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

General Information

Legal form of entity	Local Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of public services to communities in a suitable manner, to promote social and economic development and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act no 6 of 2004) Division of Revenue Act (Act 1of 2007)
Grading of local authority	3

Council members

Council member	Cllr M Hlongwana
Council member	Cllr T.S Mohlomi
Council member	Cllr P.S Mabuntane
Council member	Cllr S.R.L Nzimande
Council member	Cllr L Ndzimande
Council member	Cllr N Jaca
Council member	Cllr M.A Tshebi
Council member	Cllr S.M.L Sibeni
Council member	Cllr N Mphakathi
Council member	Cllr T Sosibo
Council member	Cllr T Mbhele
Council member	Cllr X.A Gwala
Council member	Cllr B.C Keswa
Council member	Cllr H.A Lukhozi
Council member	Cllr M Dlamini
Council member	Cllr M.A Cira
Council member	Cllr B Kleinbooi
Council member	Cllr F.N Nkondo-Mzizi
Council member	Cllr S.M Mbiko
Council member	Cllr T.G Soni
Council member	Cllr B Sibeni
Council member	Cllr G.D Peter
Council member	Cllr P.N Damoyi
Council member	Cllr X.M Memela
Council member	Cllr A.E Ngubane
Council member	Cllr X.L Dudula
Council member	Cllr N.C Siziba
Council member	Cllr G.L Seja
Council member	Cllr M.V Seleke

Section 79 Committee

Chairperson	Cllr M Ngcongo
MPAC member	Cllr M.L Damoyi
MPAC member	Cllr L.E Dlani
MPAC member	Cllr V.N Nguse
MPAC member	Cllr N.A Mabusela

Members of Audit Committee

Chairperson	Mr V.E Dlamini
Member	Mrs S Mbili
Member	Mr S Ndaba
Member	Mrs S Dunmun

General Information

Mayoral Committee	
Executive Mayor	Cllr JS Msiya
Deputy Mayor	Cllr B Lukakayi
Speaker	Cllr GS Mavuma
Chief Whip	Cllr X Tshazi
Member of Executive Committee	Cllr S Sofunani
Member of Executive Committee	Cllr M Didi
Member of Executive Committee	Cllr K Mafuleka
Member of Executive Committee	Cllr X Memela
Member of Executive Committee	Cllr T Manci
Member of Executive Committee	Cllr M Dubazana
Accounting Officer	Dr C.A Ngqoyiya
Chief Financial Officer (CFO)	Mrs T Ngcemu
Area of duristiction	Umzimkhulu
Country of incorporation and domicile	South Africa
Registered office	169 Main Street Umzimkhulu 3297
Postal address	P O Box 53 Umzimkhulu 3297
Telephone number	039 259 5000
Fax number	039 259 0427
Email address	info@umzimkhululm.gov.za
Bankers	Standard Bank
Auditor	Auditor General of South Africa
Attorneys	Matthew Francis Inc

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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
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
ASB	Accounting Standards Board
MSA	Municipal Systems Act
DoRA	Division of Revenue Act
FMG	Finance Management Grant
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

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

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

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

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

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

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

The Accounting Officer acknowledges responsibility for ensuring that the Municipality complies with Regulation 12 of the Broad-Based Black Economic Empowerment (B-BBEE) Regulations 2016.

The Municipality has taken steps to monitor and report on its B-BBEE compliance, and the Accounting Officer confirms that the information presented in these financial statements fairly reflects the Municipality's adherence to these requirements.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 59 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditor is responsible for independently reviewing and reporting on the municipality's annual financial statements and was given unrestricted access to all financial records and related data..

The accounting officer confirms that salaries, allowances and benefits as disclosed in note 30 and 31 are within the upper limits of the framework envisaged in section 219 of the Constitution.

The annual financial statements in terms of Section 126(1) of the Municipality FInance Management Act (Act 56 of 2003) set out on page 1-81, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2025 and were signed on its behalf by:

Dr C.A Ngqoyiya
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	171,468,863	106,017,205
Trade and other receivables from exchange transactions	3	25,120,491	23,362,719
Receivables from non-exchange transactions	4	4,215,682	2,213,665
		200,805,036	**131,593,589**
Non-Current Assets			
Investment property	5	30,958,376	30,988,548
Property, plant and equipment	6	746,354,501	707,520,557
Intangible assets	7	759,396	493,048
Heritage assets	8	477,000	477,000
Non-current investments	9	-	53,490,581
		778,549,273	**792,969,734**
Total Assets		**979,354,309**	**924,563,323**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	28,743,849	30,727,813
Trade and other payables from non-exchange transactions – transfers and subsidies unspent	11	1,319,322	11,083,656
Employee benefit obligation	12	228,287	780,520
Provisions	13	26,135,035	20,838,185
		56,426,493	**63,430,174**
Non-Current Liabilities			
Employee benefit obligation	12	6,343,503	5,667,381
Provisions	13	6,915,122	8,205,211
		13,258,625	**13,872,592**
Total Liabilities		**69,685,118**	**77,302,766**
Net Assets		**909,669,191**	**847,260,557**
Net assets presented by:			
Housing development fund	14	20,185,981	18,723,243
Accumulated surplus		889,483,213	828,537,306
Total Net Assets		**909,669,194**	**847,260,549**

* See Note 55

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	3,246,964	3,240,869
Rental of facilities and equipment	16	1,578,756	1,430,039
Agency services	17	1,599,217	1,508,967
Interest earned on receivables	18	542,750	397,933
Operational revenue	19	2,109,203	1,310,008
Impairment gains on receivables from exchange transactions	20	725,650	1,090,315
Licences and permits	21	188,315	70,982
Construction contracts revenue	22	-	4,545,920
Interest on current assets	23	16,323,781	17,080,395
Remeasurements of employee benefits	24	588,176	-
Total revenue from exchange transactions		**26,902,812**	**30,675,428**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	18,808,018	9,597,321
Transfer revenue			
Transfers and subsidies - operational	26	266,651,949	252,522,000
Transfers and subsidies - capital	26	85,323,385	38,339,614
Public contributions and donations	27	-	63,750,726
Fines, penalties and forfeits	28	710,489	524,924
Impairment gain on property, plant and equipment	29	-	2,275,221
Impairment gain on receivables from non-exchange transactions	20	336,243	525,309
Total revenue from non-exchange transactions		**371,830,084**	**367,535,115**
Total revenue		**398,732,896**	**398,210,543**
Expenditure			
Employee related costs	30	(144,277,114)	(131,426,211)
Remuneration of councillors	31	(19,628,319)	(18,539,691)
Depreciation and amortisation	32	(50,621,758)	(48,330,144)
Irrecoverable debts written off	33	(2,706,649)	(5,664,928)
Impairment loss on receivables	34	(2,035,892)	(331,951)
Impairment loss on property, plant and equipment	35	(6,045,871)	(10,649)
Loss on disposal of assets	36	(22,894)	(157,970)
Lease rentals on operating lease	37	(273,586)	(464,386)
Finance costs	38	(1,733,776)	(1,167,057)
Construction contracts expenditure	39	-	(4,545,920)
Contracted services	40	(42,850,979)	(51,507,207)
Transfers and subsidies	41	(525,000)	(415,000)
Operational costs	42	(67,065,151)	(66,923,434)
Total expenditure		**(337,786,989)**	**(329,484,548)**
Surplus for the year		**60,945,907**	**68,725,995**

* See Note 55

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balances	17,322,592	760,439,760	777,762,352
Adjustments			
Correction of errors	-	(628,449)	(628,449)
Balance at 01 July 2023 as restated*	**17,322,592**	**759,811,311**	**777,133,903**
Changes in net assets			
Surplus for the year	-	68,725,995	68,725,995
Interest on housing development fund	1,400,651	-	1,400,651
Total changes	1,400,651	68,725,995	70,126,646
Restated* Balance at 01 July 2024	**18,723,243**	**828,537,306**	**847,260,549**
Changes in net assets			
Surplus for the year	-	60,945,907	60,945,907
Interest on housing dev fund	1,462,738	-	1,462,738
Total changes	1,462,738	60,945,907	62,408,645
Balance at 30 June 2025	**20,185,981**	**889,483,213**	**909,669,194**
Note(s)	14		

* See Note 55

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation revenue		14,873,215	9,077,312
Receipts from rates payers and other services		6,044,672	1,757,113
Government grants and subsidies		342,211,000	300,480,000
Interest income		14,464,100	15,388,398
		377,592,987	326,702,823
Payments			
Employee costs		(163,210,197)	(149,881,824)
Suppliers and other payments		(107,252,991)	(129,523,410)
		(270,463,188)	(279,405,234)
Net cash flows from operating activities	43	**107,129,799**	**47,297,589**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(97,897,509)	(74,283,968)
Purchase of other intangible assets	7	(1,136,382)	(972,508)
Net movement in non-current investments	10	57,355,750	(50,000,000)
Net cash flows from investing activities		**(41,678,141)**	**(125,256,476)**
Net increase/(decrease) in cash and cash equivalents		**65,451,658**	**(77,958,887)**
Cash and cash equivalents at the beginning of the year		106,017,205	183,976,092
Cash and cash equivalents at the end of the year	2	**171,468,863**	**106,017,205**

* See Note 55

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	9,672,795	8,834,631	18,507,426	-		18,507,426	18,808,018		300,592	102 %	194 %
Service charges	3,431,262	(92,914)	3,338,348	-		3,338,348	3,246,964		(91,384)	97 %	95 %
Rental of facilities and equipment	1,481,907	(37,858)	1,444,049	-		1,444,049	1,578,756		134,707	109 %	107 %
Interest on bank and investments	14,732,452	2,324,890	17,057,342	-		17,057,342	16,323,781		(733,561)	96 %	111 %
Interest on receivables	401,450	297,182	698,632	-		698,632	542,750		(155,882)	78 %	135 %
Fines, penulties and forfeits	550,800	99,900	650,700	-		650,700	710,489		59,789	109 %	129 %
Licences and permits	55,444	42,200	97,644	-		97,644	188,315		90,671	193 %	340 %
Agency services	1,300,000	228,972	1,528,972	-		1,528,972	1,599,217		70,245	105 %	123 %
Government grants and subsidies	265,683,000	2,288,270	267,971,270	-		267,971,270	266,651,949		(1,319,321)	100 %	100 %
Operational revenue	563,070	810,179	1,373,249	-		1,373,249	2,109,203		735,954	154 %	375 %
Gain on non-current assets disposed	-	2,000	2,000	-		2,000	-		(2,000)	- %	DIV/0 %
Gain on disposal of assets	-	-	-	-		-	82		82	DIV/0 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	**297,872,180**	**14,797,452**	**312,669,632**	**-**		**312,669,632**	**311,759,524**		**(910,108)**	**100 %**	**105 %**
Employee costs	(143,292,922)	(2,409,622)	(145,702,544)	-	-	(145,702,544)	(144,277,114)	-	1,425,430	99 %	101 %
Remuneration of councillors	(19,685,407)	-	(19,685,407)	-	-	(19,685,407)	(19,628,319)	-	57,088	100 %	100 %
Impairment loss on receivables	(1,850,000)	(1,050,000)	(2,900,000)	-	-	(2,900,000)	(2,035,892)	-	864,108	70 %	110 %
Depreciation and asset impairment	(50,511,120)	(8,664,207)	(59,175,327)			(59,175,327)	(49,951,001)	-	9,224,326	84 %	99 %

Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Loss	-	-	-	-	-	-	(1,733,776)	-	(1,733,776)	DIV/0 %	DIV/0 %
Transfers and subsidies	(650,000)	650,000	-	-	(545,000)	(545,000)	(525,000)	-	20,000	96 %	81 %
Other materials	(8,246,087)	1,434,782	(6,811,305)	-	621,386	(6,189,919)	-	-	6,189,919	- %	- %
Contracted services	(61,737,462)	12,755,418	(48,982,044)	-	(844,891)	(49,826,935)	(42,850,979)	-	6,975,956	86 %	69 %
Irrecoverable debts written off	(1,913,000)	170,000	(1,743,000)	-	-	(1,743,000)	(2,706,649)	-	(963,649)	155 %	141 %
Operational costs	(58,466,524)	(6,722,476)	(65,189,000)	-	768,505	(64,420,495)	(64,497,365)	-	(76,870)	100 %	110 %
Total expenditure	**(346,352,522)**	**(3,836,105)**	**(350,188,627)**	**-**	**-**	**(350,188,627)**	**(328,206,095)**	**-**	**21,982,532**	**94 %**	**95 %**
Surplus/(Deficit)	**(48,480,342)**	**10,961,347**	**(37,518,995)**	**-**		**(37,518,995)**	**(16,446,571)**		**21,072,424**	**44 %**	**34 %**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	69,593,000	15,730,385	85,323,385	-		85,323,385	85,323,385		-	100 %	123 %
Surplus (Deficit) after capital transfers and contributions	**21,112,658**	**26,691,732**	**47,804,390**	**-**		**47,804,390**	**68,876,814**		**21,072,424**	**144 %**	**326 %**
Surplus/(Deficit) for the year	**21,112,658**	**26,691,732**	**47,804,390**	**-**		**47,804,390**	**68,876,814**		**21,072,424**	**144 %**	**326 %**
Capital expenditure and funds sources											
Total capital expenditure	92,387,395	22,252,485	114,639,880	-		114,639,880	105,745,330		(8,894,550)	92 %	114 %
Sources of capital funds											
Transfers recognised - capital	60,515,652	13,678,595	74,194,247	-		74,194,247	74,194,247		-	100 %	123 %
Internally generated funds	31,871,743	8,573,890	40,445,633	-		40,445,633	31,551,083		(8,894,550)	78 %	99 %
Total sources of capital funds	**92,387,395**	**22,252,485**	**114,639,880**	**-**		**114,639,880**	**105,745,330**		**(8,894,550)**	**92 %**	**114 %**

Statement of Comparison of Budget and Actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial position											
Total current assets	189,321,000	7,090,000	196,411,000	-		196,411,000	200,805,036		4,394,036	102 %	106 %
Total non current assets	675,326,000	13,591,000	688,917,000	-		688,917,000	778,549,273		89,632,273	113 %	115 %
Total current liabilities	(63,890,000)	6,011,000	(57,879,000)	-		(57,879,000)	(56,426,493)		1,452,507	97 %	88 %
Total non current liabilities	(5,196,000)	-	(5,196,000)	-		(5,196,000)	(13,258,625)		(8,062,625)	255 %	255 %
Community wealth/Equity	795,561,000	26,692,000	822,253,000	-		822,253,000	909,669,191		87,416,191	111 %	114 %
Cash flows											
Net cash from (used) operating	82,094,000	24,136,000	106,230,000	-		106,230,000	107,129,799		899,799	101 %	130 %
Net cash from (used) investing	(92,387,000)	(22,253,000)	(114,640,000)	-		(114,640,000)	(41,678,141)		72,961,859	36 %	45 %
Net increase/(decrease) in cash and cash equivalents	**(10,293,000)**	**1,883,000**	**(8,410,000)**	**-**		**(8,410,000)**	**65,451,658**		**73,861,658**	**(778)%**	**(636)%**
Cash and cash equivalents at the beginning of the year	182,511,000	-	182,511,000	-		182,511,000	106,017,205		(76,493,795)	58 %	58 %
Cash and cash equivalents at year end	**172,218,000**	**1,883,000**	**174,101,000**	**-**		**174,101,000**	**171,468,863**		**2,632,137**	**98 %**	**100 %**

Budget differences

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

The accounting policies on pages 13 to 40* and the note 56 form an integral part of the annual financial statements.

Budget adjustments done in terms of section 28 and section 31 of the MFMA
Shifting of funds done in terms of section 31 of the MFMA
Virement in terms of Council Approve Policy, virements must offset each other so that virements in Total Expenditure column equals zero.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

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

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

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

- GRAP 1 Presentation of Financial Statement
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Error
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events after the Reporting Date
- GRAP 16 Investment property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 19 Provisions, Contingent Liabilities and Contingent Asset
- GRAP 20 Related Party
- GRAP 21 Impairment of non-cash generating asset
- GRAP 23 Revenue from Non-exchange transactions
- GRAP 24 Presentation of budget information
- GRAP 25 Employee benefits
- GRAP 26 Impairment of cash generating assets
- GRAP 31 Intangible Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 106 Transfer of Functions between entities not under common Control
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- IGRAP 21 The effect of past decisions on materiality

1.1.1 Standards, Amendments to Standards and Interpretations Issued but not yet Effective

There have been additions to the reporting framework for municipalities and municipal entities for financial years commencing on or after 1 July 2023, 2024, and 2025. The tables outline Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board of South Africa, effective for year-ends after 1 April 2025.

The municipality has not early adopted the following Standards of GRAP and/or amendments to Standards of GRAP that have been issued by the Accounting Standards Board, but are not yet effective as at 30 June 2025:Standar

Standard	Effective date	Summary	Expected impact on Muni

Significant Accounting Policies

GRAP1- Amendment on going concern	Not yet determined	Amendments made regarding the assessment of going concern and required disclosure to accounting policies, and disclosure around judgement	The municipality does not anticipate any impact on measurement, however once the effective date is confirmed, the municipality plans to be prepared for prospective application which may impact financial year end processes and notes.
GRAP103- Amendment (Heritage assets)	Not yet determined	Changes were made to the definition of heritage assets to include cultural significance. Heritage assets must be presented in a single line on the statement of financial position with disclosure of alternative uses. Heritage assets are not depreciated. Further guidance has been provided for determining fair value and disclosures.	The municipality does not anticipate any material impact on measurement however; its impact is still being assessed.
GRAP 104 (Revised): Financial Instruments	Not yet determined	Introduces expected credit loss model for impairment of receivables and financial assets.	The municipality is currently assessing any significant changes to impairment methodology for debtors and the Quantitative impact under assessment.
GRAP 105/106/107: Transfer of Functions between entities common control	To be determined	The standard has been updated to include new disclosures that provide additional information to users. The acquirer or combined entity must explain the primary reason for the transfer of functions or merger and disclose any transfers or mergers that occurred after the reporting period but before the financial statements were authorised for issue.	The municipality does not anticipate any material impact on measurement.

Significant Accounting Policies

Improvements to Standards of GRAP (2023)	To be determined	The enhancements serve two main objectives:	No significant impact expected, however, the municipality will assess the impact on its current disclosure.
-	-	-To integrate updates emerging from developments in IPSAS and IFRS	-
-	-	To refine clarity, remove ambiguities and address practical implementation concerns.	-

Management's Assessment

The municipality has considered the above standards and interpretations. Based on a preliminary assessment, management does not expect the adoption of these Standards to have a material impact on the financial position or performance of the municipality. However, enhanced disclosures will be required once these standards become effective.

1.1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users.

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

The Annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations of 2009. A comparative of actual to budget amounts are reported in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the statement giving motivations for over- or under spending on line 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. The approved budget covers the period 1 July 2024 to 30 June 2025.

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

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

1.1.3 Changes in accounting policies, estimates and errors

Significant Accounting Policies

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Change in an accounting estimate is recognised prospectively in terms of GRAP 3 by including it in surplus or deficit in:
(a) The period of the change, if the change affects that period only; or
(b) The period of the change and future periods, if the change affects both.

Errors are corrected retrospectively in the period in which the error has occured in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only in the following instances:
(a) Is required by a Standard of GRAP; or
(b) Results in the annual financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Presentation currency

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest rand.

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 figures

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

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

1.5 Critical judgements, estimation and assumptions

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

Significant judgements include:

1.5.1 Revenue recognition

Accounting policy 1.18 on Revenue from exchange Transactions and accounting policy 1.19 of Revenue from non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgements, the management considered the detailed criteria for the recognition of revenue as set out in GRAP9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

. Critical judgements, estimation and assumptions (continued)

1.5.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgements by management. Accounting Policy 1.12.1 on Financial Assets Classification and on Financial Liabilities Classification describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

1.5.3 Impairment of financial assets

Accounting Policy 1.24 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial instruments and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment value of financial assets recorded during the year is appropriate.

1.5.4 Useful lives of property, plant and equipment, intangible assets and investment property

As described in Accounting Policies 1.7, 1.8 and 1.9 the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the underlying assets. The estimated useful lives of property, plant, and equipment, investment property and intangible assets are assessed annually and this is dependent on the condition of the assets. The residual values are estimated to be zero as the municipality will be utilising these assets of their entire economic life.

1.5.5 Impairment of property, plant and equipment and intangible assets

Accounting Policy 1.8.3 on property, plan, and equipment - Impairment of assets and Accounting Policy 1.9.3 on Intangible assets- Amortisation and impairment. Subsequent measurement describes the conditions under which non- financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing and intangible assets 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. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [Heavy rains, storms, etc].

1.5.6 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.5.7 Post Retirement Benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

. Critical judgements, estimation and assumptions (continued)

1.5.8 Construction contracts

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

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

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

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

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

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

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

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

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

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

1.6 Off-setting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under an operating lease 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.

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.

The cost of self-constructed investment property is the cost at date of completion.

Significant Accounting Policies

. Investment property (continued)

1.7.2 Subsequent measurement

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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 different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	30-50 years

All useful lives of Investment properties are reviewed annually on an indicator basis.

1.7.3 Derecognition

An investment property shall be 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.

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

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.

1.8 Property, plant and equipment

1.8.1 Initial recognition

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

. **Property, plant and equipment (continued)**

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

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

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

1.8.2 Subsequent measurement

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.8.3 Depreciation and impairment

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

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

Item	Depreciation method	Average useful life
Land		Indefinate
Buildings	Straight-line	30-50 years
Other property, plant and equipment		
- Plant and machinery	Straight-line	2-15 years
- Furniture and fixtures	Straight-line	7-10 years
- Motor vehicles	Straight-line	3-10 years
- Office equipment	Straight-line	3-7 years
- IT equipment	Straight-line	5 years
- Emergency equipment	Straight-line	5-15 years
- Bins and containers	Straight-line	5-10 years
Infrastructure		
- Electricity	Straight-line	20-30 years
- Roads and stormwater	Straight-line	10-50 years
- Security measures	Straight-line	3-15 years
Community		
- Buildings and other assets	Straight-line	10-50 years
- Recreation facilities	Straight-line	20 years

The useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

1.8.4 Derecognition

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

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

. Property, plant and equipment (continued)

1.8.5 Work in progress

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.6 Land

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

1.8.7 Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

1.9 Intangible assets

1.9.1 Initial recognition

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

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

1.9.2 Subsequent measurement

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

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

1.9.3 Amortisation and impairment

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-5 years

1.9.4 Derecognition

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

. Intangible assets (continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.10 Site restoration and dismantling cost

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.

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.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.11 Heritage assets

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

1.11.1 Recognition

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

1.11.2 Initial measurement

Heritage assets are measured at cost.

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

Significant Accounting Policies

. Heritage assets (continued)

1.11.3 Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset’s carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset’s carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Heritage assets are not depreciated.

1.11.4 Impairment

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

1.11.5 Transfers

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

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

1.11.6 Derecognition

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

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

1.12 Financial instruments

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

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

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

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

. Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

. Financial instruments (continued)

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

1.12.1 Classification

In accordacne with GRAP 104 financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at armotised cost and financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

The municipality's statement of financial position shows the following categories of financial assets: which consist of cash and cash equivalents, deposits, receivables and investments.

Financial liabilities of the municipality consist of payables and therefore correct reference must be made to financial assets and financial liabilities rather than making generic references.

1.12.2 Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.12.3 Initial measurement of financial assets and financial liabilities

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

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

1.12.4 Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

1.12.5 Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is/are impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

. Financial instruments (continued)

1.12.6 Derecognition

1.12.6.1 Financial assets

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

1.12.6.2 Financial liabilities

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

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

Significant Accounting Policies

. Financial instruments (continued)

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

1.12.7 Presentation

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

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

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

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.13 Unauthorised expenditure

Unauthorised expenditure is 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, and also disclosed in the notes to the financial statements.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:
- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:
- One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance, and also disclosed in the notes to the financial statements.

. Fruitless and wasteful expenditure (continued)

Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

1.15 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. It excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance, and also disclosed in the notes to the financial statements.

Where it is not possible to recover the revenue recognised from the irregular expenditure, the receivable is written-off following proper write off processes in terms of the MFMA.

1.16 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Significant Accounting Policies

1.17 Leases

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

1.17.1 Operating leases - lessor

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

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

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

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

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

1.17.2 Operating leases - lessee

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

1.18 Revenue from exchange transactions

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

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 recorded number of refuse containers per property.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Such transactions are accounted for in accordance with the standard on principals and agents.

1.18.1 Measurement

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

1.18.2 Sale of goods

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

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

. Revenue from exchange transactions (continued)

1.18.3 Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.18.4 Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Significant Accounting Policies

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

1.19.1 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.

1.19.2 Measurement

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

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

1.19.3 Taxes

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

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

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

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

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

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

Significant Accounting Policies

. Revenue from non-exchange transactions (continued)

1.19.4 Transfers

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

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

1.19.5 Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.19.6 Fines

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

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

1.19.7 Bequests

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

1.19.8 Gifts and donations, including goods in-kind

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

1.19.9 Services in-kind

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

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

Services in-kind are not recognised.

1.20 Conditional grants and receipts

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

1.21 Investment income

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

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

1.22 Borrowing costs

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

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

Significant Accounting Policies

1.23 Employee benefits

1.23.1 Short-term employee benefits

Recognition and measurement

All short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered are not discounted.

The expected cost of compensated absences is recognised s an expense as the employee render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as expense when there is a legal or constructive obligation to make such payments as a result of past performance. The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when: (a) it has a present legal or constructive obligation to make such payments as a result of past events, (b) a reliable estimate of the obligation can be made.

1.23.2 Retirement benefits

Recognition and measurement

Whilst employees and councillors are employed by the municipality, the municipality contributes to their medical and pension funds. On termination, resignation or retirement of employees and councillors the municipality no longer contributes to the medical and pension funds on their behalf and thus there are no post- employment benefits

1.23.3 Long service awards

Recognition and measurement

Provision for long services awards represents the present value of the estimated future cash outflow to be made by the municipality resulting from employee services provided up to Statement of Financial Position date. The provision comprises of amounts that the Municipality has a present obligation to pay resulting for employees services provided up to Statement of Financial Position date. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities.
The leave may wholly or partially converted into cash and or sick leave on the date on which the employees qualifies therefore or at any stages. On termination of service of an employee with ten (10) or more years' service, for reason of retirement, death, medical incapacity or retrenchment, leave shall be paid out to an employee on a pro rata basis. Any special leave accrued in this manner will become payable upon termination for whatever reason and not form part of vacation leave credit

Defined contribution plans

A defined contribution plan is a post-employment pension plan under which the municipality pays fixed contributions into a separate entity (a fund). The municipality has no further payment obligations once the contributions have been paid.
Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees have rendered a service. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits

Termination benefits are recognised when they accrue to employees.

. Employee benefits (continued)

1.23.4 Actuarial assumptions

Recognition

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.24 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets. The municipality currently has only non-cash-generating assets as all of it asset are purely used for service delivery.

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

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

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

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

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

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

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information:

Cessation or near cessation, of the demand or need for services provided by the asset,

Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information:

Evidence of physical damage of an asset,

Increased expenditure on repairs and maintenance on the asset.

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable service amount.

The recoverable service amount is the higher of the assets fair value less cost to sell, or its value in use.

The value in use 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.

1.26 Statutory receivables

Identification

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Other charges

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

Impairment losses

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

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

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

. Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

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

Vallue Added Tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec 15(2)(a) of the Value-Added Tax Act No 89 of 1991

1.27 Housing Development Fund

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

The municipality is in possession of the interest portion of the funds that were kept by the municipality for a long time, and this interest is recorded as a reserve in municipal books, and can only be utilized in line with the conditions of Housing development funds, and upon approval from housing development.

Significant Accounting Policies

1.28 Use of estimates

The preparation of annual annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Related parties

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

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

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

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

1.30 Segment information

A segment is an activity of an entity:

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

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

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

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

1.31 Budget information

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

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

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

Significant Accounting Policies

. Budget information (continued)

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

1.32 Commitments

A commitment is a contract that is non-cancelable or only cancelable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature, i.e.; upgrading and/or construction of assets.

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.33 Events after reporting date

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

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

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

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

1.34 Payables from exchange transactions

The Municipality recognises payables from exchange transactions where liabilities result in counter performance by respective parties as a result of exchange transactions.

Payables from exchange transactions are initially measured at fair value. Where the outflow is expected to be cash or another financial asset, the payable is classified as financial liability.

The Municipality recognises in payables an amount for accruals where an estimate is made of the amounts due for goods or services that have been received or supplied, but an invoice or formal request for payment has not been received at the reporting date.

1.35 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term liquid investments that are convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments (refer to note 2).

Significant Accounting Policies

1.36 Non-current Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the entity.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

1.37 Accounting by principals and agents

Identification

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 beAn entity is an agent when in relation to transactions with third parties all three of the following criteria are present: That the entity concerned does not have the power to determine the significant terms and conditions of the transaction;
That it does not have the ability to use all or substantially all of the resources resulting from the transactions for its own benefit; and that it is not exposed to variability in the results of the transaction.

An exception will apply where an entity has been granted specific powers in terms of legislation to direct terms and conditions of particular transactions, in such a situation it shall not consider the ‘not having the power to determine significant terms and conditions of the transaction’ criteria to conclude that it is an agent. In such situations, the entity shall apply its own judgement in determining whether such powers exist and whether they are relevant in assessing an entity as an agent.

The Municipality has an agent-principal relationship with KZN Department of Transport.

KZN Department of Transport as principal

The Department is responsible for registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation.
The Department, to provide greater access to clients throughout the Province, transfers specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.
The Department and the Umzimkhulu Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions.

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Figures in Rand	2025	2024

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,969	5,006
Bank balances	6,453,045	8,127,578
Short-term deposits	165,012,849	97,884,621
	171,468,863	**106,017,205**

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**
STD- business current acc-252801857	13,807,302	4,205,655	-	6,453,045	8,127,578	-
FNB- Cheque account-52555730913	-	111,538	1,274,564	-	-	2,660,333
Electricity - STD - 248875078/007	1,345,252	2,569,399	4,151,723	1,345,252	1,311,082	4,151,723
Rietvlei/Cly Surv - STD - 248875078/006	1,302,422	1,208,481	1,122,689	1,302,422	1,208,481	-
32 Days/ money market - STD - 248875078/009	126,261,931	63,717,968	156,132,690	125,800,658	55,828,533	150,544,944
Human Settlement Housing Oper Acc - STD - 248875078/005	18,962,508	17,593,712	16,349,107	18,962,507	17,593,711	17,471,795
Sports Grant - STD - 248875078/003	1,331,140	733,807	686,149	1,331,146	733,813	686,149
MIG -STD - 248875078/004	16,270,387	23,648,740	8,460,060	16,270,387	21,208,795	8,460,060
Total	**179,280,942**	**113,789,300**	**188,176,982**	**171,465,417**	**106,011,993**	**183,975,004**

Cash and cash equivalents comprise of cash on hand of R2 969, current accounts of R6 453 045, and call accounts investments deposits of R165 012 849. The municipality has no restrictions on cash balances.

The reason for the difference between the cash book balance and the bank statement balance arises due to transactions recorded in the cash book but not yet reflected in the bank statement and these include deposits in transit and outstanding payments as well as transactions processed directly by the bank such as direct debits and credit transfers.

3. Trade and other receivables from exchange transactions

Prepayments	323,851	1,052,227
Operating lease receivables	55,014	37,219
Staff receivables	147,498	-
Consumer debtors - Rentals	359,309	261,625
Consumer debtors - Refuse	1,327,590	545,953
Dept. of transport revenue receivable	109,118	51,831
VAT receivable due from SARS	19,454,161	18,236,378
Input VAT Accrual	3,343,950	3,177,486
	25,120,491	**23,362,719**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

3.1 Statutory receivables

VAT receivable due from SARS	19,454,161	18,236,378

Vat is accounted for on the accrual basis in the Annual Financial Statement. However, Vat is payable to SARS on the cash basis. This results in timing differences between the recognition of Vat in the financial statements and the submission of Vat returns to SARS.

The receivable balance represents Vat input amounts due to the Municipality from SARS at year-end as is therefore presented in line with GRAP 108, Statutory receivables as these represent amounts arising from legislation.

3.2 Consumer debtors

Gross debtors		
Refuse	7,254,031	6,470,956
Rentals	375,764	303,691
	7,629,795	**6,774,647**
Impairment		
Refuse	(5,926,440)	(5,925,003)
Rentals	(16,455)	(42,066)
	(5,942,895)	**(5,967,069)**
Net debtors		
Refuse	1,327,591	545,953
Rentals	359,309	261,625
	1,686,900	**807,578**
Receivables from exchange transactions that are past due but not impaired and included in receivables from exchange transactions:		
Refuse	1,327,591	545,953
Rentals	359,309	261,625
	1,686,900	**807,578**

Figures in Rand	2025	2024
Refuse residential		
Current (0-30 days)	337,389	346,076
31-60 days	155,460	155,864
61-90 days	151,494	150,706
91-120 days	150,188	147,753
121-365 days	5,305,497	4,463,507
	6,100,028	**5,263,906**
Less: Allowance for impairment	(5,909,776)	(5,070,370)
	190,252	216,894
Refuse commercial		
Current (0-30 days)	20,585	20,497
31-60 days	5,055	5,699
61-90 days	4,032	2,815
91-120 days	3,073	2,666
121-365 days	41,125	42,046
	73,870	**73,723**
Less: Allowance for impairment	(16,665)	(12,284)
	57,205	69,811
Refuse public service purpose		
Current (0-30 days)	316	-
31-60 days	156	-
61-90 days	155	-
91-120 days	155	-
121-365 days	1,787	-
	2,569	**-**
Dumping refuse		
Current (0-30 days)	79,292	109,600
31-60 days	13,819	23,373
61-90 days	-	13,919
91-120 days	-	12,238
	93,111	**159,130**
Skip waste refuse		
Current (0-30 days)	25,444	24,579
31-60 days	1,454	4,124
61-90 days	1,438	4,875
91-120 days	1,439	2,663
121-365 days	-	30,724
	29,775	**66,965**
VAT refuse		
Current (0-30 days)	56,946	62,585
31-60 days	20,184	22,853
61-90 days	17,621	20,533
91-120 days	17,064	19,671
121-365 days	842,862	781,592
Less: Allowance for impairment	(904,840)	(842,348)
	49,837	**64,886**
Rentals		
Current (0-30 days)	197,895	145,044
31-60 days	58,951	15,279

Figures in Rand	2025	2024
61-90 days	18,542	15,661
91-120 days	17,401	10,182
121-365 days	82,972	84,013
.	(19,119)	(36,855)
	356,642	**233,324**

VAT rentals		
Current (0-30 days)	23,841	20,020
31-60 days	7,156	1,745
61-90 days	1,937	1,817
91-120 days	1,980	1,009
121-365 days	7,408	8,923
Less: Allowance for impairment	(2,664)	(5,211)
	39,658	**28,303**

Reconciliation of impairment allowance		
Opening balance	5,967,069	7,857,667
Increase in impairment	641,532	36,854
Amounts written off during the year	59,944	(837,137)
Impairment reversal(Recognised as revenue in SFP)	(725,650)	(1,090,315)
Closing balance	**5,942,895**	**5,967,069**

4. Receivables from non-exchange transactions

Gross debtors		
Fines	923,154	910,269
Consumer debtors- Rates	7,508,873	4,762,674
	8,432,027	**5,672,943**

Impairment		
Fines	(608,759)	(606,609)
Property rates impairment	(3,607,586)	(2,852,669)
	(4,216,345)	**(3,459,278)**

Net values

Fines	314,395	303,660
Consumer debtors - Rates	3,901,287	1,910,005
	4,215,682	**2,213,665**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Fines	923,145	910,269
Property rates- Business and commercial	1,232,421	971,869
Property rates- Residential	3,243,944	2,667,896
Property rates- Public service purpose	2,618,174	814,349
Property rates- industrial	63,489	60,189
Property rates- vacant land	350,845	248,372
	8,432,018	**5,672,944**

Statutory receivables general information

Traffic fines are issued to offenders in terms of section 334 of Criminal Procedures Act 51, of 1997, road traffic fines is section 56 and parking fines is section 341, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on 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 of law. No interest directly, and is therefore not considered to be revenue for the municipality.

Property rates are levied in terms of section 7 to section 15 of the Municipal Property Rates Act no 6 of 2004. Property rates are levied as per the tariffs approved by the municipal council using the gazetted General Valuation Roll and levied on a monthly basis for consumers except for government properties that are levied annually. Interest on overdue accounts are not charged in terms of Property Rates Policy. The amount levied is determined by applying the market value by approved tariffs in different categories and less rebates offered by the municipality. The basis used to assess and test whether a statutory receivable is impaired, the municipality considers (Residential) debtors owing more than 90 days with no payment, the whole debt will be provided for and debtors with few payments only debt over 90 days will be provided for. We do not provide for businesses that have made payments during the financial year and also for businesses that are owing more than 90 days, only amounts more than 90 days are provided for. Government properties and lease agreements are not provided for. Receivables are grouped and assessed for collective impairment as per mSCOA segments. The discount rate varies as per consumer categories and ranges from 25% to 40%. The determination arises on the debt analysis of the consumers due number of days outstanding on the age analysis.

	2025	2024
Statutory receivables that are past due and impaired included in receivables from non- exchange transactions are as follows		
Fines	(608,759)	(606,609)
Property rates- Business and commercial	(395,547)	(133,128)
Property rates- Residential	(2,947,506)	(2,453,973)
Property rates- Industrial	(23,945)	(59,155)
Property rates- Vacant land	(240,587)	(206,413)
	(4,216,344)	**(3,459,278)**

The basis for impairment takes into account the following:

The estimate was determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually and receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

	2025	2024
Statutory receivables included in receivables from non- exchange transactions above are as follows, net of impairment:		
Fines	314,395	303,660
Property rates- Business and commercial	836,875	838,741
Property rates- Residential	296,438	213,922
Property rates- Industrial	2,618,174	814,349
Property rates- Industrial	39,544	1,034
Property rates- Vacant land	110,257	41,959
	4,215,683	**2,213,665**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Statutory receivables that are past due but not impaired and included in receivables from non-exchange transactions:

As of 30 June 2025, statutory receivables that were considered to be past due and not impaired. This was determined by taking into account the debt that was outstanding for a period of more than 30-120 days which have not been subjected to impairment, this is done in line with our impairment methodology:

Fines	314,395	303,660
Property rates	3,901,287	1,910,005
	4,215,682	**2,213,665**

Summary of aging of debtors

Traffic fines		
Current (0-30 days)	100,950	10,200
31-60 days	38,400	18,800
61-90 days	29,150	24,100
91-120 days	48,300	29,850
121 days and over	706,354	827,319
	923,154	**910,269**

Property rates		
Current (0-30 days)	803,373	615,326
31-60 days	190,779	146,833
61-90 days	176,156	112,392
91- 120 days	167,590	108,832
121- days and over	6,170,976	3,779,292
	7,508,874	**4,762,675**

Reconciliation of impairment allowance		
Opening balance	3,459,278	4,103,188
Increase in impairment	1,394,359	295,100
Amounts written off during the year	(973,535)	(1,464,319)
Impairment reversal	336,243	525,309
	4,216,345	**3,459,278**
Financial asset receivables included in receivables from non-exchange transactions above	**(4,216,336)**	**(3,459,279)**
Total receivables from non-exchange transactions	4,215,682	2,213,665

Notes to the Annual Financial Statements

Figures in Rand

5. Investment property

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	31,802,855	(844,479)	30,958,376	31,802,855	(814,307)	30,988,548

Reconciliation of investment property - 2025

	Opening balance	**Depreciation**	**Total**
Investment property	30,988,548	(30,172)	30,958,376

Reconciliation of investment property - 2024

	Opening balance	**Depreciation**	**Total**
Investment property	31,018,803	(30,255)	30,988,548

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
5.1 Rental income from investment property		
Direct income from rentals	1,578,756	1,430,039

5.2 Details of property

Land - Shopping Complex
Erven 229, 735 and 736
Duration: 50 years
Termination date: 18 June 2046
The Rhino centre has 10% of the net rental and 2% is payable to the municipality, which is calculated on the turnover

	2025	2024
Purchase price: 1 July 1996	5,300,000	5,300,000

Building - Hotel and Housing
Erven 231 and 232
Duration: 50 years
Termination date: 30 November 2061
Rental income is R154 680 per annum. The rental shall escalate by an amount equivalent to the CPI index every year.

	2025	2024
-Purchase price: 1 December 2011	905,733	905,733
-Accumulated depreciation	(844,480)	(814,308)
	61,253	**91,425**

Municipal Vacant Properties
Municipal vacant land

Erven 152

	2025	2024
-Purchase price: 1 December 1997	13,136,123	13,136,123
-Additions since purchase or valuation	2,461,000	2,461,000
	15,597,123	**15,597,123**

Land - Umzimkhulu Mall
Erven 155
Duration: 50 years
Termination: 31 December 2062
Rental income R332 722 per annum. The rental shall escalate by an amount equivalent to CPI index every year, but this escalation shall never be less than 4% nor be greater than 8% per annum.

	2025	2024
-Purchase price: 1 January 2013	10,000,000	10,000,000

	2025	2024
Total investments value		
Land - shopping complex	5,300,000	5,300,000
Building - hotel and housing	61,253	91,425
Municipal vacant properties	15,597,123	15,597,123
Land - umzimkhulu mall	10,000,000	10,000,000
	30,958,376	**30,988,548**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

There were no repairs and maintenance on the investment property in this financial year.
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.

GRAP 16 paragraph 91(e)(i) and (ii) require separate disclosure of direct operating expenses included in surplus/deficit arising from investment property that generated rental revenue and on investment property that did not generate rental revenue during the year, and the municipality did not incur any direct expenses on Investment property.

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	9,409,000	-	9,409,000	9,409,000	-	9,409,000
Buildings	45,559,645	(14,119,849)	31,439,796	43,939,495	(12,984,482)	30,955,013
Solid waste	35,275,613	(2,841,404)	32,434,209	29,829,699	(2,161,835)	27,667,864
Stormwater and roads infrastructure	599,191,220	(420,556,280)	178,634,940	584,551,558	(389,277,101)	195,274,457
Electrical Infrastructure	14,234,021	(1,058,651)	13,175,370	11,380,608	(759,805)	10,620,803
Community	518,934,424	(84,153,247)	434,781,177	452,370,750	(68,580,947)	383,789,803
Motor vehicles	16,443,776	(11,843,164)	4,600,612	16,159,537	(10,674,520)	5,485,017
IT equipment	6,878,854	(3,498,075)	3,380,779	5,568,141	(2,843,421)	2,724,720
Furniture and fixtures	4,449,035	(3,557,593)	891,442	4,262,436	(3,578,117)	684,319
Machinery and equipment	62,429,339	(30,845,700)	31,583,639	61,651,762	(26,996,788)	34,654,974
Water irrigation system	6,255,854	(232,317)	6,023,537	6,255,853	(1,266)	6,254,587
Total	**1,319,060,781**	**(572,706,280)**	**746,354,501**	**1,225,378,839**	**(517,858,282)**	**707,520,557**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment	Total
Land	9,409,000	-	-	-	-	-	-	-	9,409,000
Buildings	30,955,014	1,620,150	-	1,620,150	(1,620,150)	-	(1,127,035)	(8,332)	31,439,796
Solid waste	27,667,864	7,773,848	-	-	-	(2,327,934)	(679,569)	-	32,434,209
Furniture and fixtures	684,320	420,805	(783)	-	-	-	(213,292)	-	891,442
Motor vehicles	5,485,016	284,239	-	-	-	-	(1,168,643)	-	4,600,612
IT equipment	2,724,720	1,767,359	(18,039)	-	-	-	(1,093,262)	-	3,380,779
Electrical infrastructure	10,620,803	2,853,413	-	-	-	-	(298,846)	-	13,175,370
Infrastructure	195,274,457	14,639,663	-	9,148,097	(9,148,097)	-	(30,482,808)	(796,372)	178,634,940
Community	383,789,804	66,563,674	-	13,978,762	(13,978,762)	-	(10,331,134)	(5,241,167)	434,781,177
Machinery and equipment	34,654,976	1,030,455	(5,477)	-	-	-	(4,096,313)	-	31,583,639
Water irrigation system	6,254,587	-	-	-	-	-	(231,051)	-	6,023,537
	707,520,561	**96,953,606**	**(24,299)**	**24,747,009**	**(24,747,009)**	**(2,327,934)**	**(49,721,953)**	**(6,045,871)**	**746,354,501**

Repairs and Maintenance		
Stormwater and roads infrastructure	787,726	6,534,348
Community assets	-	1,195,175
Buildings	501,053	12,022
Machinery and equipment	509,790	56,151
Motor vehicles and plant machinery	4,955,391	4,193,357
Electricity	51,360	576,379
	6,805,320	**12,567,432**

There are no assets pledged as security.

There is an impairment of R6 037 539 recognised in Property, plant and equipment that relates to community assets and infrastructure assets, this was due to the fact that some community facilities were in a poor condition in the previous financial years mostly due to vandalism, and extreemly bad weather conditions during the year had an impact.

Contracted commitments for property, plant and equipment are shown in note 44. Carrying amounts for property, plant and equipment items approximate fair values

The total for this note showing Repairs and Maintenance will not be the same as the amount in the face of the statement of performance since the expenditure is classified according to their nature, but since we have our own plant machinery this note allows us to actually show other expenses incured in repairing and maintaining our assets

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment	Total
Land	9,409,000	-	-	-	-	-	-	9,409,000
Buildings	30,706,137	1,371,255	-	-	-	(1,111,729)	(10,649)	30,955,014
Solid waste	12,115,811	16,224,752	-	-	-	(672,691)	-	27,667,864
Stormwater and roads Infrastructure	215,200,624	11,027,422	-	25,288,627	(25,561,869)	(30,703,121)	22,774	195,274,457
Electrical Infrastructure	5,520,903	5,399,565	-	-	-	(299,665)	-	10,620,803
Community	280,363,576	44,782,697	-	67,711,331	(3,960,605)	(7,364,757)	2,257,562	383,789,804
Motor vehicles	2,949,249	4,186,144	(101,356)	-	-	(1,549,021)	-	5,485,016
IT equipment	1,459,705	2,002,939	(68,059)	-	-	(669,865)	-	2,724,720
Furniture and fixtures	881,768	41,463	(264)	-	-	(238,647)	-	684,320
Machinery and equipment	38,946,532	323,400	-	-	-	(4,609,841)	(5,115)	34,654,976
Water irrigation system	3,112,471	3,143,382	-	6,255,854	(6,255,854)	(1,266)	-	6,254,587
	600,665,776	**88,503,019**	**(169,679)**	**99,255,812**	**(35,778,328)**	**(47,220,603)**	**2,264,572**	**707,520,561**

WIP Reconciliation - 30 June 2025	Included in buildings	Included in community	Included in stormwater and roads infrastructure	Included in solid waste infrastructure	Included in irrigation and electrical infrastructure
Opening balance	2,691,255	158,480,660	9,850,255	10,720,532	5,399,565
Additions	1,620,150	66,563,674	14,639,663	7,773,848	2,853,413
Capitalised	(1,620,150)	(13,978,762)	(9,148,097)	-	-
	2,691,255	**211,065,572**	**15,341,821**	**18,494,380**	**8,252,978**

WIP Reconciliation - 30 June 2024	Included in buildings	Included in community	Included in stormwater and roads infrastructure	Included in solid waste infrastructure	Included in irrigation and electrical infrastructure
Opening balance	1,320,000	118,726,902	24,384,702	2,137,051	3,112,471
Additions	1,371,255	43,714,363	11,027,422	8,583,481	8,542,947
Capitalised	-	(3,960,605)	(25,561,869)	-	(6,255,854)
	2,691,255	**158,480,660**	**9,850,255**	**10,720,532**	**5,399,564**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Other information

Disclosure in terms of projects taking significantly longer to complete and Those that are halted

Memorial hall	65,890,703	63,005,332
Sports center	103,781,370	77,772,323
Municipal offices	2,691,255	2,691,255
	172,363,328	**143,468,910**

Memorial hall: had some delays due to the engeneer that did the designs for the glass fasade, left the sight, and there was a fear that the gatters were not going to carry the weight of the Glasses, and the new engeering had to be appointed to assess the gatters fasade, before the glass could be installed.

Harry Gwala multi- purpose Center: The re-prioritisation of the lower side by the funder, which were not in the original scope, causing delays in the entire project.

Municipal offices: The municipality took a decision to halt the project due to too many projects funded internally, the project will resume once municipal commitments reduce. secondly the municipality was not far from running an unfunded budget should we had continued with the project.

Notes to the Annual Financial Statements

Figures in Rand

7. Intangible assets

	2025			2024		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1,421,877	(662,481)	759,396	617,853	(124,805)	493,048

Reconciliation of intangible assets - 2025

	Opening balance	**Additions**	**Disposals**	**Amortisation**	**Total**
Computer software, other	493,048	1,136,382	(9)	(870,025)	759,396

Reconciliation of intangible assets - 2024

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	404,597	972,508	(884,058)	493,048

.	-	-	-	-	-	-

8. Heritage assets

The municipality's heritage assets comprise the following classes:

1. Heritage Hall
2. Mayoral chain

	2025			2024		
	Cost/ Valuations	**Accumulated impairment losses**	**Carrying value**	**Cost/ valuations**	**Accumulated impairment losses**	**Carrying value**
Historical building	432,000	-	432,000	432,000	-	432,000
Other heritage assets- Mayoral chain	45,000	-	45,000	45,000	-	45,000
	-	-	-	-	-	-
Total	**477,000**	**-**	**477,000**	**477,000**	**-**	**477,000**

Age and/or condition of heritage assets

Historical buildings: Constructed between 1915- 1925
Mayoral chain: it was acquired in 2011

Condition

The Historical building is in a very good condition.
The Mayoral chain is in good condition with no major defects reported.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Non-current investments

Nedbank - 037165022759/08		
Opening balance	53,490,581	-
Capital amount invested	-	50,000,000
Interest accrued	3,865,169	3,490,581
Matured investment (Returned)	(57,355,750)	-
	-	**53,490,581**

10. Trade and other payables from exchange transactions

Payments received in advanced	1,170,953	566,323
Consumer deposits	22,833	22,830
Accrued leave pay	1,319,086	3,210,531
Unallocated deposits	267,468	267,468
Retentions	21,279,165	19,895,154
Long service awards	578,684	737,201
Trade payables and accruals	1,738,408	3,641,082
Output Tax accrual	4,203,573	4,163,600
VAT on impairment of receivables	(1,836,321)	(1,776,376)
	28,743,849	**30,727,813**

Construction contract - Electrification disclosure

Amounts of contract revenue	-	4,545,920
Construction contract expenditure	-	(4,545,920)
	-	**-**

At the reporting date 30 June 2025, there was no construction contract revenue recognised, since there was no INEP grant transferred into the municipality. The municipality used an accrual basis and the amounts are inclusive of the retention accrued.
The Municipality fully utilized the funds in 2023/2024 financial year, and there is no outstanding balance as at 30 June 2025.

The stage of completion of contracts in progress was determined on the average of work done versus the average billed quantities per line item.

11. Trade and other payables from non-exchange transactions – transfers and subsidies unspent

Transfers and subsidies unspent comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	-	9,618,386
Development Planning Title Deeds	989,033	1,465,270
Sports grant- Maintenance	330,288	-
	1,319,321	**11,083,656**

See note 27 for reconciliation of grants from National/Provincial Government.

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

These amounts are commited to projects in progress and will be utilized in accodance with the conditons of each grant.

Figures in Rand	2025	2024

12. Employee benefit obligations

The total employee benefit consist of the following:		
Current Long service awards	228,287	780,520
Non- current Long service awards	6,343,503	5,667,381
Total employee benefit obligation	**6,571,790**	**6,447,901**

Changes in the net defined liability (asset) are as follows:

Long service awards		
Opening accrued liability	6,447,901	5,660,831
Service cost	594,818	538,512
Interest cost	695,931	603,108
Remeasurments	(588,176)	382,651
Contribution by employer	(578,684)	(737,201)
	6,571,790	**6,447,901**

Employees who achieve 5 years of service are granted 5 days paid leave, whilst employees who achieve 10 years of service are granted 10 days paid leave. Employees who achieve 15 years of service are granted 20 days paid leave. Employees who achieve 20 years of service are granted 30 days paid leave. Employees who achieve 20/25/30/35/40 and 45 years of service are granted 30 days paid leave. The abovementioned leave is only applicable to those employees who achieve the stated years of services after the effective date of these conditions. The provision is an estimate of the long service award based on the months salaries rate at 30 June 2025. it has been assumed that the staff turnover will be insignificant based on historical data. A discount rate of 9.70%(2024: 10.78%) was used on internal rate of return.

In determining the provision for long service awards the municipality utilized the services of independent actuaries.

Net expense recognised in the statement of financial performance are as follows:

Service cost	594,818	538,512
Net interest expense or revenue	695,931	603,108
-Experience adjustment	(588,176)	382,651
	702,573	**1,524,271**

Calculation of actuarial again and losses		
Actuarial (gain) losses - Obligation	(588,176)	382,651

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.70 %	10.78 %
Expected rate of return on reimbursement rights	4.41 %	5.57 %
Expected increase in salaries	5.41 %	6.57 %
Proportion of employees opting for early retirement	5.07 %	3.95 %

Key Demographic Assumptions

The mortality rate of an individual is assumed to be 85-90.

The normal retirement age is assumed to be 65 years.
Active members 229 (2024: 237)

Withdrawal from service (sample annual rates)

Female-	20 years	24%	24%
Male	20 years	16%	16%
Female-	25 years	18%	18%
Male-	25 years	12%	12%
Female-	30 years	15%	15%
Male-	30 years	10%	10%
Female-	35 years	10%	10%
Male-	35 years	8%	8%
Female-	40 years	6%	6%
Male-	40 years	6%	6%
Female-	45 years	4%	4%
Male-	45 years	4%	4%
Female-	50 years	2%	2%
Male-	50 years	2%	2%
Female	55+ years	0%	0%
Male-	55+ years	0%	0%

Sensitivity Analysis on Current service and interest costs

	Change	DBO	% Change
Current Assumptions		6,571,790	- %
Inflation rate	+1%	7,094,418	8.0 %
Inflation rate	-1%	6,101,126	(7.2)%
Discount rate	+1%	6,122,536	(6.8)%
Discount rate	-1%	7,077,765	7.7 %
Averate retirement age	+1year	6,687,552	1.8 %
Averate retirement age	-1 year	6,395,572	(2.7)%
		-	**- %**

	Change	Service cost	Interest cost	Total	% Change
Current assumptions		596,157	654,713	1,250,871	- %
Inflation rate	+1%	653,681	708,016	1,361,697	8.9 %
Inflation rate	-1%	545,058	606,754	1,151,811	(7.9)%
Discount rate	+1%	552,357	671,949	1,224,306	(2.1)%
Discount rate	-1%	645,894	633,270	1,279,163	2.3 %
Average Retirement age	+1 year	607,942	66,497	1,274,439	1.9 %
Average Retirement age	-1 year	583,331	637,017	1,220,349	(2.4)%
		-	**-**	**-**	**- %**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	re-measurement	Total
Landfill site provision- Clydesdale	8,205,211	1,037,845	(2,327,934)	6,915,122
Landfill site provision- Mankofu	18,407,046	-	2,567,786	20,974,832
Pro rata bonus	2,431,139	2,729,064	-	5,160,203
	29,043,396	**3,766,909**	**239,852**	**33,050,157**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Total
Landfill site provision- Clydesdale	-	8,205,211	8,205,211
Landfill site provision- Mankofu	18,407,046	-	18,407,046
Pro rata bonus	-	2,431,139	2,431,139
	18,407,046	**10,636,350**	**29,043,396**

	2025	2024
Non-current liabilities	6,915,122	8,205,211
Current liabilities	26,135,035	20,838,185
	33,050,157	**29,043,396**

Landfill sites

Clydesdale landfill site:
The site only became operational during late 2023 and as such the municipality has already applied for a license renewal. Hence, for purposes of this valuation and based on the above, the remaining life of the site is taken as per the design life of the facility which is 30 years. It is suggested that the ULM conduct annual airspace surveys to ensure that the remaining site life can be calculated accurately. The audit and remaining site life calculations should be done before 30 June each year to allow for the data to be used for the compilation of this report. Last year's report had a remaining site life of 30 years.

The 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, and any impairment loss is recognised in surplus or deficit.

The following assumptions were used to calculate the provision:
(1) Discount rate of 12.6%;
(2) CPI (Stats SA, Jun - Jun) was 3%;
(3) CPI (Bond yield curves) was 7%

The Mankofu dump site has reached its useful life, and the provisional estimate for the rehabilitation and closure of Mankofu disposal site as prepared by Mntomnyama Consulting Engineers.

The following must be noted:

For the Mankofu landfill a fairly accurate closure cost could be developed since the site is at closure stage and a design has been developed for closure that was costed as part of the submission to the authorities.
For Umzimkhulu the final closure cost is based on the site development plan, and a best estimate is provided based on several assumptions.
A detailed cost estimate which details the origins of the above cost estimates is included in Annexure C.

Recurring post-closure activities include the following:
• Bi-annual monitoring of leachate and water quality and submission to the Authorities;
• Removal of leachate from the leachate tank;
• Maintenance of cap i.e. erosion repairs, vegetation control; and
• Maintenance of fencing.

The capping design requires commercially sourced materials i.e. liners that meet the specifications as per the approved licence (WML) to be approved by DWS.

The shortage of the required cohesive layer from Mikhail local borrow pits result in the material being sourced from a commercial source i.e the area is surrounded by black shale and has limited dense clay required etc. Some of the works consist of specialist lining installers.

The following assumptions were used to calculate the provision
CPI (Stats SA, Jun - Jun) was 3%;

The construction(rehabilitation) has not yet began, pending the approval from the department of water and sanitation for the water licence applications.

Pro rata bonus
The bonus accrues on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis. The timing of the amount is uncertain with regards to payment of pro-rata bonus when staff members resign.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Housing Development Fund

Opening balance	18,723,243	17,322,592
Interest recognised	1,462,738	1,400,651
	20,185,981	**18,723,243**

15. Service charges

Solid waste	271,459	237,891
Waste disposal	1,024,240	927,851
Refuse removal	1,951,265	2,075,127
	3,246,964	**3,240,869**

16. Rental of facilities and equipment

Facilities and buildings	1,578,756	1,430,039

17. Agency services

Driver's Licenses	716,097	684,490
Vehicle Registration	883,120	824,477
	1,599,217	**1,508,967**

18. Interest earned on receivables

Rentals	25,132	14,522
Refuse	517,618	383,411
	542,750	**397,933**

19. Operational revenue

Tender income	66,652	45,099
Clearance certificates	3,605	4,821
Pound auction	-	300,141
Refund income	-	18,696
Cemetery fees	5,412	5,236
Hall fees	41,580	34,516
Copyrights/Royalties	111,420	75,409
Seta fund	381,410	100,114
Rent on Land:Servitudes	441,768	353,431
Insurance refund	751,187	234,939
PDA applications for land usage	11,829	31,418
Advertising income	47,451	45,739
Building plans and servitudes	88,690	52,497
Staff recoveries	150,000	-
Valuation services	548	-
PDA applications for maps	7,526	7,087
Over banking	125	865
	2,109,203	**1,310,008**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

20. Impairment gain on receivables

Reversals		
Impairment reversal- refuse	635,090	1,090,315
Impairment reversal- rentals	90,560	-
	725,650	**1,090,315**

Property rates		
Impairment reversal	336,243	525,309

21. Licences and permits

Trading permits	64,615	70,982
Taxi permits	116,500	-
Bus permits	7,200	-
	188,315	**70,982**

22. Construction contracts

Goods and services	-	4,545,920

At the reporting date 30 June 2025, there was no construction contract revenue recognised, since there was no INEP grant transferred into the municipality. The municipality used an accrual basis and the amounts are inclusive of the retention accrued.
The Municipality fully utilized the funds in 2023/2024 financial year, and there is no outstanding balance as at 30 June 2025.

The stage of completion of contracts in progress was determined on the average of work done versus the average billed quantities per line item.

23. Interest on current assets

Bank	1,018,778	1,379,660
Short-term investments	15,305,003	15,700,735
	16,323,781	**17,080,395**

24. Remeasurements of employee benefits

Actuarial gain	588,176	-

25. Property rates

Rates raised

	2025	2024
Residential	3,524,405	2,226,767
Commercial	6,185,069	4,314,862
State	13,138,435	5,557,815
Industrial	3,300	3,101
Vacant	332,012	89,290
Less: Rebates	(4,375,203)	(2,594,514)
	18,808,018	**9,597,321**

Valuations	Tariffs	2025	2024
Residential	0.008801	744,364,000	335,679,000
Commercial	0.013201	687,622,000	289,436,000
Public service purposes	0.013201	779,417,000	614,156,000
Municipal	0.008801	76,789,000	152,871,000
Industrial	0.002200	24,540,000	3,179,000
Place of worship	0.008801	22,239,000	12,854,000
Agriculture	0.002200	2,042,882,000	827,983,000
Public service infrastructure	0.002100	480,000	13,410,000
Communal property	0.002101	-	2,066,000
Public benefit organisation	0.002201	-	179,000
Vacant land	0.017001, 0.022002	44,057,297	26,776,000
		4,422,390,297	**2,278,589,000**

Valuations on land and buildings are performed every 5 years. The last new general valuation came into effect on 1 July 2024. Interim valuations will be processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Basis on which property rates are measujred
The municipality uses the values of each property as they appear in the valuation rall, and multiply by the tariff per category, and less any rebates if applicable.

Indigents and rebates

Old age pensioners were granted 100% subsidy as categorised as indigents and pensioners over 65 years were granted 25% rebate as per Council's approved rates policy. State properties were granted a 10% rebate and Public Service Infrastructures were granted 30% rebate as per Council's approved policy. Rates are levied monthly in 12 equal instalments payable on a monthly basis. Interest is charged at 15.5% on the outstanding balance of service charges, 60% rebate granted for commercial properties as per Council approval.

The new general valuation was implemented on 01 July 2024.

Figures in Rand	2025	2024

26. Transfers and subsidies - operational and capital

	2025	2024
Operating grants		
Equitable Share	259,309,000	246,074,000
Finance Management Grant (FMG)	1,800,000	1,850,000
Sports Maintenance	492,712	-
Arts and Culture	2,103,000	2,004,000
Expanded Public Works Programme (EPWP)	2,471,000	2,594,000
Development Planning Title Deeds	476,237	-
	266,651,949	**252,522,000**
Capital grants		
Municipal Infrastructure Grant (MIG)	65,323,385	38,339,614
Sports grant	20,000,000	-
	85,323,385	**38,339,614**
	351,975,334	**290,861,614**

Equitable Share

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

Finance Management Grant (FMG)

	2025	2024
Current-year receipts	1,800,000	1,850,000
Conditions met - transferred to revenue	(1,800,000)	(1,850,000)
	-	-

The purpose of this grant is to promote sound financial management
Withheld/delayed grant: None.

Arts and Culture Grant

	2025	2024
Current-year receipts	2,103,000	2,004,000
Conditions met - transferred to revenue	(2,103,000)	(2,004,000)
	-	-

The purpose of this grant is to fund salaries of the Librarians.
Withheld/delayed grant: None.

Expanded Public Works Programme (EPWP)

	2025	2024
Current-year receipts	2,471,000	2,594,000
Conditions met - transferred to revenue	(2,471,000)	(2,594,000)
	-	-

The purpose of this grant is to reduce poverty and unemployment
Withheld/delayed grant: None.

Sports maintenance

	2025	2024
Current-year receipts	823,000	-
Conditions met - transferred to revenue	(492,712)	-
	330,288	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

The purpose of this grant is for maintenance and ensuring that the sports facility is functioning properly.
Withheld/delayed grant: None.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	9,618,386	-
Current-year receipts	55,705,000	47,958,000
Conditions met - transferred to revenue	(65,323,386)	(38,339,614)
	-	**9,618,386**

The purpose of this grant is for the infrastructure development.

Development Planning Title Deeds

Balance unspent at beginning of the year	1,465,270	1,465,270
Conditions met - transferred to revenue	(476,237)	-
	989,033	**1,465,270**

The purpose of this grant is for the development planning of the title deeds.

Sports grant

Current-year receipts	20,000,000	-
Conditions met - transferred to revenue	(20,000,000)	-
	-	**-**

27. Public contributions and donations

Taxi and bus ranks	-	63,750,726

28. Fines, penalties and forfeits

Overdue Books Fines	1,234	754
Pound Fees Fines	323,205	195,110
Municipal Traffic Fines	386,050	329,060
	710,489	**524,924**

29. Impairment gain on property, plant and equipment

Community assets	-	2,257,562
Stormwater infrastructure	-	22,774
Machinery and equipment	-	(5,115)
	-	**2,275,221**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Employee related costs

Basic	93,014,431	84,446,043
Bonus	8,394,394	7,686,553
Medical aid - company contributions	7,630,139	6,970,369
UIF	689,199	653,353
Leave pay provision charge	-	61,409
Leave encashment	1,161,875	338,369
Shift and danger allowance	1,003,220	969,563
Bargaining council	31,619	29,787
Pension fund municipal contributions	12,288,566	11,391,952
Travel, motor car, accommodation, subsistence and other allowances	10,190,721	9,092,067
Overtime payments	5,509,356	5,218,417
Long-service awards	594,818	921,163
Acting allowances	110,844	322,044
Housing benefits and allowances	1,895,447	1,766,047
Cellphone allowance	1,555,760	1,384,130
Standby allowance	206,725	174,945
	144,277,114	**131,426,211**

Remuneration of Municipal Manager

Annual Remuneration	796,604	672,426
Performance Bonuses	104,192	-
Car Allowance	331,918	280,178
Contributions to UIF, Medical and Pension Funds	201,275	168,107
Cellphone allowance	30,720	28,550
Leave encashment	32,364	41,215
Cash allowance	20,340	15,255
Backpay	222,413	24,482
	1,739,826	**1,230,213**

Remuneration of Chief Finance Officer

Annual Remuneration	674,378	748,766
Performance Bonuses	116,021	112,315
Car Allowance	180,857	311,986
Contributions to UIF, Medical and Pension Funds	140,880	93,596
Cellphone allowance	30,720	30,720
Leave paid out	121,147	-
Housing allowance	138,755	93,596
Leave encashment	-	45,894
Cash allowance	20,340	20,340
Backpay	41,182	36,348
	1,464,280	**1,493,561**

Remuneration of Infrastructure and Engineering Manager

Annual Remuneration	773,387	548,421
Car Allowance	168,000	165,850
Contributions to UIF, Medical and Pension Funds	333,576	172,530
Cellphone allowance	30,720	25,600
Leave encashment	31,454	-
Cash allowance	16,950	18,645
Backpay	165,586	30,282
	1,519,673	**961,328**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
Remuneration of Corporate Services Manager		
Annual Remuneration	688,867	666,860
Performance Bonuses	103,330	100,029
Car Allowance	287,027	277,858
Contributions to UIF, Medical and Pension Funds	174,347	166,715
Cellphone allowance	30,720	30,720
Leave encashment	27,665	40,874
Cash allowance	20,340	20,340
Backpay	36,677	32,372
	1,368,973	**1,335,768**
Remuneration of Community and Social Services Manager		
Annual Remuneration	666,576	594,756
Performance Bonuses	92,158	89,214
Car Allowance	277,739	247,815
Contributions to UIF, Medical and Pension Funds	168,769	148,689
Cellphone allowance	30,720	30,720
Leave encashment	26,961	36,454
Cash allowance	20,340	20,340
Backpay	127,604	28,872
	1,410,867	**1,196,860**
Remuneration of Strategic Planning and Development Manager		
Annual Remuneration	285,158	552,097
Car Allowance	84,000	230,040
Contributions to UIF, Medical and Pension Funds	119,879	138,024
Cellphone allowance	15,360	30,720
Housing allowance	71,290	-
Leave encashment	-	88,807
Cash allowance	20,340	15,255
Backpay	30,365	20,101
	626,392	**1,075,044**

31. Remuneration of councillors

Executive Mayor	960,985	922,032
Deputy Executive Mayor	768,789	726,420
Mayoral Committee Members	3,368,478	3,182,836
Speaker	768,789	726,419
Chief Whip	731,763	681,019
Councillors	7,473,282	7,562,541
Councillors' travel allowance	2,112,417	1,510,856
Councillors' pension fund contribution	1,471,540	1,382,081
Councillors' medical aid contribution	118,276	86,287
Councillors' cellphone allowance	1,854,000	1,759,200
	19,628,319	**18,539,691**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Additional information

The salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

Ward Committee details:
-The municipality has 220 ward committees
-The ward committee stipend is disclosed in note 35 under general expenses

in-kind benefits:

The Mayor has a fixed contract secretary and a driver.
The Deputy Mayor is sharing the same secretary with the Mayor.
The Speaker's office has a fixed contract secretary.

Number of Employees:

The number of councillors is 43 and the number of employees as at 30 June 2025 was 282 (June 2024 : 274).

32. Depreciation and amortisation

Property, plant and equipment	49,721,560	47,415,830
Investment property	30,173	30,256
Intangible assets	870,025	884,058
	50,621,758	**48,330,144**

33. Irrecoverable debts written off

Property rates	1,886,208	1,964,764
Waste management	637,755	3,633,631
Rentals	182,686	66,533
	2,706,649	**5,664,928**

34. Impairment loss on receivables

Debt impairment is broken down as follows:

Fines	303,200	295,100
Rentals	67,496	36,851
Property rates	1,091,160	-
Waste management	574,036	-
	2,035,892	**331,951**

35. Impairment loss on property, plant and equipment

Community assets	5,241,167	-
Stormwater and roads infrastructure	796,372	-
Buildings	8,332	10,649
	6,045,871	**10,649**

There is an impairment of R6 037 539 recognised in Property, plant and equipment that relates to community assets and infrastructure assets, this was due to the fact that some community facilities were in a poor condition in the previous financial years mostly due to vandalism, and extreemly bad weather conditions during the year had an impact.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Loss on disposal of assets

Gain on disposals	(1,423)	(19,086)
Loss on disposals	24,317	177,057
	22,894	**157,971**

Lap tops with carrying value of less than R500 were sold to municipal employees and councillors as per the approved fixed asset policy.

37. Lease rentals on operating lease

Equipment		
Contractual amounts	273,586	464,386

38. Finance costs

Actuarial interest	695,931	603,108
Landfill site provision	1,037,845	563,949
	1,733,776	**1,167,057**

39. Construction contract expenditure

Goods and services	-	4,545,920

40. Contracted services

Outsourced Services		
Administrative and Support Staff	75,900	-
Artists and perfomers	1,141,300	1,326,250
Animal Care	107,097	59,680
Burial Services	393,395	389,218
Cleaning Services	1,218,975	1,330,533
Employee wellness	900	-
First Aid	4,837	12,512
Occupational Health and Safety	334,946	4,660
Audio and Visual Services	676,600	691,900
Personnel and Labour (Casuals)	1,466,040	1,559,067
Security Services	18,935,341	14,602,984
Consultants and Professional Services		
Business and Advisory	6,521,841	7,574,992
Legal Cost	1,399,686	4,038,082
Contractors		
Catering Services	2,689,680	4,276,137
Maintenance of Buildings and Facilities	7,227,531	15,337,342
Medical Services	526,410	-
Transportation	130,500	303,850
	42,850,979	**51,507,207**

Contracted services have been broken down as per its service category.

41. Transfer and subsidies

Bursaries (non-employees)	525,000	415,000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

42. Operational costs

Achievements and awards	728,250	683,450
Advertising	3,492,324	3,350,422
Archives	103,272	53,208
Assets expensed	248,239	29,602
Bank charges	205,837	98,794
Contribution to provisions	2,567,786	-
Electricity	10,913,204	10,363,216
Equipment hire	568,258	835,702
External audit fees	3,740,783	3,365,895
Firearms handling fees	6,750	10,475
Fuel and oil	5,754,730	6,691,934
IT expenses	10,333,995	9,611,276
Insurance	1,971,885	1,290,598
Learnerships and internships	872,580	510,000
Material and supplies	3,921,023	5,139,392
Motor vehicle expenses	446,863	321,810
Office decorations	73,745	30,000
Postage and courier	26,110	19,000
Printing and stationery	2,002,298	1,989,666
Servitudes and land survey	859,523	5,579,987
Skills development levy	1,280,954	1,179,262
Subscriptions and membership fees	1,696,083	1,629,086
Telephone and fax	3,065,810	3,747,515
Transport and freight	659,463	1,184,560
Travel - local	3,843,411	3,524,685
Travel agency fees	200,536	173,226
Uniforms	2,061,345	1,207,478
Ward committee stipend	2,721,500	2,736,500
Water	711,200	181,152
Workman's compensation	1,334,175	673,655
Workshops and events	653,219	711,888
	67,065,151	**66,923,434**

Figures in Rand	2025	2024

43. Cash generated from operations

Surplus	60,945,907	68,725,995
Adjustments for:		
Depreciation and amortisation	50,621,758	48,330,144
Contribution to staff leave	1,161,875	399,778
Finance cost - actuarial interest	695,931	603,108
Finance cost - landfill site	1,037,845	563,953
Debt impairment	2,035,892	331,951
Impairment reversal - refuse	(725,650)	(1,090,316)
Bad debts written off	2,706,649	5,664,928
Gain/loss on disposal of assets	22,894	157,970
Contribution to pro-rata bonus	2,729,064	2,431,139
Impairment reversal - property rates	(336,243)	(525,309)
Impairment - assets	6,045,871	(2,264,572)
Service cost - long service awards	594,818	538,512
Actuarial (gains)/losses	(588,176)	177,783
Straight-lining	(55,019)	(37,224)
Public contributions and donations	-	(63,750,726)
Interest accrued on investments	(3,865,169)	(3,490,581)
Changes in working capital:		
Trade and other receivables from exchange transactions	(3,227,402)	(10,317,756)
Receivables from non- exchange transactions	(4,645,292)	(1,044,933)
Payments received in advance	604,630	6,186
Other asset 3	1,462,738	1,400,651
Trade and other payables from exchange transactions	(1,194,281)	(5,845,249)
VAT impairment	(158,517)	737,201
Trade and other payables from non-exchange transactions – transfers and subsidies unspent	(9,764,334)	9,618,386
Provisions	4,656,006	-
Deposits	3	(878)
Employee benefit obligation	(578,679)	(737,200)
Accrued leave pay	(3,053,320)	(3,285,352)
	107,129,799	**47,297,589**

44. Contingent liabilities

Various claims submitted to the municipality are in the process of being resolved.
Should the respective claimants be successful with their claims, the estimated municipal liability on such claims, is disclosed below.

Legal disputes relate to:		
Invasion of municipal land and illegal structures	225,000	965,944
Municipal investigations and employee disputes	150,000	463,503
Contractual disputes	145,000	172,663
Encroachment application	75,000	130,208
PIE application	80,000	80,000
Action of damages	245,000	277,228
Eviction application	140,000	63,558
Town planning contravention applications	120,000	-
	1,180,000	**2,153,104**

The Municipality is actively monitoring these matters in consultation with its legal advisors. The ultimate outcome of these cases cannot presently be determined, and no provision for any liability that may result has been made in these financial statements for the current and previous reporting period.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Commitments

45.1 Authorised capital expenditure

Already contracted for but not provided for		
• Buildings	1,890,153	2,290,851
• Community assets	80,516,682	96,352,513
• Infrastructure assets	29,333,403	17,370,338
	111,740,238	**116,013,702**
Total capital commitments		
Already contracted for but not provided for	111,740,238	116,013,702

Community assets: The increase on the commitments is due to the change of scope for Harry Gwala sports centre due to Department of sports, arts and culture changing the scope of the project. The amounts of commitments include VAT.

45.2 Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	2,155,727	2,024,677
- in second to fifth year inclusive	3,896,944	3,242,460
- later than five years	16,336,238	16,864,985
	22,388,909	**22,132,122**

The municipality leases vacant land to property developers whom has developed Umzimkhulu Mall, Rhino centre and Umzimkhulu Hotel, and Feza family trust. The lease agreement has a term of 50 years. The rental shall escalate by an amount equivalent to the CPI index, rounding of to the nearest rand, which the escalation will be effective on the commencement date every year. The Rhino centre has 10% of the net rentals plus 2% payable to the municipality, which is calculated on the turnover of each site. Rentals will be recognised when the lessee is invoiced and will not be smoothed over the period of the lease.

Umzimkhulu Mall and Hotel commitments have been calculated and will not perform the smoothing on a straight-line over the period of the lease.

Figures in Rand	2025	2024

46. Risk management

46.1 Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Council and the Municipal Manager have overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risks limits and controls and to monitor risks and adherence to limits. Risks management policies and systems are reviewed regularly to reflect changes in the market conditions and the Municipality's activities.

The Municipality through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations. The MIunicipal Manager is of the opinion that the values reflected in the financial statements are a true reflection of fair values of both the financial assets and liabilities.

The fair values of consumer debtors is estimated to be the actual receipts expected, adjusted for possibility of doubtful debt. Payables are settled within 30 days of receipt of invoice and therefore are reflected at the settlement amount.

Financial assets		
Petty cash	2,969	5,006
Bank balances	6,453,045	8,127,578
Short-term deposits	165,012,849	97,884,621
Trade and other receivables from exchange transactions	5,666,330	5,126,341
	177,135,193	**111,143,546**

Financial liabilities		
Trade and other payables from exchange transactions	23,017,562	23,536,236
Trade and Other Payables from Non-Exchange Transactions – Transfers and Subsidies Unspent	1,319,322	11,083,656
	24,336,884	**34,619,892**

46.2 Liquidity risk

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

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Trade and other payables from exchange transactions	23,017,562	23,536,236

46.3 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the Municipality's capacity to service such debt from future earnings.

Financial assets exposed to interest rate risk at year end were as follows:.

Bank balances	6,453,045	8,127,578
Short-term deposits	165,012,849	97,884,621
	171,465,894	**106,012,199**

Figures in Rand	2025	2024

46.4 Credit risk

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

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

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

	2025	2024
Financial instruments		
Trade and other receivables from exchange transactions	5,666,330	5,126,341

47. Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure in the current finacial year.

48. Irregular expenditure

	2025	2024
Opening balance as previously reported	73,181,711	-
Add: Irregular expenditure - current	386,722	-
Add: Irregular expenditure - prior period	34,688,304	77,054,872
Less: Amount written off - prior period	(4,248,519)	(3,873,161)
Closing balance	**104,008,218**	**73,181,711**

Irregular expenditure of **R4 248 519** (2024: **R3 873 161**) was relating to the memorial hall which was investigated in the previous financial years and there was a council resolution to write it off.

Irregular expenditure of **R103 621 496** identified by Auditor General for prior years identified in the current financial. Auditor General identified gaps on the turn-key project that the municipality appointed in 2018, but the municipality was implementing the project as per the terms of reference.

Procurement of brush cutters amounting to **R159 911**: The municipality advertised and service providers were non-responsive (could not meet tender requirements and regulations requirements), and due to preasure in the society, the municipality opted for a diviation in order to procure these bruch cutters, however Auditor Genenal felt that due to time laps between the time the procurement process failed and the time when these brush cutters were actually purchased, and declared this diviation as irregular expenditure.

Procurement of Cleaning material amounting to **R226 810**: The municipality advertised for suitable service provider to provide cleaning services before the expiry of the contract with the then service provider, however the service providers were again non-responsive (could not meet tender requirements and regulations requirements), and due to urgency of the matter affecting the hygen in all municipal buildings, the municipality opted for a diviation, but upon Auditor General's assessment of our diviations, they felt that this should be the irregular expenditure.

49. Unauthorised expenditure

There was no unauthorised expenditure in the current financial year, and there was nothing in the prior year as well.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,263,299	1,543,048
Amount paid - current year	(1,263,299)	(1,543,048)
	-	-

Audit fees

Current year subscription / fee	3,740,783	3,365,895
Amount paid - current year	(3,740,783)	(3,365,895)
	-	-

PAYE and UIF

Current year subscription / fee	23,844,166	20,085,659
Amount paid - current year	(23,844,166)	(20,085,659)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	19,711,933	18,362,321
Amount paid - current year	(19,711,933)	(18,362,321)
	-	-

51. Accounting by principals and agents

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

Figures in Rand	2025	2024

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

49.1. Department of Transport

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

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

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

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R1 599 217 (2024: 1 508 967)

49.2. Human settlement

The municipality construct houses on behalf of Human settlement, the municipality acts as an agent, while Human settlement acts as a principal.

Current- year receipts	1,044,790	385,068
Conditions met(spent)	(1,044,790)	(385,068)
	-	-

52. Related parties

Related party balances and transactions

The were no councillors with an outstanding balance for more than 90 days.

Section 57 employees		
Remuneration paid	8,130,011	6,855,814

Refer to note 30 for further details.

Councillors		
Remuneration paid	19,628,319	18,539,691

Refer to note 31 for further details.

Employee lease rentals		
N. Luzulani	31,590	30,000
T. Sondzaba	-	3,239
S. Maphumulo	2,850	2,400
S. Sosibo	2,850	2,400
TM Sikhosana	2,850	2,400
I Jokweni	2,850	2,400

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Deviation from supply chain management regulations

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

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

There were deviations amounting to **R2 251 417.68**

The Breakdown of these deviations is as follows:

-

It was impractical to follow SCM processes on the bellow transactions		
Advertisement on Ilanga news paper	1,264,684	-
Advertisement on East griqualand news paper	296,930	-
Transport to Umkhosi womhlanga	189,003	-
Training on GRAP AFS and audit	65,720	-
Workshop on Quantum Geographic Information system	21,848	-
Attending Indaba training on Assets management	11,385	-
Advertisement on Pondo news	10,626	-
Advertisement on Ikhwezi publishers	4,500	-
	1,864,696	**-**

54. Events after the reporting date

Non - adjusting events

Director Infrastructure resigned on the 17th of July 2025.

Adjusting events:

There were no adjusting events after the reporting date.

55. Prior-year adjustments

The VAT receivable due from SARS was understated with an amount of R12 628 726, and the input VAT accrual was oversated with an amount of R9 301 605 and the municipality has rectified the errors, thus the difference of R4 327 121 is the increase in the trade and other receivables from exchange transactions, this VAT misstatement was due to incorrect treatment of the VAT in the previous financial years.

The Investment property was undersated with an amount of 740 due to minor recarrying differences between TB and Invetments register.

During the current financial year, errors were identified in the accounting for Property, Plant and Equipment (PPE). Journals were processed to correct differences identified between the Fixed Asset Register and the Trial Balance. The discrepancies resulted from prior period errors, including incorrect mSCOA classifications, omitted asset additions, incorrect depreciation calculations, misallocations of costs, and incomplete transfers between Worki-in-Progess (WIP) and Property, Plant and Equipment (PPE).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

The municipality has corrected these errors in accordance with GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors. Comparative figures have been restated where necessary to reflect the corrected balances.

The property, plant, and equipment were were overstated due to misalignment between the fixed assets register and the tiral balance, this was caused by the FAR module not properly functioning..

intengible assets were understated with an amount of R355 due to minor recarrying differences between the TB and the intangible assets register in the previous years.

Provisions: provision for landfill site was overstated in the previous financial year, due to incorrect calculations for the provision, and the pro-rata bonus was not provided for in the previous financial years..

Trade and other payables and accruals in the prior year were overstated

Retention: some of the retention were not raised with VAT, thus understating our retention.

Long service awards were not properly raised in the on the liability

Accrued leave pay was overstated, due to incorrect calculations in the previous financial years..

Accumulated surplus was adjusted due to prior period adjustments.

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Trade and other receivables from exch trans		19,035,598	4,327,121	23,362,719
Investment property		30,987,808	740	30,988,548
Property, plant, and equipment		709,891,707	(2,371,147)	707,520,560
Intangible assets		492,692	355	493,047
Heritage assets		432,000	45,000	477,000
Trade and other payables from exchange transactions		29,753,223	974,590	30,727,813
Provisions- Clydesdale landfill site		9,585,184	(1,379,973)	8,205,212
Provisions- current		18,407,046	2,431,139	20,838,185
Accumulated surplus		828,561,003	(23,697)	828,537,306
Vat receivable due from SARS		3,282,535	14,953,843	18,236,378
Input VAT accruel		13,804,208	(10,626,722)	3,177,486
Trade and other payables accruals		4,491,894	(850,812)	3,641,082
long service awards		-	737,201	737,201
Retention		15,576,566	4,318,588	19,895,154
Accrued leave pay		6,440,917	(3,230,386)	3,210,531
		1,690,742,381	**9,305,840**	**1,700,048,222**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Employee related costs		131,488,258	(62,047)	131,426,211
Depreciation and amortisation		48,410,221	(80,077)	48,330,144
Finance costs		1,103,886	63,171	1,167,057
Gain on disposal of assets		16,936	(16,936)	-
Loss on disposal of assets		-	157,970	157,970
Impairment gain on property, plant and equipment		2,264,572	10,649	2,275,221
		183,283,873	**72,730**	**183,356,603**

Reclassifications

The following reclassifications adjustment occurred:

It should be noted that for the bellow reclassifications, there was no journal involved, but it was remapping incorrect / reclassifications.

The Government grants and subsidies can been reclassified and separated into 2, being the Transfers and subsidies- Operational and Transfers and subsidies- Capital.

Gain on disposals that was in the revenue has been off-set in expenditure as loss on disposal of assets.

The impairment reversal was previously bellow the surplus, and its now under revenue.

56. Budget differences

BUBDGET VS ACTUAL VARIANCE EXPLANATIONS 2024-2025

REVENUE

Fines, Penalties and Forfeits- The municipality collected more on fines, penulties, and forfeits due to enforcement of municipal bylaws by Local Economic Development during the financial year and was not anticipated in the adjustment budget.t.

Interest on receivables- Under collection- Some contracts were terminated and write off were done on uncollectable accounts for data cleansing.

Licences or Permits- More collection is due to new permits for taxis that were introduced.

Operational Revenue- (Incidental Cash Surpluses, Insurance Refund, Library Copy Fees, Seta - Skill development Levy Refund, Staff Recoveries and Sales of goods and rendering of services) - More collection is due to fleet card refund form old bank (FNB) that the municipality did not anticipate and Insurance refunds depends on incidents happened during the financial year that the municipality cannot measure and they were paid after adjustment.

Rent on land: Servitudes- Due to some of the lease contracts were exempted from billing as planning department is still dealing with land issues.

Rental from Fixed Assets- More collection is a result of old mutual rental account that was re-instated and debited after adjustment budget.

Maintenance of sport grant- The municipality receive this allocation in September 2024 with it’s condition to pay EPWP for Sport Art and Culture and to procure working tools and protective clothing, therefore the municipality employed 12 people in November with a remuneration of R4 420pm per employee (R220X20days). The municipality did not have a service provider to supply working tools and protective clothing the municipality has to go for tender and the employees start in the second quarter that resulted for the grant not fully spent.

Human Settlement- The municipality faced challenges in approving the terms of reference for Mathews Francis, as his contract had expired, and the legal services position had been advertised. The municipality had to await the completion of SCM processes, which delayed effective utilization of the allocated funds.

OPERATING EXPENDITURE

Debt impairment- The was less impairment incurred as per the municipality methodology stated on bad debt write offs & impairment of debts policy. However, the municipality budgeted for impairment as per previous trends or impairment showing on Annual Financial Statements, whereas for current financial year budgeting only movement should have been considered without opening balances.

Irrecoverable debts written-off- There were accounts billed property rates for Department of Agriculture, Land Reform and Rural Development however those properties had Development rights agreement in place, handing over to individuals or Cooperatives therefore the municipality had to process write offs for all those accounts. There were agreements that the municipality entered for land lease however there were land dispute after signing of the lease agreements therefore the municipality had to write off all those accounts.

Depreciation and asset impairment- Budget is more than actual; the cause is due to some projects that were expected to be completed but were not completed e.g. Memorial Hall and HG Multipurpose sport centre. There are some movable assets that were expected during the financial year, but their procurement was delayed and some assets that were disposed which affected the actual depreciation.

Other materials- SMME & Cooperative Support Program – Manufacturing – The service provider was depended on Ithala bank funding which was reduced to 30% of the total project value, the service provider then failed to deliver on time.

SMME & Cooperative Support Program – Agriculture - The appointment of a service provider was delayed due to non-compliance with Supply Chain Management (SCM) requirements, resulting in the need to re-advertise this project.

Contracted Services- The municipality realise savings on contracted services and general expense because of the following reasons:

Performing arts cash prices- The budget was topped up during adjustment with the aim of conducting an event that will acknowledge the personalities in the Sports and culture sector from uMzimkhulu, however the event postponed due to unforeseen challenges.

Burials Services- The funds on this project were topped up during budget adjustment to accommodate anticipated burial services that were to be conducted, and those projects were less than it was anticipated.

CSS Library Road Show- Other library roadshows were collaborated with the Gender office and their budget was utilised, also Anti- Ukuthwalwa Kwezintombi was jointly conducted with the DSAC and cost were shared.

Assets Verification and Procedure Manual Development- The savings realised is due to the service provider did not manage to claim the whole amount that they were appointed with, which led to unspent on the vote since the budget was based on the contracted amount

Accounting and Auditing- Also there were documents requested by SMC from Leadership Academy (Service provider) directors such as a proof that they are not in the service of the state. therefore, the service provider did not respond on time and the municipal could not proceeds.

Review of Agricultural Development plan and Review of Tourism Strategy- the savings realised in terms of section 53 (2) (a) of uMzimkhulu municipality supply chain management policy – which states that due to changed circumstances, there is no longer a need for the services, works or goods therefore the tender has been cancelled.

Ebezweni Planning & survey- Project delayed. As part of SPLUMA requirements, the service provider is conducting specialist studies which needs to be considered and approved by relevant service authorities in relation to Environment Authorisation.

Operational Cost- Youth Skills Development - Drivers Licences - Due to non-compliance of service providers the project has overlapped to following financial year.

Hired Facilities- The initial plan was to hire the events facilities for Indaba, but TVET reschedule the exams in which the Clydesdale community hall was became available and utilised.

CAPITAL EXPENDITURE

Internal Generated fund- The following projects were underspent due to non-compliance of service providers: Fire Equipment, Speed Machine and Traffic Trailer

Installation of Street Light (CBD)- The project experienced delays due to the modification of scope. This was conducted to reduce the risks of vandalism and major blackouts to the streetlights when there is fault in the future.

Ntlangwini low level bridge- The service provider vacated the site without informing the municipality and there was a poor performance. The municipality is in the process to terminate the contract.

Provision of high mast- The project is faced with major challenges, which includes the delays from Eskom in installing the final point of supply for the High mast light.

Memorial Hall- The project is in progress but experienced delays in the approval of designs for steel guttering due the resignation of design engineer before he commits the designs. The glass fasade supplier refuses to finally complete the installation without the approval of the section. The engineer is currently in place to assess and approve.

Park home- Due to availability of office space at Memorial Hall the municipality cancelled the procurement of Park Home this decision was taken after the adjustment budget.

Upgrade of ARCGIS software- The process of Upgrading of ArcGIS Software is ongoing through addition of other modules such as cemetery management system, building plan management system & town planning aanagement system. Therefore, once all processes have been finalised payments will be made accordingly in line with the Service Level Agreement.

57. Segment information

Identification of segments

The segments were organized around the type of service delivery by the municipality which are also the main revenue generating streams. These segments also represent the funding sources that fund the municipal operations as per mSCOA. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.
Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Community and social related services, sports and recreation
Economic and environment affairs	Roads, planning and development
Trading services	Waste management services
Other services	Finance, administration, information technology

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Segment Revenue	Community and public safety	Economic and environmental services	Trading services	Other services	Total
External revenue from exchange transactions	1,881,328	220,112	3,246,964	2,932,282	8,280,686
External revenue from non-exchange transactions	75,816,301	153,842,582	-	141,834,957	371,493,840
Interest revenue	-	-	517,618	16,790,682	17,308,300
Revenue from transactions with other segments	-	-	-	1,650,069	1,650,069
Total Segment revenue	**77,697,629**	**154,062,694**	**3,764,582**	**163,207,990**	**398,732,895**
Segment expenses					
Salaries and wages	(35,766,558)	(41,496,578)	(12,798,903)	(73,843,395)	(163,905,434)
Depreciation and amortisation	(10,331,134)	(35,321,916)	(679,569)	(4,289,137)	(50,621,756)
Interest expense	-	-	(1,037,845)	(695,931)	(1,733,776)
Expenses from transactions with other segments	(5,565,718)	(275,925)	(574,036)	(1,680,647)	(8,096,326)
Other expenditure	(10,024,739)	(16,267,795)	(3,808,492)	(83,328,669)	(113,429,695)
	(61,688,149)	**(93,362,214)**	**(18,898,845)**	**(163,837,779)**	**(337,786,987)**
Surplus/deficit for the year	16,009,479	60,700,480	(15,134,263)	(629,789)	60,945,907
Other information					
Segment assets	402,796,464	449,746,967	(927,509)	127,738,387	979,354,309
Segment liabilities	33,126,867	213,103,946	1,944,966	(317,860,897)	(69,685,118)
Additions to non- current assets	66,563,674	17,493,076	7,773,848	1,620,150	93,450,748
Non- cash expenses	(15,896,852)	(35,597,840)	(1,253,605)	(5,969,785)	(58,718,082)
	-	-	-	-	-