Nala Local Municipality
(Registration number FS185)
Annual Financial Statements
for the year ended 30 June 2024

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interests of the local community mainly in the Nala area.
Mayoral committee	
Executive Mayor	Mashiya MN
Speaker	Ntlebi NE
Executive Committee / Mayoral Committee	Mothibi MW (Chair)
	Mafojane PW
	Moshane ZM
	Ross DC
	Sekhejane MS
Councillors	Barnard MC
	Botha D
	Mahoko PE
	Makunye AM
	Masiu AT
	Mkhondwani BH
	Mokotedi IS
	Molutsi MM
	Mothebe MS
	Ntaopane RJ
	Reed D
	Sai EP
	Swartbooi PD
	Tau ER
	Tlali NE
	Van WyK P
	Velembo MW
Grading of local authority	Grade 3
Municipal demarcation code	FS185
Chief Finance Officer (CFO)	Lekitlane MF
Accounting Officer	Lehloenya SJ
Registered office	Municipal Offices
	8 Preller Street
	Bothaville
	9660
Postal address	Private Bag X15
	Bothaville
	9660
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Finger Attorneys
	Maritz-Willemse Attorneys Incorporated

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
UIF	Unemployment Insurnace Fund
PAYE	Pay As You Earn (Employee's 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 external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Lehloenya SJ
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Notes	2024	2023 Restated*
Assets			
Non-Current Assets			
Investment property	3	554,921,004	557,826,280
Property, plant and equipment	4	1,125,562,929	1,150,041,820
Intangible assets	5	173,365	268,352
Other financial assets	6	209,214	173,773
		1,680,866,512	**1,708,310,225**
Current Assets			
Inventories	7	7,718,872	4,130,667
Receivables from exchange transactions	8	121,011,729	119,960,701
Receivables from non-exchange transactions	9	33,958,126	28,625,346
Other receivables		851,036	167,184
VAT receivable	10	138,962,721	136,282,845
Cash and cash equivalents	11	9,778,938	12,057,877
		312,281,422	**301,224,620**
Total Assets		**1,993,147,934**	**2,009,534,845**
Liabilities			
Non-Current Liabilities			
Eskom debt relief liability		366,004,836	-
Employee benefit obligations	12	59,012,000	51,501,000
Provisions	13	37,069,487	43,640,505
		462,086,323	**95,141,505**
Current Liabilities			
Eskom debt relief liability		183,002,418	-
Payables from exchange transactions	14	709,399,533	1,122,685,209
Consumer deposits	15	3,926,973	3,908,782
Employee benefit obligations	12	8,168,000	6,734,000
Unspent conditional grants and receipts	17	7,893,819	3,694,869
		912,390,743	**1,137,022,860**
Total Liabilities		**1,374,477,066**	**1,232,164,365**
Net Assets		**618,670,868**	**777,370,480**
Accumulated surplus		618,670,868	777,370,480
Total Net Assets		**618,670,868**	**777,370,480**

* See Note 43

Statement of Financial Performance

Figures in Rand	Notes	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	220,364,090	200,858,351
Rental of facilities and equipment	19	280,113	497,883
Interest received - Exchange receivables		29,484,182	29,180,581
Discount received		53	1,904
Other income	20	2,912,081	3,477,056
Interest received - investment	21	2,914,162	2,951,910
Fair value adjustments		35,441	21,523
Actuarial gains		-	6,729,794
Dividends or similar distributions received	21	17,875	14,889
Total revenue from exchange transactions		**256,007,997**	**243,733,891**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	25,753,175	26,408,307
Availability charges	23	1,752,261	1,674,739
Interest received - Non exchange receivables		8,738,230	3,670,110
Transfer revenue			
Government grants & subsidies	24	209,883,368	194,521,296
Fines, Penalties and Forfeits	25	119,000	386,850
Eskom debt relief revenue		168,000,396	-
Total revenue from non-exchange transactions		**414,246,430**	**226,661,302**
Total revenue	26	**670,254,427**	**470,395,193**
Expenditure			
Employee related costs	27	(214,729,287)	(196,895,341)
Remuneration of councillors	28	(9,855,359)	(9,542,796)
Depreciation and amortisation	29	(43,437,453)	(32,890,431)
Impairment loss	30	(28,515,722)	(11,748,436)
Finance costs	31	(108,835,668)	(60,614,795)
Debt Impairment	32	(112,346,020)	(86,104,096)
Bulk purchases	33	(209,419,902)	(170,309,693)
Contracted services	34	(23,428,405)	(25,676,526)
Loss on disposal of assets and liabilities		(7,982,123)	(46,062,193)
Actuarial losses		(1,117,495)	-
General Expenses	35	(40,588,768)	(35,869,493)
Repairs and maintenance		(28,697,836)	(12,178,394)
Total expenditure		**(828,954,038)**	**(687,892,194)**
Deficit for the year		**(158,699,611)**	**(217,497,001)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	982,267,053	982,267,053
Adjustments		
Prior year adjustments 43	12,600,428	12,600,428
Balance at 01 July 2022 as restated*	**994,867,481**	**994,867,481**
Changes in net assets		
Surplus for the year	(217,497,001)	(217,497,001)
Total changes	(217,497,001)	(217,497,001)
Restated* Balance at 01 July 2023	**777,370,479**	**777,370,479**
Changes in net assets		
Surplus for the year	(158,699,611)	(158,699,611)
Total changes	(158,699,611)	(158,699,611)
Balance at 30 June 2024	**618,670,868**	**618,670,868**

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		1,528,894	12,713,028
Sale of goods and services		126,880,763	101,705,822
Grants		214,082,318	196,141,173
Interest income		41,136,574	35,802,601
Dividends or similar distributions received		17,875	14,889
Other receipts		(276,958)	4,003,916
		383,369,466	350,381,429
Payments			
Employee costs		(221,531,930)	(199,847,620)
Suppliers		(427,916)	(47,356,055)
Finance costs		(95,689,864)	(48,578,959)
Other cash item		(2,679,876)	(21,741,527)
		(320,329,586)	(317,524,161)
Net cash flows from operating activities	36	**63,039,880**	**32,857,268**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(65,318,819)	(44,876,427)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(2,278,939)**	**(12,019,159)**
Cash and cash equivalents at the beginning of the year		12,057,877	24,077,036
Cash and cash equivalents at the end of the year	11	**9,778,938**	**12,057,877**

The accounting policies on pages 10 to 39 and the notes on pages 40 to 75 form an integral part of the annual financial statements.

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	245,084,494	(5,773,905)	**239,310,589**	220,364,090	**(18,946,499)**	Note 37
Rental of facilities and equipment	223,139	(92,339)	**130,800**	280,113	**149,313**	Note 37
Interest received - Exchange receivables	84,917,255	(227)	**84,917,028**	29,484,182	**(55,432,846)**	Note 37
Discount received	-	-	**-**	53	**53**	Note 37
Other income	10,698,422	(2,446,463)	**8,251,959**	2,912,081	**(5,339,878)**	Note 37
Interest received - investment	1,122,166	1,475,768	**2,597,934**	2,914,162	**316,228**	Note 37
Dividends or similar distributions received	-	20,000	**20,000**	17,875	**(2,125)**	Note 37
Total revenue from exchange transactions	**342,045,476**	**(6,817,166)**	**335,228,310**	**255,972,556**	**(79,255,754)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	28,099,268	(1,514,004)	**26,585,264**	25,753,175	**(832,089)**	Note 37
Availability charges	-	-	**-**	1,752,261	**1,752,261**	Note 37
Interest received - Non exchange receivables	-	-	**-**	8,738,230	**8,738,230**	
Transfer revenue						
Government grants & subsidies	208,413,750	598,001	**209,011,751**	209,883,368	**871,617**	Note 37
Fines, Penalties and Forfeits	85,724	41,188	**126,912**	119,000	**(7,912)**	Note 37
Interest - Transfer revenue	-	-	**-**	168,000,396	**168,000,396**	
Total revenue from non-exchange transactions	**236,598,742**	**(874,815)**	**235,723,927**	**414,246,430**	**178,522,503**	
Total revenue	**578,644,218**	**(7,691,981)**	**570,952,237**	**670,218,986**	**99,266,749**	
Expenditure						
Employee related costs	(181,572,622)	(32,997,952)	**(214,570,574)**	(214,729,287)	**(158,713)**	Note 37
Remuneration of councillors	(10,085,886)	(21,973)	**(10,107,859)**	(9,855,359)	**252,500**	Note 37
Depreciation and amortisation	(44,149,680)	(20,426)	**(44,170,106)**	(43,437,453)	**732,653**	Note 37
Impairment loss/ Reversal of impairments	-	-	**-**	(28,515,722)	**(28,515,722)**	Note 37
Finance costs	(21,000,000)	(19,101,062)	**(40,101,062)**	(108,835,668)	**(68,734,606)**	Note 37
Debt Impairment	(138,427,747)	-	**(138,427,747)**	(112,346,020)	**26,081,727**	Note 37
Bulk purchases	(111,481,339)	(38,167,794)	**(149,649,133)**	(209,419,902)	**(59,770,769)**	Note 37
Contracted Services	(26,293,505)	(16,462,144)	**(42,755,649)**	(23,428,405)	**19,327,244**	Note 37
Loss on disposal of assets	-	-	**-**	(7,982,123)	**(7,982,123)**	Note 37
General Expenses	(27,550,482)	5,359,043	**(22,191,439)**	(40,588,768)	**(18,397,329)**	Note 37
Repairs and maintance	(20,052,359)	(1,509,747)	**(21,562,106)**	(28,697,836)	**(7,135,730)**	Note 37
Total expenditure	**(580,613,620)**	**(102,922,055)**	**(683,535,675)**	**(827,836,543)**	**(144,300,868)**	
Operating deficit	**(1,969,402)**	**(110,614,036)**	**(112,583,438)**	**(157,617,557)**	**(45,034,119)**	
Fair value adjustments	-	-	**-**	35,441	**35,441**	Note 37

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actuarial gains/losses	-	-	-	(1,117,495)	**(1,117,495)**	Note 37
	-	**-**	**-**	**(1,082,054)**	**(1,082,054)**	
Deficit before taxation	**(1,969,402)**	**(110,614,036)**	**(112,583,438)**	**(158,699,611)**	**(46,116,173)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(1,969,402)**	**(110,614,036)**	**(112,583,438)**	**(158,699,611)**	**(46,116,173)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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 goodwill and tangible assets are inherently uncertain and could materially change over time.

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.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

GRAP 24: Presentation of budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation, or an amount greater than R10 000.

All material differences are explained in the notes to the annual financial statements.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

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

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

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.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 60 years
Motor vehicles	Straight-line	5 - 15 years
Infrastructure		
- Electricity	Straight-line	5 - 60 years
- Roads	Straight-line	10 - 80 years
- Structures	Straight-line	10 - 60 years
- Stromwater drainage	Straight-line	50 - 60 years
- Sewer reticulation	Straight-line	5 - 10 years
- Waste water treatment works	Straight-line	15 - 80 years
- Water reticulation	Straight-line	20 - 60 years
Other property, plant and equipment		
- Furniture and fittings	Straight-line	5 - 7 years
- IT equipment	Straight-line	6 - 7 years
- Landfill sites	Straight-line	12 - 13 years
- Office equipment	Straight-line	4 - 7 years
- Plant and machienery	Straight-line	4 - 7 years
- Vehicles	Straight-line	7 - 15 years
- Airports	Straight-line	5 - 60 years

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

1.7 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.

Accounting Policies

1.8 Intangible assets

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

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

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

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

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.

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

Intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	4 years

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

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

1.9 Financial instruments

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

Classification

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

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

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

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

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

A gain or loss arising from a change in th fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and finacial liabilites measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is unrecognised or impaired, or through the amortisation process.

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is 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 the estimated future cash flows (excluding future credit losses that have 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 occuring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the 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 assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similat financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

1.9 Financial instruments (continued)

The carrying amounts of the transferred assets 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 and deficit in the period if the transfer.

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

The municipality removes a financial liability (or 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 the substantially different terms is acccounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

Presentation

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

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recogised as revenue or expenses in surplus or deficit.

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.10 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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

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

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

In estimating the future cash flows, 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

Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

1.11 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

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

1.12 Inventories (continued)

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

1.13 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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.

Accounting Policies

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

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.

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.

1.15 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.15 Employee benefits (continued)

Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Accounting Policies

1.15 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

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

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

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

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

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).

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

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 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and dividends

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

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

Interest is recognised using the effective interest rate method. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

Interest is recognised using the effective interest rate method. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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.

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.20 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.

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

Accounting Policies

1.22 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 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 municipality’s supply chain management policy.

Irregular expenditure is defined in section 1 fo the MFMA as expenditure other than unauthorised expenditure, incurred in the contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
  - Municipal Systems Act, Act 32 of 2000, and its regulations;
  - Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
  - The municipality's supply chain management policy, and any by-laws giving effect to that polic

Irregular expenditure that was incurred and identified during the current financial period and was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial period and for which condonement is being awaited at year end must be recorded in the irregular expenditure register.

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

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

Irregular expenditure is accounted for as expenditure in the Statement of Financial Perfomance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Segment information

A segment is an activity of an entity:

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

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

1.25 Segment information (continued)

Measurement

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

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

1.26 Operating expenditure

Expenses encompasses losses as well as those that arise in the course of operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential.

Expenses are recognised in the Statement of Financial Performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenditure is recognised in the Statement of Financial Performance in the year that the expenditure was incurred.

The expenditure is classified in accordance to the nature of the expense.

Material expenditure disclosed in the Statement of Financial Performance include:
- Bulk purchases: Water and electricity purchased with the intention of distributing it to the public.
- Contracted services: Comprises of outsourced services, consultants, professional services and contractors.
- General expenses: General expenses is an aggregation of operating expenses that are not material enough to be disclosed on their own on the Statement of Financial Performance.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2023 to 30/06/2024.

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

1.28 Related parties

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

Accounting Policies

1.28 Related parties (continued)

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

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

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

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

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

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

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

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

1.29 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); 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.

Council is not aware of any other material events which ocurred after the reporting date and up to date of the issue of the financial statements, which require adjustment to the financial statements.

1.30 Dsitribution losses

Distribution losses is disclosure required by the Municipal Finance Managment Act 56 of 2003.

Electricity distribution losses
The percentage of volume is calculated by dividing the total units purchased minus the total units sold by the total units purchased.

Water distribution losses
The percentage of volume is calculated by dividing the total units purchased minus the total units sold by the total units purchased.

Accounting Policies

1.31 Value-Added Tax

The municipality is registered with the South African Revenue Service (SARS) for value-added tax (VAT) on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.32 Accumulated surplus

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses/deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus/deficit when retrospective adjustments are made.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	To be determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	To be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	562,366,598	(7,445,594)	554,921,004	563,950,509	(6,124,229)	557,826,280

Reconciliation of investment property - 2024

	Opening balance	Transfers	Impairments	Depreciation	Total
Investment property	557,826,280	(1,583,911)	(1,265,289)	(56,076)	554,921,004

Reconciliation of investment property - 2023

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	596,193,587	(32,737,905)	(5,564,736)	(64,666)	557,826,280

Pledged as security

No investment property were pledged as security.

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

Amounts recognised in surplus or deficit

Rental revenue from Investment property	280,113	497,883

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	124,006,139	(12,339,054)	111,667,085	122,422,228	(6,183,700)	116,238,528
Buildings	179,073,269	(123,031,677)	56,041,592	186,423,875	(118,765,096)	67,658,779
Motor vehicles	14,340,251	(6,840,874)	7,499,377	13,525,341	(5,553,814)	7,971,527
Infrastructure	1,901,940,108	(953,784,194)	948,155,914	1,874,838,606	(919,466,099)	955,372,507
Other equipment	6,652,685	(4,453,724)	2,198,961	7,614,174	(4,813,695)	2,800,479
Total	**2,226,012,452**	**(1,100,449,523)**	**1,125,562,929**	**2,204,824,224**	**(1,054,782,404)**	**1,150,041,820**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Change in estimate	Work-in-progress	Transfers	Depreciation	Impairment loss	Total
Land	116,238,528	-	-	-	-	1,583,911	-	(6,155,354)	111,667,085
Buildings	67,658,779	-	(1,454,068)	-	426,770	-	(3,497,256)	(7,092,633)	56,041,592
Motor vehicles	7,971,527	814,910	-	-	-	-	(913,104)	(373,956)	7,499,377
Infrastructure	955,372,507	11,236,426	(6,388,389)	(12,161,259)	51,841,806	-	(38,143,228)	(13,601,949)	948,155,914
Other equipment	2,800,479	647,534	(489,710)	-	-	-	(732,801)	(26,541)	2,198,961
	1,150,041,820	**12,698,870**	**(8,332,167)**	**(12,161,259)**	**52,268,576**	**1,583,911**	**(43,286,389)**	**(27,250,433)**	**1,125,562,929**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Work-in-progress	Depreciation	Impairment loss	Total
Land	131,290,989	-	(8,868,761)	-	-	(6,183,700)	116,238,528
Buildings	69,403,185	1,353,683	(825,602)	-	(2,272,487)	-	67,658,779
Motor vehicles	3,750,910	4,919,090	-	-	(698,473)	-	7,971,527
Infrastructure	939,199,649	9,806,062	(3,636,856)	39,131,248	(29,127,596)	-	955,372,507
Other equipment	3,132,036	336,556	-	-	(668,113)	-	2,800,479
	1,146,776,769	**16,415,391**	**(13,331,219)**	**39,131,248**	**(32,766,669)**	**(6,183,700)**	**1,150,041,820**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included Within Buildings	Total
Opening balance	42,494,226	1,461,736	43,955,962
Additions/capital expenditure	51,841,806	426,770	52,268,576
Transferred to completed items	(70,552,634)	(1,888,506)	(72,441,140)
	23,783,398	**-**	**23,783,398**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included Within Buildings	Total
Opening balance	44,833,815	108,054	44,941,869
Additions/capital expenditure	37,111,538	1,353,683	38,465,221
Transferred to completed items	(39,451,128)	-	(39,451,128)
	42,494,225	**1,461,737**	**43,955,962**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	28,697,836	12,178,394

Maintenance of property, plant and equipment

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

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	1,804,500	(1,631,135)	173,365	1,975,065	(1,706,713)	268,352

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	268,352	(94,987)	173,365

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	335,497	(67,145)	268,352

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Other financial assets

	2024	2023
Designated at fair value		
Unlisted shares	209,214	173,773
Unlisted shares consist of 8 236 (2023: 8 236) equity shares valued at R9.00 (2023: R8.15) each in Agribel Limited and 7 110 (2023: 7 110) equity shares in Senwes Limited valued at R19.00 (2023: R15.00) each.		
Non-current assets		
Designated at fair value	209,214	173,773

7. Inventories

	2024	2023
Inventories (stock in transit)	(179,864)	(179,172)
Consumables	7,854,825	4,269,193
Water for distribution	43,911	40,646
	7,718,872	**4,130,667**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Receivables from exchange transactions

Consumer debtors	582,511,805	491,064,741
Other receivables	14,291,087	14,612,451
Recoverable fruitless and wasteful expenditure	959,632	959,632
Overpayment to councillors	1,460,266	1,460,266
Less: Provision for bad debts on consumer debtors	(477,538,906)	(387,503,500)
Less: Provision for bad debts on other receivables	(672,155)	(632,889)
	121,011,729	**119,960,701**

Figures in Rand	2024	2023

8. Receivables from exchange transactions (continued)

Consumer debtor ageing

	2024	2023
Current (not past due)	4,462,696	4,357,647
1 month past due	3,145,778	3,467,062
2 months past due	2,776,166	3,089,077
3 months and more	110,627,089	109,046,915
	121,011,729	**119,960,701**

Consumer debtors per customer classification:

2024	**Gross debtors**	**Impairment provision**	**Net debtors**
Electricity	28,992,835	(13,376,203)	15,616,633
Water	270,068,422	(218,247,113)	51,821,309
Sewerage	148,814,330	(129,384,584)	19,429,746
Refuse	134,636,218	(116,531,006)	18,105,212
	582,511,805	**(477,538,906)**	**104,972,900**

2023	**Gross debtors**	**Impairment provision**	**Net debtors**
Electricity	36,532,806	(15,479,669)	21,053,137
Water	215,045,076	(167,842,042)	47,203,034
Sewerage	124,134,518	(105,558,222)	18,576,296
Refuse	115,352,341	(98,623,567)	16,728,774
	491,064,741	**(387,503,500)**	**103,561,241**

Consumer debtor industries

2024	Gross debtors	Impairment provision	Net debtors
Households	503,084,576	(449,742,328)	53,342,248
Industrial and commercial	41,071,025	(25,978,321)	15,092,704
National and provincial government	36,443,261	-	36,443,261
Other	1,912,943	(1,818,257)	94,687
	582,511,805	**(477,538,906)**	**104,972,900**

2023	Gross debtors	Impairment provision	Net debtors
Households	407,826,831	(361,156,598)	46,670,233
Industrial and commercial	48,134,744	(25,043,509)	23,091,235
National and provincial government	33,678,259	-	33,678,259
Other	1,424,907	(1,303,393)	121,514
	491,064,741	**(387,503,500)**	**103,561,241**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(387,503,500)	(338,573,849)
Provision for impairment	(90,035,406)	(48,929,651)
	(477,538,906)	**(387,503,500)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

None of the receivables from exchange transactions was pledged as security by the municipality during the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from non-exchange transactions

	2024	2023
Fines	436,512	258,277
Consumer debtors - VAT	86,860,695	71,455,935
Less: Provision for bad debts on consumer debtors - VAT	(70,817,422)	(57,361,704)
Consumer debtors - Rates	75,644,648	64,962,661
Less: Provision for bad debts on consumer debtors - Rates	(58,166,307)	(50,689,823)
	33,958,126	**28,625,346**

Non-exchange ageing

	2024	2023
Current (not past due)	1,252,315	1,039,833
1 month past due	882,763	827,320
2 months past due	779,044	737,124
3 months and more	31,044,004	26,021,069
	33,958,126	**28,625,346**

Non exchange services

2024	Gross debtors	Impairment provision	Net debtors
Property rates	75,644,648	(58,166,307)	17,478,342
Value-Added Tax	86,860,695	(70,817,422)	16,043,272
	162,505,343	**(128,983,729)**	**33,521,614**

2023	Gross debtors	Impairment provision	Net debtors
Property rates	64,962,661	(50,689,823)	14,272,838
Value-Added Tax	71,455,935	(57,361,704)	14,094,231
	136,418,596	**(108,051,527)**	**28,367,069**

Non exchange industries

2024	Gross debtors	Impairment provision	Net debtors
Households	132,746,820	(121,128,556)	11,618,264
Industrial and commercial	10,788,402	(7,564,094)	3,224,308
National and provincial government	18,667,556	-	18,667,556
Other	302,565	(291,079)	11,486
	162,505,343	**(128,983,729)**	**33,521,614**

2023	Gross debtors	Impairment provision	Net debtors
Households	111,483,996	(100,926,154)	10,557,842
Industrial and commercial	9,462,478	(6,916,046)	2,546,432
National and provincial government	15,247,355	-	15,247,355
Other	224,767	(209,327)	15,440
	136,418,596	**(108,051,527)**	**28,367,069**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(108,051,527)	(63,998,532)
Provision for impairment	(20,932,202)	(44,052,995)
	(128,983,729)	**(108,051,527)**

Statutory receivables general information

Transactions arising from statute

Property Rates
Property rates receivables are statutory receiavbles and arise from the property taxes levied on property owners, this is done in accordance to the Municipal Property Rates Act No 6 of 2004. Property rates receivables are dealt with using Nala Local Municipality Credit Control and Debt Management Policy.

Traffic fines
Traffic fines are statutory receivables and arise from fines issued due to traffic infringements committed by motorists, this is done in accordance with the Criminal Procedure Act No 501 of 1977. No interest is charged on the receivables that arise from traffic fines. Traffic fines receivables is disclosed at fair value using the historical collection rate ratios to determine the future collection rate, this assumes the two ratios will be similar.

Value-Added Tax
Value Added Tax is a South African consumption based tax levied on the service charges billed on consumer accounts. It is a statutory receivable that is levied in terms of the Value-Added Tax Act. 89 of 1991. The Value-Added Tax on consumer accounts is dealt with using the Nala Local Municipality Credit Control and Debt Management Policy.

10. VAT receivable

VAT	138,962,721	136,282,845

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	(11,624,649)	(8,892,883)
Short-term deposits	21,403,587	20,950,760
	9,778,938	**12,057,877**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB - Current Account - 62025990765	1,508,718	966,576	1,195,650	(11,624,649)	(8,892,883)	725,410
FNB - Money Market - 6226222521	4,255,691	4,312,376	2,824,080	4,255,691	4,312,376	2,824,080
FNB - Mone Market - 62002839506	11,890,855	16,202,405	12,628,912	11,890,855	16,202,330	12,628,837
FNB - Money Market - 62373464503	5,257,041	436,054	7,898,709	5,257,041	436,054	7,898,709
Total	**22,912,305**	**21,917,411**	**24,547,351**	**9,778,938**	**12,057,877**	**24,077,036**

Difference between bank statement and cashbook 2024	Bank statement	Cashbook	Difference
FNB - Current account - 62025990765	1,508,718	(11,624,649)	13,133,367

The difference amounting to R13,133,367 is as a result of unallocated deposits of R6,468,327 and outstanding deposits of R.6,665,040

Difference between bank statement and cashbook 2023	Bank statement	Cashbook	Difference
FNB - Current account - 62025990765	966,576	(8,892,883)	9,859,459
FNB - Money market - 62002839506	16,202,405	16,202,330	75
	17,168,981	**7,309,447**	**9,859,534**

The difference amounting to R9,859,459 is as a result of unallocated deposits of R2,893,136 and outstanding deposits of R6,966,323.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Employee benefit obligations

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

	2024	2023
Carrying value		
Opening balance	(58,235,000)	(56,797,000)
Benefits paid	2,768,495	1,859,772
Current service cost	(3,058,000)	(2,849,000)
Interest cost	(7,538,000)	(7,321,000)
Actuarial gain/(loss)	(1,117,495)	6,872,228
	(67,180,000)	**(58,235,000)**

	2024	2023
Non-current liabilities	(59,012,000)	(51,501,000)
Current liabilities	(8,168,000)	(6,734,000)
	(67,180,000)	**(58,235,000)**

One ZAQ Consultants and Actuaries has been appointed to perform the actuarial valuation of Nala Local Municipality's post-employment medical aid benefits liability as at 30 June 2024 for the purpose of reporting under the Statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5.

The valuation was performed by Julian van der Spuy, B.Comm (CERA) (FIA) in his capacity as a Fellow of the Actuarial Society of South Africa and as an employee of ZAQ Actuaries (Pty) Ltd.

The previous year's actuarial valuation was also conducted by ZAQ Actuaries and the valuation was performed by Julian van der Spuy, B.Comm (CERA) (FIA) in his capacity as a Fellow of the Actuarial Society of South Africa and as an employee of ZAQ Actuaries (Pty) Ltd.

Changes in the present value of the defined benefit obligation are as follows:

	2024	2023
Opening balance	(58,235,000)	(56,952,000)
Benefits paid	2,768,495	1,415,472
Net movement recognised in the statement of financial performance	(11,713,495)	(2,698,472)
	(67,180,000)	**(58,235,000)**

Net movement recognised in the statement of financial performance

	2024	2023
Current service cost	(3,058,000)	(1,938,000)
Interest cost	(7,538,000)	(6,084,000)
Actuarial (gains) losses	(1,117,495)	5,323,528
	(11,713,495)	**(2,698,472)**

12. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Please note that the valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on future levels of assumed variables such as medical aid inflation. The impact of deviations between actual experience and the assumptions made can be found in the Sensitivity Analysis section of this document.

Financial variables:

The two most important financial variables used in the valuation are the discount rate and the medical aid inflation rate. The following values have been assumed for these variables:

	2024	2023
Actual return on plan assets	Yield curve	Yield curve
Discount rates used	Difference between nominal and yield curves	Difference between nominal and yield curves
Expected rate of return on assets	CPI + 1%	CPI + 1%
Expected rate of return on reimbursement rights	Yield curve based	Yield curve based

Discount rate:

We used the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

Medical aid inflation:

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average retirement age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

12. Employee benefit obligations (continued)

Normal retirement age:

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependants:

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Withdrawal:

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore no assets was considered as part of the valuation.

A table setting out the assumed rates of withdrawal from service is set out below:

Age band:	Withdrawal rate males:	Withdrawal rate females:
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60+	0%	0%

Current (In service) members:
The table below provides a summary of details for current employees:

	Male	Female	Total
Number of active employees	184	93	277
Subsidy weighted average age	50,7	47,4	49,7
Subsidy weighted average past service	16,5	14,3	15,2

12. Employee benefit obligations (continued)

Average monthly subsidy payable during retirement	**R2 770**	**R2 370**	**R2 630**

Continuation members:
The table below provides a summary of details for continuation members:

	Male	**Female**	**Total**
Number on continuation members	8	15	23
Subsidy weighted average age	83,1	74,0	77,8
Average monthly subsidy	**R6 050**	**R4 590**	**R5 100**

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	+1% Medical aid inflation	**-1% Medical aid inflation**
Effect on the aggregate of the service cost and interest cost	10,467,000	7,791,000
Effect on defined benefit obligation	62,849,000	47,980,000

Amounts for the current and previous four years are as follows:

	2024 R	2023 R	2022 R	2021 R	2020 R
Defined benefit obligation	(54,716,000)	(47,269,000)	(45,986,000)	(44,811,000)	(7,157,000)
Surplus (deficit)	3,058,000	1,938,000	1,175,000	37,654,000	(84,000)

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

Defined contribution plan asset

As at the valuation date, the medical aid liability of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. Therefore no assets was considered as part of the valuation.

Long Service Bonus Awards

ZAQ Consultants and Actuatries has been appointed to perform an actuarial valuation of Nala Municipality's long service bonus awards liability at 30 June 2024 for the purpose of reporting under the Statement if Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standard 19 (IAS 19).

The valuation was performed by Julian van der Spuy, B.Comm (CERA) (FIA), in his capacity as a Fellow of the Actuarial Society of South Africa and as an employee of ZAQEN Actuaries (PTY) Ltd. A previous actuarial valuation was performed by ZAQ Actuaries (Pty) Ltd as at 30 June 2023 to disclose on the long service bonus awards in the financial statements.

Key assumptions used

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Financial Variables
The two most important financial variables used in the valuation is the discount rate and salary inflation. The following assumptions were made for these variables:

Financial variable	2024 Valuation	2023 Valuation
Discount rate	Yield curve	Yield curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal salary increase rate	CPI + 1%	CPI + 1%
Net effective discount rate	Yield curve based	Yield curve based

Discount rate:

We use the nominal and real zero curves as at 30 June 2024 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. We have changed this methodology from a point estimate in order to present a more accurate depiction of the liability. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Normal salary inflation rate:

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5.4%. The next salary increase was assumed to take place on 01 July 2025.

In addition to the normal salary inflation rate, the following promotional salary increased were assumed:

Age band	Promotional increase
20 - 24	5%
25 - 29	4%
30 -34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average retirement age:

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal retirement age:

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates:

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal decrements:

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate males	Wthdrawal rate females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%

12. Employee benefit obligations (continued)

60+	0%	0%

Membership data
The information below is based on the membership data received from the municipality.

Eligible male employees:

Age band	Number of employees	Average annual salary	Salary weighted average past service (years)	Average accrued liability
20 - 29	1	R140 178	5,49	R6 908
30 - 39	37	R249 216	8,49	R23 565
40 - 49	129	R258 742	12,14	R32 734
50 - 59	116	R297 520	18,29	R32 920
60 +	40	R264 470	21,40	R5 069
Total	**323**	**R271 919**	**15,28**	**R28 244**

Eligible female employees:

Age band	Number of employees	Average annual salary	Salary weighted average past service (years)	Average accrued liability
20 - 29	0	R0	0	R0
30 - 39	35	R272 388	7,41	R20 914
40 - 49	32	R312 342	13,42	R38 731
50 - 59	44	R279 371	18,77	R31 124
60 +	5	R224 378	21,24	R0
Total	**119**	**R283 989**	**13,94**	**R28 800**

Total eligible employees:

Age band	Number of employees	Average annual salary	Salary weighted average past service (years)	Average accrued liability
20 - 29	1	R140 178	5,49	R6 908
30 - 39	72	R260 480	7,94	R22 276
40 - 49	161	R269 395	12,43	R33 926
50 - 59	160	R292 529	18,42	R32 426

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

60 +	45	R260 016	21,39	R4 506
Total	**439**	**R275 109**	**14,91**	**R28 391**

Valuation of assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

13. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest Cost	Change in Estimate	Total
Environmental rehabilitation	43,640,505	5,607,804	(12,178,822)	37,069,487

Reconciliation of provisions - 2023

	Opening Balance	Interest Cost	Change in Estimate	Total
Environmental rehabilitation	36,520,812	4,714,836	2,404,857	43,640,505

Environmental rehabilitation provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

- Bothaville
- Wesselsbron

In terms of licensing refuse sites, the municipality will incur licensing and rehabilitation costs to restore the sites at the end of its useful life. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision.

Financial assumptions used:

- The Weighted Average Cost of Capital (WACC) was used to discount future costs of rehabilitating the landfill sites, such costs include construction costs and professional services. The WACC was calculated by using the Government Bond Yield Rate (12.25%) and adjusted using landfill specific risks. The WACC was calculated at 12.85%;

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Provisions (continued)

- Given the small population size and the large landfill area available, the calculations show that the site has beyond 20 years of airspace remaining. An RUL of 20 years is considered the maximum realistic RUL given that predicting future closure requirements (particularly in terms of legislation and compliance therewith) beyond this time frame is impractical. Indeed, new generation waste management licences typically have validity periods not exceeding 20 years, with extension only possible where sites are managed to the requisite standard. The RUL has been considered as 20 years for the baseline year (2022). The current remaining RUL is the baseline assessment with a 1 year reduction, which is 18 years.;

- The discount rate used is 12.85% for a 18-year period since the anticipated closure of the site is in 2042 (based on the information);

14. Payables from exchange transactions

	2024	2023
Trade payables	658,456,872	1,071,115,030
Payments received in advanced	12,841,550	13,589,782
Accrued leave pay	27,184,840	24,906,753
Accrued bonus	5,727,440	5,244,847
Other Creditors	2,794,970	2,792,439
Retentions	2,393,861	5,036,358
	709,399,533	**1,122,685,209**

15. Consumer deposits

	2024	2023
Electricity and water	3,926,973	3,908,782

Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

There are no guarantees held for electricity and water deposits.

16. Other receivables

	2024	2023
Other receivables	851,036	167,184
Other receivables comprises of items that were long outstanding items on the bank reconciliation for a few years. These items will be presented to council.		

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent grants	7,893,819	3,694,869

Movement during the year

Balance at the beginning of the year	3,694,868	2,074,992
Additions during the year	62,919,318	53,508,173
Income recognition during the year	(56,026,367)	(50,032,900)
National Treasury offset	(2,694,000)	(2,288,000)
Deferred Revenue	-	(911,157)
Prior year correction	-	1,343,761
	7,893,819	**3,694,869**

See note 24 for reconciliation of grants from National/Provincial Government.

18. Service charges

Sale of electricity	113,191,567	95,579,273
Sale of water	61,999,000	57,912,431
Sewerage and sanitation charges	27,692,969	28,898,952
Refuse removal	17,480,554	18,467,695
	220,364,090	**200,858,351**

Excluded from the above service charges is income forgone to the amount of R30 646 173 (2023: R39 744 822).

19. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	280,113	497,883

20. Other income

Admin fees	26,981	18,585
Advertisement	-	435
Burial income	448,123	657,440
Cemeteries	1,280,664	524,139
Connection Fees	200,584	104,643
Fees earned	690,515	543,345
Levies	234,768	117,835
Meter tampering/testing	-	650
Stock adjustment	-	1,490,104
Valuation certificates	30,446	19,880
	2,912,081	**3,477,056**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Investment revenue

Dividend revenue		
Other financial assets	17,875	14,889
Interest revenue		
Bank: Investment	2,914,162	2,951,910
	2,932,037	**2,966,799**

22. Property rates

Rates received

Property rates	25,753,175	26,408,307

Excluded from the above service charges is income forgone to the amount of R4 150 687 (2023: R4 733 984).

Valuations

Residential	2,088,537,880	2,088,537,880
Commercial	197,409,000	197,409,000
State	156,232,000	156,232,000
Municipal	92,552,600	92,552,600
Agriculture	2,616,380,000	2,616,380,000
Industrial	133,263,000	133,263,000
Other	94,747,700	94,747,700
	5,379,122,180	**5,379,122,180**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R80 000 of the rateable value of the residential property are exempted from taxes, an additional R20 000 rebate is allowed for indigents. A 100% rebate is granted to churches and municipal property. Furthermore a rebate of 50% is granted to farms, 20% to sectional title properties within agricultural land.

23. Availability charges

Electricity	796,812	757,804
Water	412,074	397,800
Sewerage and sanitation	543,375	519,135
	1,752,261	**1,674,739**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Government grants & subsidies

Operating grants		
Equitable share	153,857,000	144,920,000
Municipal Infrastructure Grant	1,739,850	1,164,632
Financial Management Grant	3,100,000	2,650,000
Extended Public Works Grant	957,000	1,398,000
Local Government Sector Education and Training Authority Grant (LG SETA)	266,318	43,173
	159,920,168	**150,175,805**
Capital grants		
Municipal Infrastructure Grant	26,848,367	31,648,910
Energy Efficiency Demand Side Management (EEDSM)	4,280,000	4,000,000
VAT on capital expenses	3,848,619	(60,169)
Water Services Infrastructure Grant (WSIG)	14,986,214	8,756,750
	49,963,200	**44,345,491**
	209,883,368	**194,521,296**

Integrated National Electrification Grant (INEP) - Capital

Balance unspent at beginning of year	156,022	156,022
Current-year receipts	280,000	-
Conditions met - transferred to revenue	(280,000)	-
	156,022	**156,022**

Conditions still to be met - remain liabilities (see note 17).

The grant is used to fund the electrification of new townships establishments.

Municipal Infrastucture Grant - Capital

Balance unspent at beginning of year	560,818	(124,808)
Current-year receipts	30,730,150	32,274,368
Conditions met - transferred to revenue	(26,848,366)	(27,077,286)
Income recognition - VAT	(3,431,922)	(4,061,594)
Prior year correction	-	461,295
Deferred revenue	-	(911,157)
	1,010,680	**560,818**

The grant is used to fund the infrastructure projects / capital projects of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

24. Receivables from exchange transactions (continued)

Financial Management Grant (FMG) - Operating

	2024	2023
Balance unspent at beginning of year	450,000	-
Current-year receipts	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,100,000)	(3,002,345)
Prior year Correction	-	352,345
National Treasury offset	(450,000)	-
	-	**450,000**

Conditions still to be met - remain liabilities (see note 17).

The grant is used to assist in the payment of the financial sytem expenses of the municipality and the improvement of the financial systems.

Extended Public Works Program Grant (EPWP) - Operating

	2024	2023
Balance unspent at beginning of year	-	85,000
Current-year receipts	957,000	1,398,000
Conditions met - transferred to revenue	(957,000)	(1,398,000)
National treasury offset	-	(85,000)
	-	**-**

The grant is used to fund social uplifting projects.

Municipal Infrastructure Grant (MIG) - Operational

	2024	2023
Current-year receipts	1,739,850	1,164,632
Conditions met - transferred to revenue	(1,739,850)	(1,164,632)
	-	**-**

The grant is used to fund the project management unit of the municipality.

Figures in Rand	2024	2023

24. Receivables from exchange transactions (continued)

Energy Efficiency and Demand Site Management Grant (EEDSM) - Capital

Balance unspent at beginning of year	1,000	2,203,000
Current-year receipts	4,000,000	4,000,000
Conditions met - transferred to revenue	(3,478,261)	(3,478,261)
Income recognition - VAT	(521,739)	(521,739)
National treasury offset	(1,000)	(2,203,000)
Prior year Correction	-	1,000
	-	**1,000**

The grant is used to fund the implementation of the retrofit "Energy Efficient Lighting Technologies" in the municipal buildings, street and traffic lighting infrastructure and the efficient technologies in the water treatment and pump stations.

Water Services Infrastructure Grant (WSIG) - Capital

Balance unspent at beginning of year	2,243,000	(528,250)
Current-year receipts	21,846,000	11,528,000
Conditions met - transferred to revenue	(13,446,349)	(8,074,670)
Income recognition - VAT	(1,956,562)	(1,211,200)
National treasury offset	(2,243,000)	-
Prior Year Correction	-	529,120
	6,443,089	**2,243,000**

The grant is used to fund projects whose purpose is to provide water and sanitation services and reduce backlogs.

Local Government Sector Education and Training Authority Grant (LG SETA) - Operational

Current-year receipts	266,318	43,173
Conditions met - transferred to revenue	(266,318)	(43,173)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

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

25. Fines, Penalties and Forfeits

Municipal Traffic Fines	119,000	386,850

26. Revenue

Service charges	220,364,090	200,858,351
Rental of facilities and equipment	280,113	497,883
Interest received (trading)	29,484,182	29,180,581
Discount received	53	1,904
Other income	2,912,081	3,477,056
Interest received - investment	2,914,162	2,951,910
Dividends or similar distributions received	17,875	14,889
Property rates	25,753,175	26,408,307
Availability charges	1,752,261	1,674,739
Interest, Dividends and Rent on Land	8,738,230	3,670,110
Government grants & subsidies	209,883,368	194,521,296
Fines, Penalties and Forfeits	119,000	386,850
	502,218,590	**463,643,876**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	220,364,090	200,858,351
Rental of facilities and equipment	280,113	497,883
Interest received (trading)	29,484,182	29,180,581
Discount received	53	1,904
Other income	2,912,081	3,477,056
Interest received - investment	2,914,162	2,951,910
Dividends or similar distributions received	17,875	14,889
	255,972,556	**236,982,574**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	25,753,175	26,408,307
Availability charges	1,752,261	1,674,739
Interest, Dividends and Rent on Land	8,738,230	3,670,110
Transfer revenue		
Government grants & subsidies	209,883,368	194,521,296
Fines, Penalties and Forfeits	119,000	386,850
	246,246,034	**226,661,302**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Employee related costs

Acting allowances	4,088,741	3,661,028
Basic	122,139,411	107,543,977
Bonus	10,048,402	9,190,007
Defined contribution plans	2,052,000	1,938,000
Employee benefits - costs	1,006,000	911,000
Housing subsidies	258,071	373,878
Leave pay provision charge	2,278,087	4,429,595
Medical aid - company contributions	10,186,387	9,321,606
Night shift allowance	190,085	144,642
Overtime payments	15,733,153	17,661,838
Pension	21,291,434	18,864,136
SDL	1,535,844	1,417,515
Travel, motor car, accommodation, subsistence and other allowances	21,911,521	19,490,492
UIF	898,831	889,477
WCA	1,111,320	1,058,150
	214,729,287	**196,895,341**

Remuneration of Municipal Manager - Mr SJ Lehloenya

Annual Remuneration	790,860	656,566
Travel Allowance	514,402	448,426
Subsistence	-	500
Payout - Directive	83,388	-
	1,388,650	**1,105,492**

Remuneration of Chief Financial Officer - Mr MF Lekitlane

Remuneration for Acting Chief Financial Officer	-	14,914
Annual Remuneration	862,850	-
Travel allowances	95,870	-
	958,720	**14,914**

Remuneration of Executive Infrastructure and Technical Services - Mr IJ Mokotedi

Annual Remuneration	1,022,682	952,797
Car Allowance	196,811	212,321
Reimbursive travel and subsistence	18,934	44,109
	1,238,427	**1,209,227**

Remuneration of acting Director of Community Services - Mr PS Modisadife

Remuneration for Acting Director of Community Services	78,742	89,235

Remuneration of Chief Financial Officer - Mr S Busakwe

Annual Remuneration	-	699,602
Travel Allowance	-	124,174
Payout - Directive	-	245,213
	-	**1,068,989**

Remuneration of Executive Corporate Services - Mr BP Molupe

Annual Remuneration	-	650,788

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Employee related costs (continued)

Car Allowance	-	248,085
Performance Bonuses	-	23,201
Contributions to UIF, Medical and Pension Funds	-	115,225
	-	**1,037,299**

Remuneration of acting Director of Community Services - Mr T Majoe

Remuneration for Acting Director of Community Services	-	79,281

28. Remuneration of councillors

Councillors remuneration	6,698,877	6,349,185
Travel and subsistence allowance	2,086,009	2,154,586
Cellphone allowance	1,008,346	979,200
SDL	62,127	59,825
	9,855,359	**9,542,796**

In-kind benefits

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

2024	Salary	Travel & subsistence	Cellphone allowance	SDL	Total
Mayor - MN Mashiya	728,182	228,684	42,800	6,823	1,006,489
Speaker - NE Ntlebi	583,111	182,956	42,800	5,464	814,331
Chairperson - MW Mothibi	297,395	92,874	40,800	2,973	434,042
Exco - PW Mafojane	288,705	89,823	42,800	2,707	424,035
Exco - ZM Moshane	306,297	95,688	40,800	3,063	445,848
Exco - DC Ross	306,297	95,688	42,800	2,872	447,657
Exco - MS Sekhejane	306,297	95,688	42,800	2,872	447,657
Councillor - MC Barnard	232,353	72,372	42,800	2,179	349,704
Councillor - BH Mkhondwani	232,353	72,372	42,800	2,179	349,704
Councillor - PL Mpholo (Until 2024/03/31)	165,409	49,261	30,357	1,556	246,583
Councillor - P van Wyk	232,353	72,372	42,800	2,179	349,704
Councillor - D Reed	232,353	72,372	42,800	2,179	349,704
Councillor - MS Mothebe	232,353	72,372	42,800	2,179	349,704
Councillor - AM Makunye	232,353	72,372	42,800	2,179	349,704
Councillor - JS Tau (Until 2023/11/30)	104,925	29,896	17,600	989	153,410
Councillor - ER Mokolokolo-Tau	232,353	72,372	42,800	2,179	349,704
Councillor - IS Mokotedi	244,081	74,327	42,800	2,292	363,500
Councillor - RJ Ntaopane	232,353	72,372	42,800	2,179	349,704
Councillor - PD Swartbooi	232,353	76,250	42,800	2,180	353,583
Councillor - PE Mahoko	232,353	72,372	42,800	2,179	349,704
Councillor - EP Sai	232,353	72,372	42,800	2,179	349,704
Councillor - MM Molutsi	232,353	76,070	42,800	2,188	353,411
Councillor - D Botha	232,353	72,372	42,800	2,179	349,704
Councillor - MW Velembo	232,353	72,372	42,800	2,179	349,704
Councillor - NE Tlali (From 2024/06/01)	32,885	6,068	6,503	-	45,456
Councillor - AT Masiu (2024/03/01)	82,351	24,272	16,286	-	122,909
	6,698,877	**2,086,009**	**1,008,346**	**62,127**	**9,855,359**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

29. Depreciation and amortisation

Property, plant and equipment	43,286,389	32,766,669
Investment property	56,076	56,617
Intangible assets	94,988	67,145
	43,437,453	**32,890,431**

30. Impairment loss

Impairments		
Property, plant and equipment	28,515,722	11,748,436
Assets are depreciated on a estimated useful life based on the type of asset. Verification of these assets is performed annually and an assessment of the assets is done to verify that the book value of the assets still reflects the fair value less cost to sell. The impairment loss recognised on property, plant and equipment was driven by the results of conditional assessments derived from physical assets verification data.		

31. Finance costs

Employee benefit obligations	7,538,000	7,321,000
Provisions	5,607,804	4,714,836
Trade and other payables	95,689,864	48,578,959
	108,835,668	**60,614,795**

32. Debt impairment

Debt impairment	112,346,020	86,104,096

33. Bulk purchases

Electricity - Eskom	136,320,096	107,986,553
Water	73,099,806	62,323,140
	209,419,902	**170,309,693**

34. Contracted services

Outsourced Services		
Catering Services	49,070	70,208
Meter Management	2,712,380	3,019,670
Consultants and Professional Services		
Business and Advisory	13,808,330	11,960,328
Legal Cost	6,617,729	10,197,244
Contractors		
Employee Wellness	240,896	429,076
	23,428,405	**25,676,526**

Below is the total minimum lease payments under non-cancellable operating leases for the remaining term of the lease

	<1 year	1 - 5 years	5+ years
Printers operating lease	R478,057	R597,571	0

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

35. General expenses

Accounts delivery cost	951,500	838,500
Administration fees	15,999	16,551
Advertising	169,060	394,864
Audit committee	2,718,102	47,638
Auditors remuneration	6,189,122	5,579,051
Bank charges	779,897	640,072
Cashier shortages	-	(309)
Conferences and seminars	63,242	87,781
Consumables	6,609,350	6,773,095
Electricity	4,337,738	3,884,046
Fuel and oil	4,002,237	3,350,001
Hire of equipment	4,439,220	4,017,060
Insurance	1,030,750	761,226
License fees	2,202,987	1,781,025
Membership fees	1,813,323	1,877,380
Postage and courier	96,778	663,210
Printing and stationery	962,205	857,070
Project workers	2,582,675	1,883,715
Refreshments	-	1,718
Social responsibility	273,315	403,486
Stock adjustments	241,345	-
Telephone and fax	885,375	1,543,456
Travel & Accomodation	224,548	468,857
	40,588,768	**35,869,493**

36. Cash generated from operations

Deficit	(158,699,611)	(217,497,001)
Adjustments for:		
Depreciation and amortisation	43,437,453	32,890,431
Gain on sale of assets and liabilities	7,982,123	46,062,193
Fair value adjustments	(35,441)	(21,523)
Impairment deficit	28,515,722	11,748,436
Debt impairment	112,346,020	86,104,096
Movements in provisions	13,435,309	13,025,064
Actuarial gains and loss	1,117,495	(6,729,794)
Changes in working capital:		
Inventories	(3,588,205)	(359,777)
Receivables from exchange transactions	(94,505,547)	(103,569,893)
Other receivables from non-exchange transactions	(24,224,281)	(13,695,279)
Payables from exchange transactions	135,721,578	205,019,779
VAT	(2,679,876)	(21,741,527)
Unspent conditional grants and receipts	4,198,950	1,619,877
Consumer deposits	18,191	2,186
	63,039,880	**32,857,268**

37. Budget differences

Material differences between budget and actual amounts

Amounts where the variance is 10% or R10,000 are considered trivial and do not need an explanation.

37. Budget differences (continued)

Service charges: Variance is below 10% and is considered trivial.

Rental of facilities and equipment: It is oversight that the income was budgeted to be this low, it is usually higher.

Interest received - exchange and non exchange receivables: Management anticipated higher revenue, which would have led to higher consumer debtors and interest charged on consumer debtors accounts.

Interest received - investment: The municipality had more money on average in the bank accruing interest than anticipated.

Discount received: Variance is below R10,000 and is considered trivial.

Other income: It is oversight that other income was budgeted to this amount as it is usually much lower.

Dividends or similar distributions received: Variance is below R10,000 and is considered trivial.

Property rates: Variance is below 10% and is considered trivial.

Availability charges: Please refer to service charges above.

Government grants & subsidies: Variance is 10% and is considered trivial.

Fines, Penalties and Forfeits: Variance is below R10,000 and is considered trivial.

Employee related costs: Variance is 10% and is considered trivial.

Remuneration of councillors: Variance is 10% and is considered trivial.

Depreciation and amortisation: Variance is 10% and is considered trivial.

Impairment loss: Management did not budget for impairment loss.

Finance costs: The variance is mainly due to the municipality being part of the Eskom debt relief program, Eskom has reversed the interest but due to a guidance from Treasury the reversed interest was recognised as revenue from non-exchange instead of reversing the finance cost already recognised from the Eskom debt.

Debt impairment: Worsening economic difficulties has affected consumers ability to maintain their accounts and has increased the provision for impairment.

Bulk purchases: Bulk purchases increased by a significant amount, management did not forsee that outcome.

Contracted services: It is oversight that other income was budgeted to this amount as it is usually much lower than the budgeted amount.

Loss on disposal of assets: Management did not budget for loss on disposal of assets.

General Expenses: Management had intended to reduce general expenses but that could not be realised.

Repairs and maintance: Repairs and maintenance is an expense that is incurred as the need arises which creates difficulties in accurately budgeting for the expense. The variance was due to reclassifying an amount from contracted services that should have been under repairs and maintenance, when preparing the adjusted budget the amount was under contracted services votes.

Fair value adjustment: Variance is below R10,000 and is considered trivial.

Actuarial gains/losses: Management did not budget for actuarial gains or losses.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Fair value adjustments

	2024	2023
Other financial assets		
• Other financial assets (Held for trading)	35,441	21,523

39. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	209,214	-	209,214
Receivables from exchange transactions	-	121,011,729	121,011,729
Cash and cash equivalents	-	9,778,938	9,778,938
	209,214	**130,790,667**	**130,999,881**

Financial liabilities

	At fair value	At amortised cost	Total
Eskom relief debt liability	549,007,254	-	549,007,254
Payables from exchange transactions	-	709,399,533	709,399,533
Consumer deposits	-	3,926,973	3,926,973
	549,007,254	**713,326,506**	**1,262,333,760**

2023

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	173,773	-	173,773
Receivables from exchange transactions	-	119,960,701	119,960,701
Cash and cash equivalents	-	12,057,877	12,057,877
	173,773	**132,018,578**	**132,192,351**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1,122,685,209	1,122,685,209
Consumer deposits	3,908,782	3,908,782
	1,126,593,991	**1,126,593,991**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	81,020,876	23,754,833
Total capital commitments		
Already contracted for but not provided for	81,020,876	23,754,833

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

41. Contingencies

The municipality had the following contingent liabilities for the current financial year:

M E Dikoko obo MD Morabe and Nala Local Municipality	2,521,730	-
Civil claim for payment of damages allegedly suffered by the plaintiffs - Plaintiff details: Memmeng Elizabeth Lesenyeho, Mabodutu Josephine Nyaku, Mohau Nyaku and Kami Nyaku	-	500,000
Star Choice And J Buthelezi - amount claimed for more than R11 million outstanding, apparently for services rendered during 2010	11,000,000	-
Buti Piet Molupe vs Nala Local Municipality claims of damages on breach of contract of employment	1,500,000	1,745,768
Thulo Majoe vs Nala Local Municipality, unfair labour practice - adjusted salaries paid according to incorrect Task Grade of the employer.	3,600,000	276,687
Thulo Majoe vs Nala Local Municipality, unfair suspension	-	356,289
Auto & General obo TJ Khetha/Nala LM	100,000	-
Fumani Holdings Pty Ltd/Nala LM	740,600	-
Memmeng E Lesenyeho, Mabodutu J Nyaku, Mohau Nyaku and Kami Nyaku - This is a delictual claim against municipality resulting from the death of the child who was drawn in an open	3,000,000	-
Thulo Majoe// Nala Local Municipality - The Applicant referred an unfair labour practice dispute and claiming payment of the difference of the salary of TG15 and TG17 in accordance with salary adjustment from December 2021 to 25th March 2023	720,000	-
	23,182,330	**2,878,744**

Unlicensed landfill site:

The municipality has two active landfill sites. It has been identified that the landfill sites situated in Bothaville and Wesselsbron are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) a person convicted of an offence referred to in section 67(1)(a), (9) or (h) is liable to a fine not exceeding R10 million or to imprisonment for a period not exceeding 10 years, or both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

Notes to the Annual Financial Statements

42. Related parties

Relationships	
Accounting Officer	Mr SJ Lehloenya
Members of key management	Refer to employee cost note
Councillors of the municipality	Refer to councillor's remuneration note

No transactions were concluded with related parties during the current financial year.

Figures in Rand	2024	2023

43. Prior-year adjustments

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

Trade receivables

Interest reversal on consumer accounts	
Trade receivables	(14,374,057)
Interest received	14,374,057
Moving payment to correct account	
Trade receivables	30,000
Other income	(30,000)
Basic charges incorrectly charged on an account with prepaid electricity	
Trade receivables	(9,575)
Service charges	9,575
Reverse indigent subsidy on employee account	
Trade receivables	3,917
VAT receivable	(511)
Service charges	(3,244)
Property rates	(162)
Incorrect tariff used, credit consumer's account to correct.	
Trade receivables	(19,110)
Property rates	19,110

Cash and cash equivalents

Long outstanding reconciling items on the bank recon to be sent to council	
Cash and cash equivalents	167,184
Other receivables	(167,184)

Payables from exchange transactions

Invoices not captured in the prior year (Max Prof, SALGA & G4S)	
Payables from exhange transactions	(242,515))
VAT	17,879
Contracted services	120,151
Finance costs	81,325
General expenses	23,160
Litigation payments not paid at year end were not recognised as a creditor	
Payables from exchange transactions	(2,648,651)
Finance costs	307,947
Contracted services	2,340,704
Balance for COIDA corrected as per the statement received	
Payables from exchange transactions	8,706,578
Accumulated surplus	(8,706,578)
Invoice not captured in the prior year (Quill Associates & Department of Police, Roads and Transport)	
Payables from exchange transactions	(431,312)
General expenses	431,312
Correcting creditor's balances as at 30 June 2023	
Payables from exchange transactions	44,367
Finance cost	(507)

43. Prior-year adjustments (continued)

Contracted services	(10,086)
Repairs and maintenance	45
General expenses	(29,277)
VAT receivable	(4,542)

Correction of payments that were allococted to the incorrect accounts

Payables from exchange transactions	17,086
VAT receivable	(2,227)
Trade receivables	(16)
Service charges	(14,843)

Retention paid into WIP account and not into retention accounty

Payables from exchange transactions	340,328
Property, plant and equipment	(340,328)

A change in creditors with debit balances after the changes above were done

Payables from exchange transactions	220,401
Trade receivables	(220,401)

Unspent conditional grants and receipts

Amount National Treasury witheld from equitable share

Unspent conditional grants and receipts	(1,343,762)
Government grants & subsidies	1,342,762
Repairs and maintenance	1,000

Property, plant and equipment

Items capitalised from repairs and maintenance

Property, plant and equipment	7,401,205
Repairs and maintenance	(7,401,205)

Residual values were removed from the assets as part of the depreciation calculation due to a correction of errors, furthermore the depreciation had been incorrectly calculated since 2021 and had to be corrected.

Property, plant and equipment	28,534,745
Depreciation	(24,640,895)
Accumulated surplus	(3,893,850)

Disposal of assets that were replaced

Property, plant and equipment	(189,404)
Loss on disposal of assets	189,404

Movement on loss on disposal of assets

Property, plant and equipment	880,993
Loss of disposal of assets	(880,993)

Irregular expenditure

Irregular expenditure amounting R44,004,854 was added to the prior year balance. These are amounts that were identified during the prior year audit.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Prior-year adjustments (continued)

Statement of financial position

2023

	As previously reported	Correction of error	Re-classification	Restated
Current Assets		-	-	
Inventories	4,130,667	-	-	4,130,667
Receivables from exchange transactions	136,893,648	(16,932,947)	-	119,960,701
Receivables from non-exchange transactions	26,281,640	2,343,706	-	28,625,346
Other receivables	-	-	167,184	167,184
VAT receivable	136,251,770	31,075	-	136,282,845
Cash and cash equivalents	12,225,061	-	(167,184)	12,057,877
Non-Current Assets		-	-	
Investment property	557,826,281	(1)	-	557,826,280
Property, plant and equipment	1,113,754,608	36,287,212	-	1,150,041,820
Intangible assets	268,352	-	-	268,352
Other financial assets	173,773	-	-	173,773
Current Liabilities		-	-	
Payables from exchange transactions	(1,128,691,490)	6,006,281	-	(1,122,685,209)
Consumer deposits	(3,908,782)	-	-	(3,908,782)
Employee benefit obligation	(6,734,000)	-	-	(6,734,000)
Unspent conditional grants and receipts	(2,351,107)	(1,343,762)	-	(3,694,869)
Non-Current Liabilities		-	-	
Employee benefit obligation	(51,501,000)	-	-	(51,501,000)
Provisions	(43,640,505)	-	-	(43,640,505)
Net Assets		-	-	
Accumulated surplus	(750,978,916)	(26,391,564)	-	(777,370,480)
	-	-	-	-

Notes to the Annual Financial Statements

43. Prior-year adjustments (continued)

Statement of financial performance

2023

	As previously reported	Correction of error	Restated
Revenue from exchange transactions		-	
Service charges	200,849,839	8,512	200,858,351
Rental of facilities	497,883	-	497,883
Interest received - Exchange receivables	43,554,637	(14,374,056)	29,180,581
Discount received	1,904	-	1,904
Other income	3,447,056	30,000	3,477,056
Interest received - Investment	2,951,910	-	2,951,910
Dividends or similar distributions received	14,889	-	14,889
Revenue from non-exchange transactions		-	
Property rates	26,427,254	(18,947)	26,408,307
Availability charges	1,674,739	-	1,674,739
Interest received - Non exchange receivables	3,670,110	-	3,670,110
Government grants & subsidies	195,864,057	(1,342,761)	194,521,296
Fines, Penalties and Forfeits	386,850	-	386,850
Expenditure		-	
Employee related costs	(196,895,341)	-	(196,895,341)
Remuneration of councillors	(9,542,796)	-	(9,542,796)
Depreciation and amortisation	(57,531,323)	24,640,892	(32,890,431)
Finance costs	(60,226,030)	(388,765)	(60,614,795)
Debt Impairment	(86,104,096)	-	(86,104,096)
Bulk purchases	(170,309,693)	-	(170,309,693)
Contracted services	(23,225,757)	(2,450,769)	(25,676,526)
General Expenses	(35,464,773)	(404,720)	(35,869,493)
Repairs and maintenance	(19,578,554)	7,400,160	(12,178,394)
Gain / (loss) on property, plant and equipment recognised	(46,753,783)	691,590	(46,062,193)
Fair value adjustments on other financial assets	21,523	-	21,523
Actuarial gains / (losses)	6,729,794	-	6,729,794
Impairment loss	(11,748,436)	-	(11,748,436)
Surplus for the year	**(231,288,137)**	**13,791,136**	**(217,497,001)**

43. Prior-year adjustments (continued)

Cash flow statement

2023

	As previously reported	Correction of error	Restated
Cash flows from operating activities			
Receipts		-	
Taxation	10,886,269	1,826,759	12,713,028
Sale of goods and services	88,953,775	12,752,047	101,705,822
Grants	196,140,173	1,000	196,141,173
Interest income	50,176,657	(14,374,056)	35,802,601
Dividends or similar distributions received	14,889	-	14,889
Other receipts	3,973,916	30,000	4,003,916
Payments		-	
Employee costs	(199,830,536)	(17,084)	(199,847,620)
Suppliers	(45,911,529)	(1,444,526)	(47,356,055)
Finance costs	(48,190,194)	(388,765)	(48,578,959)
Other cash item	(21,710,453)	(31,074)	(21,741,527)
	34,502,967	**(1,645,699)**	**32,857,268**
Cash flow from investing activities			
Purchase of property, plant and equipment	(46,354,942)	1,478,515	(44,876,427)

2024

	As previously reported	Correction of error	Restated
Irregular expenditure	201,229,039	44,004,854	245,233,893

44. Risk management

Financial risk management

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

Liquidity risk

The municipality faces an increased liquidity risk as the payables from exchange transactions are reported at R709,399,533 (2023: R1,122,685,209). The largest contributors to the amounts are Eskom and Vaal Central Water accounting for 28.72% (2023: 64.39%) and 64.39% (2023: 26.73%) respectively for a total concentration rate of 85.80% (2023: 91.12%). The municpality has outlined a detailed plan for the on how to manage the debt to Eskom and Bloem Water in note 45.

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 such as the Eskom debt relief program, equitable share ear-marked for subsidising indigents to improve collection for services rendered to them and improving revenue collection processes.

The table below analyses the municipality's 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 for consumer deposits and payables from exchange transactions as the balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The municipality entered into the Eskom debt relief program which ceases the charging of interest and debt to be written off over 3 years as the requirements are met. The relief of the interest and write off over 3 years requires the liability to be discounted. It was discounted using a similar 3 year fixed debt instrument.

As at 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	709,399,533	-	-	-
Consumer deposits	3,926,973	-	-	-
Eskom debt relief liability	183,002,418	183,002,418	183,002,418	-
	896,328,924	**183,002,418**	**183,002,418**	**-**

As at 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1,122,685,209	-	-	-
Consumer deposits	3,908,782	-	-	-
	1,126,593,991	**-**	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Risk management (continued)

Credit risk

The municipality credit risk increased significantly from the prior year and the root cause of the negative credit risk exposure is due to the amounts owed to Eskom and Bloem Water. Finance costs from trade payables are reported at R108,835,668 (2023: R60,614,795). The municipality's plan outlined in note 45 will assist in managing the credit risk

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

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 management.

The municipality also faces credit risk arising from the consumer debtors. The municipality incurs expenses against creditors and delivers a service to consumers who are expected to settle their accounts in arrears. Refer to note 8 and note 9 for the debtors ageing. 91.42% (2023: 90.90%) of debtors are outstanding for 3 months or more. This exposes the municipality to more risk as bad collection rate affects cash flow and payments of mainly Eskom and Vaal Central Water, hence the high finance costs incurred. Management is constantly attempting different methods to increase the collection rate. Indigents are one of the biggest contributors to the debt outstanding for 3 months or more, National Treasury assists municipalities with that. Part of the equitable share is ear-marked to subsidize indigents.

Consumer balances outstanding for more than three months are reviewed for impairment and provided for as bad debts as applicable.

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

Financial instrument	2024	2023
Cash and cash equivalents	9,778,938	12,057,877
Payables from exchange transactions	(709,399,533)	(1,122,685,209)
Receivables from exchange transactions	121,011,729	119,960,701
Eskom debt relief liability	(549,007,254)	-
Other financial assets	209,214	173,773

Market risk

Price risk

The municipality is exposed to price risk arising from the shares of Agribel Limited and Senwes Limited, which is affected by the performance of the agriculture sector. Agriculture is a stable sector that has consistent growth as it provides food. The municipality does not anticipate that the prices will significantly decline. The market risk the municipality is exposed to is not material. The equity held in other companies is disclosed in Note 6 at R209,214 (R173,773), the price increased by R35,441. The municipality has a strong maize farming community and monitors the sector's performance to management the risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

45. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 618,670,868 and that the municipality's total liabilities exceed its assets by R 618,670,868.

45. Going concern (continued)

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

Management would like to bring the users of the financial statements attention to the amounts owing to Eskom R920 722 603 (2023: R722 109 418) and Vaal Central Water R404 927 384 (2023: R300 113 421). The finance costs incurred due to late payments to creditors is R97 066 781 (2023: R48 190 194), mainly Eskom and Sedibeng, that means the payments made by the municipality service the high interests before paying off the capital. The municipality has successfully applied for the Eskom Debt Relief to National Treasury as per the Eskom Debt Relief Act 7 of 2023. The Act was introduced to help municipalities with the spiraling Eskom Debt. The municipality has also committed to a payment plan for Bloem Water and implemented it from September 2022.

The Eskom Debt Relief Act was introduced as a bill to the National Assembly by the Minister of Finance on 21 February 2023, the bill was passed by the National Assembly and transmitted to the National Council of Provinces for concurrence on 25 May 2023. The Bill passed the National Council of Provinces and sent to the President on 21 June 2023. The president signed the bill into the Eskom Debt Relief Act on 05 July 2023 and commmenced on 07 July 2023.

The goal of the act is to provide a sustainable solution to the spiralling municpal Eskom debt that municipalities are struggling with. In order to make it sustainable there are 14 conditions that a municipality has to comply with and after 12 months Eskom will write-off a third of the debt, after 24 months another third and the final third after 36 months. In the year under review Eskom has written off R63 million finance cost.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality as the current and liquidity ratio state it will not be able to pay their short term liabilities as they come due unless funds are received to increase the current assets of the municipality.

Despite the events that cast a significant doubt on the municipality's ability to continue as a going concern,
the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued govenrment funding, as has been disclosed in the Division of Revenue Act of 2025, as there are no current indications that government funding will be withheld from the municipality for any reason.

RATIO NAME	ACCEPTABLE RATIO	FORMULA	RESULTS OBTAINED		GOING CONCERN RISK? (YES / NO)
-	-	-	-	R	
CURRENT RATIO	1.98: 1	Current Assets / Current Liabilities	Current Assets =	312,281,422.00	YES
-	-	-	Current Liabilitie	-912,390,743.00	-
-	-	-	RESULT =	0.34	-
ACID-TEST OR QUICK RATIO	2:1	(Current Assets - Inventory) / Current Liabilities	Current Assets =	312,281,422.00	YES
-	-	-	Inventory =	7,718,872.00	-
-	-	-	Current Liabilitie	-912,390,743.00	-
-	-	-	RESULT =	0.33	-
SOLVENCY	1:1	Total Assets / Total Liabilities	Total Assets =	1,992,741,587.00	No
-	-	-	Total Liabilities =	-1,374,477,066.00	-
-	-	-	RESULT =	1.45	-

46. Events after the reporting date

High Court ruling on approval of tariffs for electricity distributors:

- On 17 November 2023 The National Energy Regulator of South Africa (NERSA) notified municiaplities that NERSA's approach of using benchmarking and guidelines has been reviewed, set aside, and declared unlawful by the High Court in the Nelson Mandela Bay Chamber of Business and others. The judgment allowed NERSA to revise the Municipal Tariff Guideline to make it compliant with section 15 of the Electricity Regulation Act.

  The above judgment was delivered when NERSA, SALGA and Sustainable Energy Africa made available to all municipal licensees a simplified cost of supply (COS) tool. This simplified tool shows a link between the required revenue and the cost associated with supplying a category of customers, the classification of costs between fixed and variable, and energy-related, demand-related, and customerrelated costs.

  However, after this notice, Afriforum submitted that NERSA deviated from the good path. In a notice dated 29 January 2024.

  The court judgement was delivered on 8 July 2024, which is after the reporting date. Part of the judgement states that " For the 2024/2025 municipal financial year, the first respondent shall consider and, if they are legally compliant, approve such electricity tariff applications by municipalities as are based on the municipalities' cost of supply studies timeously submitted by the Notice to Municipal Licenced Electricity Distributers, 17 November 2023 (Annexure "FA7" to the Founding Affidavit)." 66 municipalities were considered to be non-compliant. Nala Local Municipality was initially non-compliant but became compliant within 60 days that was granted by the High Court after submission of the cost of supply study.

- This is a non-adjusting event for the municipality and there is no financial impact as the municipality is now compliant.

Figures in Rand	2024	2023

47. Unauthorised expenditure

Opening balance as previously reported	508,280,260	406,474,334
Add: Unauthorised expenditure - current	-	101,805,926
Closing balance	**508,280,260**	**508,280,260**

48. Fruitless and wasteful expenditure

Opening balance as previously reported	113,102,735	65,231,826
Add: Fruitless and wasteful expenditure identified - current	32,247,055	47,870,909
Closing balance	**145,349,790**	**113,102,735**

Interest is charged on arrear accounts by creditors due to the fact that late payments are made to creditors.

49. Irregular expenditure

Opening balance as previously reported	245,233,893	189,389,270
Add: Irregular expenditure - current	26,368,360	11,839,769
Add: Irregular expenditure - prior period	-	44,004,854
Closing balance	**271,602,253**	**245,233,893**

Irregular expenditure is presented exclusive of VAT.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	14,910	14,910
Current year subscription / fee	1,813,323	1,879,823
Amount paid - current year	(658,440)	(1,879,823)
	1,169,793	**14,910**

Audit fees

Opening balance	(395,272)	998,571
Current year subscription / fee	7,557,562	6,465,548
Amount paid - current year	(3,948,088)	(7,859,391)
	3,214,202	**(395,272)**

PAYE and UIF

Opening balance	13,419	13,419
Current year subscription / fee	33,820,942	29,146,196
Amount paid - current year	(33,820,942)	(29,146,196)
	13,419	**13,419**

Pension and Medical Aid Deductions

Opening balance	150,407	125,547
Current year subscription / fee	49,946,332	45,687,775
Amount paid - current year	(49,954,055)	(45,662,915)
	142,684	**150,407**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

VAT

	2024	2023
VAT receivable	138,962,721	136,282,845

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Barnard MC	20,634	6,692	27,326
Mafojane PW	5,110	117,606	122,716
Makunye AM	2,841	-	2,841
Mashiya MN	1,541	-	1,541
Mkhondwani BH	5,006	-	5,006
Molutsi MM	1,635	10,004	11,639
Moshane ZM	4,869	424	5,293
Mothebe MS	1,766	-	1,766
Ntaopane RJ	24,812	145,533	170,345
Reed D	1,860	-	1,860
Ross DC	18,483	15,692	34,175
Sekhejane MS	4,622	8,625	13,247
	93,179	**304,576**	**397,755**

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Barnard MC	986	-	986
Mafojane PW	2,582	5,937	8,519
Makunye AM	1,055	-	1,055
Mashiya MN	1,115	-	1,115
Mkhondwani BH	13,711	330,986	344,697
Mokotedi IS	3,855	76,062	79,917
Moshane ZM	1,397	-	1,397
Ntaopane RJ	10,607	118,944	129,551
Ntlebi NE	233	-	233
Reed D	1,162	-	1,162
Ross DC	11,685	4,258	15,943
Sai E	2,332	22,998	25,330
Sekhejane MS	7,087	35,722	42,809
Swartbooi PD	2,645	40,477	43,122
Tau E	4,009	93,684	97,693
	64,461	**729,068**	**793,529**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergencies	2,716,814	920,340
Other	228,135	129,278
Sole supplier	77,244	-
	3,022,193	**1,049,618**

51. Distribution Losses

Electricity - Rand		
Sold	104,073,706	103,087,707
Purchased	136,320,096	107,986,553
Electricity - Units		
Sold	52,041,764	54,454,450
Purchased	73,645,835	67,650,502
Electricity - Tariffs		
Sold	2.00	1.89
Purchased	1.85	1.60
Electricity - Losses		
Units	21,604,071	13,196,052
Rand value	39,989,621	21,064,089
Percentage	29.34 %	19.51 %
Water - Rand		
Sold	65,349,715	59,486,793
Purchased	73,103,071	62,323,140
Water - Units		
Sold	2,688,401	2,575,221
Purchased	5,080,130	4,679,100
Water - Tariffs		
Sold	24.31	23.10
Purchased	14.39	13.32
Water - Losses		
Units	2,391,729	2,103,879
Rand value	34,416,980	28,022,551
Percentage	47.08 %	44.96 %