,933
Skills development levy	1,411,348	1,309,611
Leave pay	3,121,754	1,890,069
Pension fund contributions	19,182,744	16,352,220
Travel, motor car, accommodation, subsistence and other allowances	7,998,571	8,516,710
Overtime	8,322,293	7,448,399
Housing benefits and allowances	1,715,087	1,163,747
Performance bonus provision	-	937,979
Interest on post employement benefits	4,390,182	3,286,000
Current service cost	1,166,548	1,935,608
	178,753,463	**163,360,183**

Remuneration of municipal manager - Mr SR Zwane

Annual Remuneration	1,371,499	1,234,272
Car Allowance	150,000	125,000
Performance Bonuses	72,000	70,500
Contributions to UIF, Medical and Pension Funds	62,125	104,340
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	112,538	60,745
Backpay	47,839	34,488
	1,816,001	**1,629,345**

Chief Finance Officer - Mr SC Khoza

Annual Remuneration	-	804,781
Car Allowance	-	145,238
Contributions to UIF, Medical and Pension Funds	-	157,089
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	-	248,110
Back Pay	-	26,696
	-	**1,381,914**

Acting Chief Finance Officer - Mrs L Sotshede

Annual Remuneration	321,986	-
Contributions to UIF, Medical and Pension Funds	708	-
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	19,243	-
	341,937	**-**

Community Services Executive Manager - Mrs NC Tshayinyoni James

Annual Remuneration	961,484	616,122
Car Allowance	150,000	125,000
Performance Bonuses	65,000	45,000
Contributions to UIF, Medical and Pension Funds	84,724	75,060
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	224,561	159,395
Back Pay	264,901	6,455
	1,750,670	**1,027,032**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Employee related costs (continued)

Corporate Services Executive Manager - MS Jojo

Annual Remuneration	905,573	-
Car Allowance	150,000	-
Performance Bonuses	55,530	-
Contributions to UIF, Medical and Pension Funds	261,069	16,290
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	122,125	25,885
Back Pay	144,492	-
	1,638,789	**42,175**

Corporative Services Executive Manager - Dr. NP Makhoba

Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	-	16,290
Back Pay	-	25,885
	-	**42,175**

Economic Development & Spatial Planning Executive Manager - Mrs CD Vezi

Annual Remuneration	850,283	610,247
Car Allowance	150,000	145,000
Performance Bonuses	-	15,000
Contributions to UIF, Medical and Pension Funds	213,925	206,500
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	259,768	205,171
Back pay	253,089	34,514
	1,727,065	**1,216,432**

Corporate and Human Resources (Corporate Services) - Mrs Z Mbhele

Annual Remuneration	782,614	467,550
Car Allowance	150,000	125,000
Contributions to UIF, Medical and Pension Funds	252,465	196,880
Other: Cellphone, Rural, Housing, Cash Allow & KM'S, ACTING	295,270	160,990
Back Pay	240,819	-
	1,721,168	**950,420**

29. Remuneration of councillors

Mayor	809,030	773,863
Deputy Mayor	613,619	599,836
Speaker	691,075	664,372
Councillors	4,276,691	4,161,493
Councillors' allowances	1,220,599	1,152,979
Councillors' pension and medical contributions	1,112,698	956,890
	8,723,712	**8,309,433**

30. Depreciation and amortisation

Property, plant and equipment	34,433,346	32,736,789
Intangible assets	437,304	269,422
	34,870,650	**33,006,211**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Finance costs

Interest on landfill site	923,589	827,670
Interest on finance lease	24,307	-
	947,896	**827,670**

32. Debt written off

Service charges- exchange transactions	8,241,753	11,595,303
Rates- non-exchange transactions	5,018,551	-
	13,260,304	**11,595,303**

33. Bulk purchases

Electricity - Eskom	178,709,813	151,164,159

34. Debt impairment

Fines	1,005,453	-
Property rates	-	4,409,123
Refuse	-	1,437,540
Electricity	-	250,870
Fire levy	-	1,223,750
	1,005,453	**7,321,283**

35. Operating expenses

Advertising	2,553,633	2,811,797
Auditors remuneration	4,749,417	3,974,082
Bank charges	365,678	513,445
Bursaries	137,703	64,664
Conferences and seminars	2,207,262	1,603,612
Consumables	11,195,775	14,342,110
Departmental electricity consumption	567,220	780,932
Donation expense	5,277,749	4,515,284
Fuel and oil	4,811	-
Insurance	1,172,707	2,095,194
Learnerships	1,340,317	599,747
Licence fees	541,557	383,081
Operating lease expenses	1,270,279	711,372
Other expenses	2,243,127	2,354,208
Postage and courier	563,236	320,617
Rental of surveillance cameras	-	199,996
Software charges	13,951,658	16,059,183
Staff wellness	284,505	163,674
Subscriptions and memberships	1,830,984	2,567,791
Telephone and fax	3,219,875	3,850,798
Third party commission	686,469	1,864,203
Training	-	75,757
Travel and accommodation	1,133,259	1,106,330
Uniforms	2,154,514	3,185,144
	57,451,735	**64,143,021**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Contracted services

Outsourced Services		
Administrative and Support Staff	1,072,148	1,595,820
Burial Services	327,000	344,350
Call Centre	44,900	173,661
Consultants and Professional Services		
Legal advice and litigation	12,663,470	12,685,379
Infrastructure and Planning	3,393,152	1,826,903
Business and Advisory	1,099,385	529,571
Contractors		
Catering Services	26,108	8,107
Event Promoters	55,970	269,440
Maintenance of Buildings and Facilities	4,546,571	2,992,329
Maintenance of Equipment	1,582,513	2,378,696
Maintenance of Unspecified Assets	14,592,570	25,826,976
Safeguard and Security	18,310,437	15,296,090
	57,714,224	**63,927,322**

37. Cash generated from operations

Surplus	53,845,393	74,649,792
Adjustments for:		
Depreciation and amortisation	34,870,650	33,006,211
Gain (loss) on sale of assets	11,534,513	7,400,794
Recovery on impairment for debtors	(6,143,641)	(141,304)
Leave accrual	3,121,753	1,809,611
Performance bonus provision	-	937,979
Finance costs - Finance leases	24,307	-
Donations	(9,102,464)	(12,497,084)
Interest on landfill site	923,589	827,670
Impairment loss	539,804	559,424
Debt written off	13,260,304	11,595,303
Fair value adjustment	(5,553,445)	(5,833,676)
Debt impairment	1,005,453	7,321,283
Gain/ loss on actuarial	272,027	(1,234,367)
Gain (Loss) on landfill site	1,621,575	804,533
Interest on long service award	(837,583)	(838,000)
Recovery on performance bonus	(42,844)	(569,563)
Changes in working capital:		
Inventory	298,363	(85,027)
Receivables from exchange transactions	189,162	2,380,279
Vat	(691,125)	(14,554,808)
Receivables from non-exchange transactions	(5,107,244)	(5,111,751)
Other payables	(36,055)	(236,926)
Trade and other payables from exchange transactions	1,557,799	(6,361,666)
Unspent conditional grants and receipts	9,999,058	(15,671,817)
Consumer deposits	180,141	183,785
	105,729,490	**78,340,675**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	93,115,217	115,723,916
• Operational	42,741,429	46,360,855
	135,856,646	**162,084,771**

Total capital commitments		
Already contracted for but not provided for	135,856,646	162,084,771

Total commitments

• Authorised capital and operational expenditure	135,856,646	162,084,771

Funding		
• Government	77,902,959	198,601,341
• Own revenue	57,953,687	35,223,000
	135,856,646	**233,824,341**

Total commitments

Total commitments		
Operational	42,741,429	46,236,610
Capital	93,115,217	115,848,170
	135,856,646	**162,084,780**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Contingent liabilities

SHEENA HELEN RALSTON vs KOKSTAD MUNICIPALITY

The claim was instituted in 2024 and Venns Attorneys were instructed to defend the action. The Plaintiff is claiming damages for a collision that occurred as a result of a pothole. The contingent liability claimed against the municipality is R119,006.

QHOLO PROJECTS (PTY) LTD VS KOKSTAD MUNICIPALITY.

The Plaintiff's claim is that of a breach of contract on the basis that the Municipality has failed to honour the agreement between the parties when it did not effect payment of in the sum of R150.000. The contingent liability claimed against the municipality is R150,000.

LWANIK GROUP VS KOKSTAD MUNICIPALITY.

The Plaintiff is claiming damages suffered due to the alleged unilateral and premature termination of the contract by the Municipality.The contingent liability claimed against the municipality is R168,000.

Contingent assets

FEZ VS GREATER KOKSTAD MUNICIPALITY

The matter relates to a breach of a construction contract. Summons have been issued and served'. Management estimate of the financial exposure as at 30 June 2024. Contingent asset (GKM claiming) is R1,000,000.

NDEVU VS GREATER KOKSTAD MUNICIPALITY

GKM instituted legal action against Ms.Ndevu claiming an amount consequent to embezzlement. Management estimate of financial exposure as at 30 June 2024. Contingent asset (GKM claiming) is R130,000.

40. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	40,364,498	40,364,498
Cash and cash equivalents	122,729,175	122,729,175
	163,093,673	**163,093,673**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	61,417,127	61,417,127
Consumer deposits	5,825,924	5,825,924
Finance lease obligation	911,449	911,449
Unspent conditional grants	17,560,802	17,560,802
	85,715,302	**85,715,302**

40. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	40,553,659	40,553,659
Cash and cash equivalents	112,924,639	112,924,639
	153,478,298	**153,478,298**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	62,884,848	62,884,848
Consumer deposits	5,645,783	5,645,783
Unspent conditional grants	7,561,744	7,561,744
	76,092,375	**76,092,375**

41. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the municipality. The treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The municipality provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality's exposure to liquidity risk is the risk that it will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk is managed through continuous monitoring of cash flows and ensuring sufficient cash and cash equivalents are maintained. The table below summarises the municipality's financial liabilities at reporting date, based on contractual undiscounted payments, grouped by maturity period.

At 31 March 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	61,417,127	61,417,127	-	-
Consumer deposits	5,825,924	-	5,825,924	-
Unspent conditional grants	17,560,802	17,560,802	-	-
Finance lease obligation	911,449	329,019	582,430	-

As at 30 June 2025, the municipality held cash and cash equivalents of R122,729,175, which is sufficient to cover short-term obligations. Liquidity risk is considered to be low and is continuously monitored by management.

41. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2025	2024
Cash and cash equivalents	122,729,175	112,924,638
Receivable from exchange transactions	40,364,498	40,553,659

Credit risk is managed by enforcing credit control policies, requiring consumer deposits, and limiting exposure to individual customers. The municipality’s maximum exposure to credit risk is equal to the carrying amount of financial assets disclosed above.

Market risk

Interest rate risk

The municipality’s interest rate risk arises mainly from finance lease obligations and investments. As at 30 June 2025, finance lease obligations totaled R911,449 (Note 18). A 1% change in interest rates would have an immaterial impact on surplus/deficit, given the low level of exposure.

Foreign exchange risk

The municipality does not hold any listed equity or commodity investments. No material other price risk exists at 30 June 2025.

Other price risk

The municipality does not hold any listed equity or commodity investments. No material other price risk exists at 30 June 2025.

42. Irregular expenditure

Opening balance as previously reported	71,552,622	71,701,448
Add: Irregular expenditure - current	548,619	4,569,320
Add: Irregular expenditure - prior period	164,960	-
Less: Amount recovered - current	-	(4,718,146)
Less: Amount written off - current	(7,242,822)	-
Closing balance	**65,023,379**	**71,552,622**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Irregular expenditure (continued)

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

BAC improperly consulted	164,960	881,089
Inventory loss	322,413	-
Local content	-	3,327,582
Non compliance with SCM regulations	226,206	360,649
	713,579	**4,569,320**

The irregular expenditure figures disclosed above have been presented exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Deviations from supply chain management regulations

Section 36 deviations for the financial year		
Single source	3,123,520	6,007,594
Emergency	639,908	1,584,413
	3,763,428	**7,592,007**

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. The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement process

44. Unauthorised expenditure

Opening balance as previously reported	34,147,253	-
Add: Unauthorised expenditure - current	27,695,537	34,147,253
Closing balance	**61,842,790**	**34,147,253**

Analysed as follows: non-cash

Employee related cost	3,137,463	7,094,625
General expenditure	-	12,321,599
Depreciation and amortisation	14,618,650	3,873,714
Finance charges	947,896	827,670
Contracted services	1,146,224	-
Provision of impairment	-	7,321,283
Debt impairment	7,845,304	2,148,938
Impairment of assets	-	559,424
	27,695,537	**34,147,253**

The current year expenditure of R 27,695,537 will be investigated in 2025/2026 financial year.

The prior year balance of R 34,147,253 was investigated and found to be as a result of misclafication of expenditure accounts on caseware. The investigations were still pending finalisation as at the date of audit submission. An item for write-off will be submitted to council in 2025/2026 financial year.

Analysed as follows: cash

Contracted services	1,164,724	-
Operational expenditure	1,378,960	8,551,677
Employee related costs	6,612,123	-
Donation expenses	-	4,454,958
Finance costs	947,896	-
	10,103,703	**13,006,635**

Figures in Rand	2025	2024

45. Related parties

Relationships	
Accounting Officer	Refer to note 28
Key management information	
Class	Description
Municipal Manager	Accounting Officer
Chief Financial Officer	Senior Management
Community Services Executive Manager	Senior Management
Infrastructure Planning and Development	Senior Management
Corporate Services Executive Manager	Senior Management
EDPS Executive Manager	Senior Management
Remuneration of Management	
Councilors	Refer to note 29

Refer to general information page for full list of councilors.
Executive Management
Refer to note 28 "Employee related costs"
Payment of remuneration of senior managers and councilors - details of payments are set out in notes 28 and 29.

Related party balances

	2025	2024
Amounts - Paid /owing to by related parties		
Tambo A Projects	914,663	1,063,519
Liana Consulting	13,945,279	13,945,279

Tambo A Projects

The related party disclosure was made by Tambo A Projects who declared that he is related to Bawinile Tambo (Mother) who is the Personal Assistant to the Mayor. The award was made for an amount of R 914,663.20 (multiple orders).

Liana Consulting

The related party disclosure was made by Liana Consulting Director who declared that he is related to Samora Madikizela (Brother) who is the Manager Spatial Planning, Human Settlement and Building Control. The award was made on 20 July 2023 for an amount of R13,945,279.32 (MBD 4 attached to the bidding document).

	2025	2024
Commitments with related parties		
Tambo A Projects	98,978	-
Liana Consulting	5,038,116	-

46. Electricity losses

The Municipality's electricity losses are due to the following technical and non-technical reasons:

- Old electrical infrastructure.

- Small electrical cables as compared to the amount of load being carried.

- Electricity tempering/by passing.

- Faulty daylight switches that keeps lights on.

30 June 2025

The municipality has identified electricity losses in units 7,520,144.92 with an estimated value of R 14,642,474.17 that equates to 9%. The decrease is due to the meter audit which was conducted during the financial year.

30 June 2024

The municipality has identified electricity losses in units 4,916,659.65 with an estimated value of R 8,718,712.56 that equates to 6%. The decrease is due to the meter audit which was conducted during the financial year.

47. Agency services

The municipality is a Registered Authority and in terms of the agreement between the Department of Transport and Grater Kokstad municipality, the municipality is regarded as an agency.

The municipality currently earns a 10% agency fee based on the revenue generated from the collection of motor vehicle registration and licensing fees.

48. Events after the reporting date

No events that should be disclosed has come to the municipality's attention after the reporting date that existed that existed at the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,786,050	1,703,975
Amount paid - current year	(1,786,050)	(1,703,975)
	-	-

Audit fees

Current year subscription / fee	4,749,417	3,974,081
Amount paid - current year	(4,749,417)	(3,974,081)
	-	-

PAYE

Current year subscription / fee	24,144,492	21,107,734
Amount paid - current year	(24,144,492)	(21,107,734)
	-	-

UIF

Current year subscription / fee	1,852,060	1,635,976
Amount paid - current year	(1,852,060)	(1,635,976)
	-	-

Pension

Current year subscription/fee	29,058,491	26,367,012
Amount paid - current year	(29,058,491)	(26,367,012)
	-	-

Medical Aid

Current year subscription/fee	13,703,654	11,585,388
Amount paid - current year	(13,703,654)	(11,585,388)
	-	-

50. Budget differences

Material differences between budget and actual amounts
STATEMENT OF FINANCIAL PERFORMANCE

F1: Service charges-Electricity

The variance is due to an increase in indigent support.

F2: Service charges - Refuse

The variance is due to an increase in indigent support.

F3: Service charges -Sale of goods

The variance is due to an increase in indigent support.

50. Budget differences (continued)

F4: Interest earned receivables

The variance is due to an increase in indigent support that resulted in less interest charged as some of the debtors were written off.

F5: Rental from fixed assets

There was lease agreement review that resulted to tenants refusing to sign lease agreements.

F6: Operation revenue

The increase in operational revenue is due auction sales and insurance refund that were not anticipated.

F7: Public contributions and donations

The Municipality did not anticipate a donation during the budget stage.

F8: Fines, penalties and forfeits

The budget is based on the anticipated amount of fines to be paid. The variance is caused by the fact that the actual amount is based on the fines that issued during the year..

F9: Licences and permits.

The variance is due to a change in system for renewal of licences (car registrations) that is now centralised across the province of KZN.

F10: Transfer and subsidies

The variance is due to a delay in the allocation funds which resulted to delays in projects and revenue recognition

F11: Interest

The variance is due to an increase in indigent support that resulted in less interest charged as some of the debtors were written off.

F12: Employee cost

The variance is caused by the inclusion of the actuarial adjustments, provisions for leave and provision for performance bonus on the employee cost line item.

F14: Debt impairment

Non cash item

F15: Depreciation and amortisation

Non cash item

F16: Finance cost

The variance is caused by the interest on landfill site and the finance lease agreement.

F17: Irrecoverable debts written off

The variance is due to an increase in indigent supports.

Notes to the Annual Financial Statements

50. Budget differences (continued)

STATEMENT OF FINANCIAL POSITION

F18: Cash and cash equivalents

The variance is due to the fact that most conditional grants were fully spent, e.g (MIG, INEP & Equitable share) during the reporting period.

F19: Trade and other receivables from exchange transactions

The variance is caused by the write-off relating to indigent which were processed during the financial year.

F20: Receivables from non-exchange transactions

The variance is caused by the write-off relating to indigent which were processed during the financial year.

F21: Inventory

The variance is due to value adjustment of inventory at year-end (Inventory write-up).

F23: Other current assets

There is no actual amount for other current assets.

F24: Investment property

The variance is due to the valuation of investment property during the 2023/24 & 2024/25 financial year.

F25: Property, plant and equipment

The variance is due to new capital acquisition.

F26: Heritage assets

The variance is due to the valuation of heritage assets during the 2023/24 & 2024/25 financial year.

F27: Intangible assets

The variance is due to new capital acquisition.

F28: Consumer deposits

The variance is due to an increase in new applications for business operations.

F29: Trade and other payables from exchange transactions

The variance is due to the municipality making payments due to customers on time.

F30: Trade and other payables from non-exchange transactions

The variance is due to the municipality making payment due to customers on time.

F31: Provisions (Current liabilities)

Due to decrease in provision for performance bonuses.

F33: Other current liabilities

The difference is due to less unused electricity receipts

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Budget differences (continued)

F34: Financial Lease Obligation.

The variance is due to the acquisition of new computer equipment purchased through a finance lease agreement.

F35: Employee Benefit Obligation

The increase is due to the change in valuation assumptions for actuarial valuation.

F36: Provisions

The variance is due to an increase in the provision for landfill site.

F37: Accumulated surplus

The variance is due to the correction of prior year errors.

51. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas:
1.Governance and Administration
2.Community and Public Safety
3.Economic and Environmental Services
4.Trading Services

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.

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute in achieving the municipality's objective without necessarily generating net cash inflows

Segment reporting was based and identified on the MFMA monthly budget statement that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance.The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 of C schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18. Separate financial and other relevant information on geographical areas in which the municipality operates not available as the municipality only operates in KZN province and within its demarcated boundaries.

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

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**
Governance and administration	Support service in relation to financial management and financial governance decision making.
Community and public safety	Primary services in provision of community safety, crime prevention and Law enforcement and refuse removal.
Economic and environmental services	Urban and development planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary services in relation with basic service provision including roads and electricity.

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Mayor's Office	Budget and Treasury	Community Social Services	Corporate Services	Economic development and spatial planning	Technical services	Total
Revenue							
Property rates	-	152,376,487	-	-	-	-	152,376,487
Rates	-	87,648,000	4,496,600	245,869	20,797,906	54,994,034	168,182,409
Interest earned from receivables	-	3,783,844	-	-	-	-	3,783,844
Fines, forfeits and penalties	-	-	3,636,700	-	-	-	3,636,700
Service charges	-	-	-	-	-	226,385,981	226,385,981
Rental of facilities	-	-	-	-	3,098,091	-	3,098,091
Licences and permits	-	-	-	-	5,303,755	-	5,303,755
Donations Income	-	-	9,102,464	-	-	-	9,102,464
Other Income	-	15,640,902	-	-	-	-	15,640,902
Total segment revenue	**-**	**259,449,233**	**17,235,764**	**245,869**	**29,199,752**	**281,380,015**	**587,510,633**
Entity's revenue							**587,510,633**
Expenditure							
Operating segment expenditure	8,107,401	65,755,359	28,212,855	240,233,569	-	140,997,112	483,306,296
Depreciation and amortisation	-	34,870,650	-	-	-	-	34,870,650
Debt written off	-	13,260,304	-	-	-	-	13,260,304
Total segment expenditure	**8,107,401**	**113,886,313**	**28,212,855**	**240,233,569**	**-**	**140,997,112**	**531,437,250**
Total segmental surplus/(deficit)	**(8,107,401)**	**145,562,920**	**(10,977,091)**	**(239,987,700)**	**29,199,752**	**140,382,903**	**56,073,383**

51. Segment information (continued)

	Mayor's Office	Budget and Treasury	Community Social Services	Corporate Services	Economic development and spatial planning	Technical services	Total
Assets							
Segment Current Assets	-	214,001,185	-	-	-	-	214,001,185
Segment Non-Current Assets	-	-	2,232,400	2,923,128	128,963,325	876,104,827	1,010,223,680
Total segment assets	**-**	**214,001,185**	**2,232,400**	**2,923,128**	**128,963,325**	**876,104,827**	**1,224,224,865**
Total assets as per Statement of financial Position							**1,224,224,865**
Liabilities							
Segment Current Liabilities	-	80,804,039	178,710	2,341,289	7,440,102	13,947,595	104,711,735
Segment Non-Current Liabilities	-	582,430	-	40,265,548	-	-	40,847,978
Total segment liabilities	**-**	**81,386,469**	**178,710**	**42,606,837**	**7,440,102**	**13,947,595**	**145,559,713**
Total liabilities as per Statement of financial Position							**145,559,713**

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

2024

	Mayor's Office	Budget and Treasury	Community Social Services	Corporate Services	Economic development and spatial planning	Technical services	Municipal Manager's Office	Total
Revenue								
Property rates	-	150,625,533	-	-	-	-	-	150,625,533
Government grants and subsidies	-	82,952,000	3,540,851	-	26,470,615	54,497,000	-	167,460,466
Donations	-	-	12,497,082	-	-	-	-	12,497,082
Interest on investments	-	13,305,768	-	-	-	-	-	13,305,768
Interest earned from receivables	-	3,082,055	-	-	-	-	-	3,082,055
Fines , penalties and forfeits	-	-	2,160,127	-	-	-	-	2,160,127
Service charges	-	1,874,908	25,834,896	-	-	192,742,216	-	220,452,020
Rental of facilities	-	-	-	-	3,003,108	-	-	3,003,108
Licences and permits	-	-	5,052,163	-	-	-	-	5,052,163
Other Income	-	1,651,894	-	-	-	-	-	1,651,894
Total segment revenue	**-**	**253,492,158**	**49,085,119**	**-**	**29,473,723**	**247,239,216**	**-**	**579,290,216**
Entity's revenue								**579,290,216**
Expenditure								
Operating segment expenses	8,309,433	6,217,873	85,089,777	162,066,651	4,454,958	175,386,365	18,537,603	460,062,660
Depreciation and amortisation	-	32,469,806	-	-	-	-	-	32,469,806
Debt written off	-	11,122,119	-	-	-	-	-	11,122,119
Total segment expenditure	**8,309,433**	**49,809,798**	**85,089,777**	**162,066,651**	**4,454,958**	**175,386,365**	**18,537,603**	**503,654,585**
Total segmental surplus/(deficit)	**(8,309,433)**	**203,682,360**	**(36,004,658)**	**(162,066,651)**	**25,018,765**	**71,852,851**	**(18,537,603)**	**75,635,631**
Assets								
Segment assets	-	45,159,441	2,232,400	2,090,041	222,332,542	879,683,124	-	1,151,497,548
Total assets as per Statement of financial Position								**1,151,497,548**

Notes to the Annual Financial Statements

Figures in Rand

	Mayor's Office	Budget and Treasury	Community Social Services	Corporate Services	Economic development and spatial planning	Technical services	Municipal Manager's Office	Total
51. Segment information (continued)								
Liabilities								
Segment liabilities	-	69,197,546	2,343,272	8,607,209	-	-	-	80,148,027
Total capital expenditure	-	-	64,754,776	647,525	-	69,259,720	-	134,662,021
Total segment liabilities	**-**	**69,197,546**	**67,098,048**	**9,254,734**	**-**	**69,259,720**	**-**	**214,810,048**
Total liabilities as per Statement of financial Position								**214,810,048**

52. Fruitless and wasteful expenditure

Opening balance as previously reported	2,150,885	823,200
Add: Fruitless and wasteful expenditure identified - current	-	1,327,685
Closing balance	**2,150,885**	**2,150,885**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables-exchange transactions- Electricity		23,163,938	(55,495)	-	23,108,443
Receivables-exchange transactions- Refuse		20,512,790	482	-	20,513,272
Receivables-exchange transactions- Prepayments		5,095,575	(980,728)	(4,114,847)	-
Receivables-exchange transactions- Fire levy		2,872,175	(545)	-	2,871,630
Receivables from exchange transactions - Sundry and other debtors		4,013,224	-	4,114,847	8,128,071
Receivables-non-exchange transactions- Rates		37,549,450	(59,332)	-	37,490,118
PPE-Community asset cost		273,246,768	1,917,488	-	275,164,256
PPE-Community asset accumulated depreciation		(121,894,898)	(305,640)	-	(122,200,538)
PPE-Roads infrastructure cost		572,676,287	6,823,498	-	579,499,785
PPE-Roads infrastructure accumulated depreciation		(305,658,549)	(605,154)	-	(306,263,703)
PPE-Work in progress		292,405,504	(31,334,170)	-	261,071,334
Creditors accruals		(11,975,959)	-	(281,830)	(12,257,789)
Other payables		(23,146)	-	(234,212)	(257,358)
Consumer deposits-Electricity		(5,084,927)	-	474,415	(4,610,512)
Provisions-Insurance claims		-	(65,848)	-	(65,848)
Accumulated surplus		(1,050,987,608)	26,126,277	-	(1,024,861,331)
		(264,089,376)	**1,460,833**	**-**	**(262,670,170)**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest charged from exchange receivables		-	-	2,384,894	2,384,894
Other Income		536,471	-	1,115,423	1,651,894
Interest charged from non-exchange receivables		5,466,948	-	(2,384,894)	3,082,054
Other service charges		2,990,329	-	(1,115,423)	1,874,906
Employee costs		(163,087,625)	(272,558)	-	(163,360,183)
Repairs and maintenance		(22,873,635)	-	22,873,635	-
Depreciation and amortisation		(31,868,934)	(1,137,497)	-	(33,006,431)
Debt written off		(10,648,934)	(946,369)	-	(11,595,303)
Contracted services		(54,248,069)	-	(9,679,253)	(63,927,322)
Operational cost		(50,948,639)	-	(13,194,382)	(64,143,021)
Surplus for the year		**(324,682,088)**	**-**	**-**	**(327,038,512)**

53. Prior-year adjustments (continued)

Statement of Financial Position

Receivables from exchange transactions (Electricity) - Electricity debtors were stated incorrectly due to a prior year journal that was passed to align with the age analysis. The journal has since been reversed to reflect the correct general ledger balances as at 31 August 2024.

Receivables from exchange transactions (Refuse) - Refuse debtors were stated incorrectly due to a prior year journal that was passed to align with the age analysis. The journal has since been reversed to reflect the correct general ledger balances as at 31 August 2024.

Receivables from exchange transactions (Fire levy) - Fire levy debtors were stated incorrectly due to a prior year journal that was passed to align with the age analysis. The journal has since been reversed to reflect the correct general ledger balances as at 31 August 2024.

Receivables-exchange transactions (Prepayments) - Items from sundry and other debtors were incorrectly disclosed as prepayments. The correction has been done to remove such line items from prepayments back to sundry and other debtors.

Receivables from exchange transactions (Sundry and other debtors) - Refer to Receivables from exchange transactions (Prepayments).

Receivables from non-exchange transactions (Rates) - Rates were incorrectly stated due to the incorrect migration of balances that distorted the general ledger balance. The correction has since been made to reflect the correct balance as at 31 August 2024.

Property, Plant and equipment (Community asset cost) - During the preparation of 2025 financial year fixed asset register, management discovered that one community project was completed in the previous financial year. Management has since capitalised this project to fixed asset register and provided depreciations.

Property, Plant and equipment (Community accumulated depreciation) - During the preparation of 2025 financial year fixed asset register, management discovered that one community project was completed in the previous financial year. Management has since capitalised this project to fixed asset register and provided depreciations.

Property, Plant and equipment (Roads infrastructure cost) - During the preparation of 2025 financial year fixed asset register, management discovered that four roads were completed in previous financial year. Management has since capitalised these projects to fixed asset register and provided depreciations.

Property, Plant and equipment (Roads infrastructure accumulated depreciation) - Property, Plant and equipment (Roads infrastructure cost) - During the preparation of 2025 financial year fixed asset register, management discovered that four roads were completed in previous financial year. Management has since capitalised these projects to fixed asset register and provided depreciations

Property, Plant and equipment (Roads Infrastructure Work in progress) - During the preparation of 2025 financial year fixed asst register, management discovered that four roads (Willodale, Wylde Street,Weigh Bridge and Long Homes) were completed in previous financial years and not capitalised. Management has since transfered these projects from work in progress register and capitalised these projects to fixed asset register and provided depreciations. Total Value capitalised R5 099 739.55.

Property, Plant and equipment (Community Asset Work in progress) - During the preparation of 2025 financial year fixed asst register, management discovered that three community asset (Cemetery development,Boreholes in Franklin and Development of parks) were completed in previous financial years and not not capitalised. Management has since transfered these projects out of work in progress register and capitalised these projects to fixed asset register and provided depreciations. Total value of transfered projects R 1 917 488.40.

Property, Plant and equipment (Work in progress) - Willodale housing project was completed in the 2022 financial year and handed over to the community. This project has been corrected on the WIP register, transferred out of work in progress and expensed under donation on the statement of financial perfomance. R22 171 483.11.

Notes to the Annual Financial Statements

53. Prior-year adjustments (continued)

Property, Plant and equipment (Roads infrastructure Work in progress) - Management has donated Willodale water reticulation infrastructure component of R421 700, 00 to the district Municipality.

Creditors accruals - Accrual items incorrectly mapped in consumer deposits R 281,826.38.

Other payables - Other payables incorrectly mapped in consumer deposits R 192,591.84.

Consumer deposits - Other payable amounting to R 192,591.81 and creditors accruals amounting to R 281,826.38 were incorrectly mapped in consumer deposits. Refer to creditors accruals and other payables.

Insurance deposits - Insurance deposit provision was not disclosed in the face of the financial position as per the general ledger.

Statement of Financial Performance

Interest charged on exchange transactions receivables - This line item was incorrectly classified under interest received from rates (non-exchange revenue). The reallocation was done to classify it under a correct line item (interest from exchange transactions).

Other Income - Items that are not related to service charges have been re-allocated to other income. During the prior year such line items were disclosed under other service charges.

Interest charged from non-exchange receivables - Refer to Interest charged on receivables from exchange transactions comment.

Other service charges - Refer from other income comment.

Employee cost - Employee cost was restated as a result of prior year incorrect posting from sage.

Repairs and maintenance - Repairs and maintenance were disclosed as a separate line item on the face of the financial statement during the prior years. During the current year repairs and maintenance have been disclosed under the contracted services line item.

Depreciation and amortisation - Refer to property,plant and equipment roads infrastructure and community assets(accumulated depreciation).

Debt written off - Debt written off was restated to show the figure as per general ledger balance

Contracted services - The restatement is due to the reclassification of the repairs and maintenance of R 9,679253 to contracted services.

Operating cost - Items of operating expenses of R 13,194,382 were reallocated from contracted services to operating expenses.