THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2024

Index

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Goverment Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Cllr. AC Msibi
	Cllr. TJ Mokoena (Speaker)
	Cllr. LU Makhalema (Chief Whip)
	Cllr. ES Chabeli (MPAC Chairperson)
	Cllr. SM Visagie (MMC - LED & Tourism) Resigned 31 December 2023
	Cllr. TN Masiteng (MMC - Corporate Services)
	Cllr. A Fume (MMC - IDP & PMS Services)
	Cllr. TJ Mahlambi (MMC - Infrastructure Services)
	Cllr. MJ Vilakazi (MMC - Community Services & Acting MMC - LED)
	Cllr. SM Mosia (MMC - Financial Services)
Councillors	Cllr. MD Marais
	Cllr. MJ Lebesa
	llr. AM Oates
	Cllr. MS Mkhwanazi
	Cllr. HD Dlamini
	Cllr. TE Mokoena
	Cllr. TJ Motsoane
	Cllr. T Mosia
	Cllr. TJ Motaung
	Cllr. LG Mokoakoe
	Cllr. BAS Campbell-Cloete
	Cllr. PA Mothijoa
	Cllr. VB Makhanya
	Cllr. LF Miya
	Cllr. TP Motsoane
	Cllr. MJ Mphafi
	Cllr. LE Mohanoe
	Cllr. SL Rakoloti
	Cllr. MV Molwelwe
	Cllr. AM Nhlapo
	Cllr. MB Bohlale
	Cllr. J Twala
	Cllr. ML Nchocho
	Cllr. C Kalamer

General Information

Grading of local authority	11
Accounting Officer	Ms. TPM Lebenya (Appointed 08 February 2023)
Chief Financial Officer	Mr. MD Mhlahlo (Appointed 1 August 2023)
Registered office	1 Mampoi Street Old Parliament Building Witsieshoek South Africa 9870
Postal address	Private Bag X810 Witsieshoek South Africa 9870
Bankers	ABSA NEDBANK
Auditors	Auditor General of South Africa (AGSA)
Attorneys	Sibeko Attonerys Inc.
Website	www.tmdm.gov.za

Accounting Officer's Responsibilities and Approval

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

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

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

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

I am 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.

I have reviewed the municipality’s cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, I am 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 government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The external 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 6.

The annual financial statements set out on pages 7 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024.

TPM Lebenya

Municipal Manager

Audit Committee Report

We are pleased to present our report for the year ended 30 June 2024. We submit this report in line with the provision of section 166(2) of the Municipal Finance Management Act for Council's consideration.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year eight meetings were held.

Name of member	Number of meetings attended
Mr GA Ntsala (Chairperson)	9
Ms MV Ntipe (Member)	9
Mr MK Mojatau(Member)	9
Ms NP Mdaka(Member)	9

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed the high level of unaudited annual financial statements to be included in the annual report, with management and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: ____________________

Report of the Auditor General

To the Provincial Legislature of THABO MOFUTSANYANA DISTRICT MUNICIPALITY
1. To the Council of THABO MOFUTSANYANA DISTRCIT MUNICIPALITY

Auditor General of South Africa (AGSA)

30 November 2024

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in rendering support to the local municipalities within the district and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had a deficit of R 4 125 627 and that the municipality's total assets exceed its total liabilities by R 43 890 899 . These conditions and events do not cast doubt on the municipality's ability to continue as a going concern.

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.

3. Subsequent events

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

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is:

Name	Appointed
TPM Lebenya	08 February 2023

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	4	434 860	1 588 085
Receivables from non-exchange transactions	5	3 608 655	3 557 252
VAT receivable	41	4 532 896	4 902 739
Cash and cash equivalents	6	43 262 426	44 264 697
		51 838 837	**54 312 773**
Non-Current Assets			
Property, plant and equipment	7	20 206 411	20 899 277
Intangible assets	8	129 565	182 229
		20 335 976	**21 081 506**
Total Assets		**72 174 813**	**75 394 279**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	6 967 105	7 209 870
Unspent conditional grants and receipts	10	889 882	337 122
Employee benefit obligation	11	11 515 927	11 418 762
		19 372 914	**18 965 754**
Non-Current Liabilities			
Employee benefit obligation	11	8 911 000	8 412 000
Total Liabilities		**28 283 914**	**27 377 754**
Net Assets		**43 890 899**	**48 016 525**

* See Note 42 & 44

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Commission income (Agency services (CETA))	23	-	160 280
Recoveries (Gains on debt impairment provision adjustment)	4	-	357 252
Sundry income	16	275 126	590 017
Interest received - investments	14	5 528 654	4 501 199
Total revenue from exchange transactions		**5 803 780**	**5 608 748**
Revenue from non-exchange transactions			
Donations, bequests and in-kind revenue			
Service in kind revenue	15	6 767 690	6 237 502
Transfer revenue			
Government grants and subsidies	12	146 992 118	148 350 878
Donations received (Property, Plant and Equipment)	7	-	1 178 893
Other transfer revenue	13	880 000	-
Total revenue from non-exchange transactions		**154 639 808**	**155 767 273**
Total revenue	35	**160 443 588**	**161 376 021**
Expenditure			
Employee related costs	20	(105 743 138)	(97 151 139)
Remuneration of councillors	20	(9 355 370)	(9 354 345)
Depreciation and amortisation	17	(2 585 613)	(2 767 090)
Debt impairment	4	(577 731)	-
Finance costs	18	(1 269 000)	(1 348 000)
Contracted services	34	(4 490 434)	(4 716 181)
Loss on disposal of assets	7	(185 522)	-
Operational Expenses	19	(40 935 375)	(47 292 254)
Total expenditure		**(165 142 183)**	**(162 629 009)**
Deficit for the year from continuing operations		**(4 698 595)**	**(1 252 988)**
Actuarial gains/(losses)		572 968	2 608 000
(Deficit) surplus for the year		**(4 125 627)**	**1 355 012**

* See Note 42 & 44

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus and fund reserves	Total net assets
Balance at 01 July 2022 as restated	**46 661 514**	**46 661 514**
Changes in net assets		
Surplus / (Deficit) for the year	1 355 012	1 355 012
Total changes	1 355 012	1 355 012
Restated* Balance at 01 July 2023	**48 016 525**	**48 016 525**
Changes in net assets		
Surplus / (Deficit) for the year	(4 125 627)	(4 125 627)
Total changes	(4 125 627)	(4 125 627)
Balance at 30 June 2024	**43 890 898**	**43 890 898**
Note(s)		

* See Note 42 & 44

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Grants		148 424 878	148 350 878
Interest income		5 439 481	4 501 199
Other receipts		275 126	160 280
Cash receipts from receivables		397 202	590 017
		154 536 687	153 602 374
Payments			
Employee costs		(115 052 446)	(105 534 764)
Suppliers		(38 858 862)	(49 310 820)
		(153 911 308)	(154 845 584)
Net cash flows from operating activities	21	**625 379**	**(1 243 210)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 627 650)	(1 395 455)
Net increase/(decrease) in cash and cash equivalents		**(1 002 271)**	**(2 638 665)**
Cash and cash equivalents at the beginning of the year		44 264 697	46 903 362
Cash and cash equivalents at the end of the year	6	**43 262 426**	**44 264 697**

* See Note 42 & 44

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						
Sundry income	41 182 016	(919 046)	**40 262 970**	275 126	**(39 987 844)**	38.1
Interest received - investment	4 131 384	1 308 098	**5 439 482**	5 528 654	**89 172**	
Total revenue from exchange transactions	**45 313 400**	**389 052**	**45 702 452**	**5 803 780**	**(39 898 672)**	
Revenue from non-exchange transactions						
Other revenue						
Service in kind revenue	5 813 998	-	**5 813 998**	6 767 690	**953 692**	38.2
Transfer revenue						
Government grants & subsidies	148 082 000	-	**148 082 000**	146 992 118	**(1 089 882)**	38.3
Other transfer revenue	-	880 000	**880 000**	880 000	**-**	
Total revenue from non-exchange transactions	**153 895 998**	**880 000**	**154 775 998**	**154 639 808**	**(136 190)**	
Total revenue	**199 209 398**	**1 269 052**	**200 478 450**	**160 443 588**	**(40 034 862)**	
Expenditure						
Employee related costs	(102 325 341)	(2 483 828)	**(104 809 169)**	(105 743 138)	**(933 969)**	38.4
Remuneration of councillors	(9 196 504)	(12 086)	**(9 208 590)**	(9 355 370)	**(146 780)**	
Depreciation and amortisation	(4 357 498)	648 500	**(3 708 998)**	(2 585 613)	**1 123 385**	38.5
Impairment loss/ Reversal of impairments	-	-	**-**	(577 731)	**(577 731)**	
Finance costs	-	-	**-**	(1 269 000)	**(1 269 000)**	37.9
Contracted Services	(11 914 831)	200 000	**(11 714 831)**	(4 490 434)	**7 224 397**	38.6
Operational Expenses	(56 613 216)	(3 249 956)	**(59 863 172)**	(40 935 375)	**18 927 797**	38.7
Total expenditure	**(184 407 390)**	**(4 897 370)**	**(189 304 760)**	**(164 956 661)**	**24 348 099**	
Operating deficit	**14 802 008**	**(3 628 318)**	**11 173 690**	**(4 513 073)**	**(15 686 763)**	
Gain on disposal of assets	-	-	**-**	(185 522)	**(185 522)**	
(Deficit) / Surplus	**14 802 008**	**(3 628 318)**	**11 173 690**	**(4 698 595)**	**(15 872 285)**	
Deficit for the year from continuing operations	**14 802 008**	**(3 628 318)**	**11 173 690**	**(4 698 595)**	**(15 872 285)**	
Actuarial gains/(losses)	-	-	**-**	572 968	**572 968**	
	14 802 008	**(3 628 318)**	**11 173 690**	**(4 125 627)**	**(15 299 317)**	

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 Position						
Assets						
Current Assets						
Receivables from exchange transactions	6 377 556	(4 760 468)	**1 617 088**	434 860	**(1 182 228)**	38.8
Receivables from non-exchange transactions	55 896	326 906	**382 802**	3 608 655	**3 225 853**	38.9
VAT receivable	-	4 760 468	**4 760 468**	4 532 896	**(227 572)**	38.10
Cash and cash equivalents	197 857 031	(171 000 000)	**26 857 031**	43 262 426	**16 405 395**	38.11
	204 290 483	**(170 673 094)**	**33 617 389**	**51 838 837**	**18 221 448**	
Non-Current Assets						
Property, plant and equipment	29 874 828	(5 535 876)	**24 338 952**	20 206 411	**(4 132 541)**	38.12
Intangible assets	585 552	(453 323)	**132 229**	129 565	**(2 664)**	38.13
	30 460 380	**(5 989 199)**	**24 471 181**	**20 335 976**	**(4 135 205)**	
Total Assets	**234 750 863**	**(176 662 293)**	**58 088 570**	**72 174 813**	**14 086 243**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	224 083 995	(212 352 903)	**11 731 092**	6 967 105	**(4 763 987)**	38.14
Unspent conditional grants and receipts	-	-	**-**	889 882	**889 882**	38.15
Employee benefit obligation	906 000	763 000	**1 669 000**	11 515 927	**9 846 927**	38.16
	224 989 995	**(211 589 903)**	**13 400 092**	**19 372 914**	**5 972 822**	
Non-Current Liabilities						
Employee benefit obligation	25 026 324	(800 000)	**24 226 324**	8 911 000	**(15 315 324)**	38.16
Total Liabilities	**250 016 319**	**(212 389 903)**	**37 626 416**	**28 283 914**	**(9 342 502)**	
Net Assets	**(15 265 456)**	**35 727 610**	**20 462 154**	**43 890 899**	**23 428 745**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus and fund reserves	(15 265 456)	35 727 610	**20 462 154**	43 890 899	**23 428 745**	38.17

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	138 645 920	10 316 080	**148 962 000**	148 424 878	**(537 122)**	38.3
Interest income	-	5 439 482	**5 439 482**	5 439 481	**(1)**	
Other receipts	110 004	263 333	**373 337**	275 126	**(98 211)**	38.1
Cash receipts from receivables	-	-	**-**	397 202	**397 202**	
	138 755 924	**16 018 895**	**154 774 819**	**154 536 687**	**(238 132)**	
Payments						
Employee costs	(39 525 681)	(149 777 670)	**(189 303 351)**	(115 052 446)	**74 250 905**	38.4
Suppliers	-	-	**-**	(38 858 862)	**(38 858 862)**	38.7
	(39 525 681)	**(149 777 670)**	**(189 303 351)**	**(153 911 308)**	**35 392 043**	
Net cash flows from operating activities	**99 230 243**	**(133 758 775)**	**(34 528 532)**	**625 379**	**35 153 911**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	11 174 383	**11 174 383**	(1 627 650)	**(12 802 033)**	38.12
Net increase/(decrease) in cash and cash equivalents	99 230 243	(122 584 392)	**(23 354 149)**	(1 002 271)	**22 351 878**	
Cash and cash equivalents at the beginning of the year	43 718 028	(7 673 000)	**36 045 028**	44 264 697	**8 219 669**	
Cash and cash equivalents at the end of the year	**142 948 271**	**(130 257 392)**	**12 690 879**	**43 262 426**	**30 571 547**	

The accounting policies on page 16 to 43 and the notes on pages 44 to 74 form an integral part of the annual financial statements.

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 and the amounts have been rounded off to the nearest rand.

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 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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 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. In addition, goodwill is tested on an annual basis for impairment. 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.

Property, plant and equipment

As described in accounting policies 1.3 and 1.4, the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation.

Management considered the impact of technology, availability of capital funding, service requirement and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgemental as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for long service awards

The present value of the provision for long service awards depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of the provision for long service awards.

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 obligation. 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 liability.

Other key assumptions for the provision for long service awards are based on current market conditions.

Impairment of receivables

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that they are 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.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments

(c) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it is probable that the borrower will enter sequestration or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

(ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

Accounting Policies

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Item	Depreciation method	Maximum useful life
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	21 years
Motor vehicles	Straight line	5 - 11 years
IT equipment	Straight line	16 years
Machinery and equipment	Straight line	14 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate

1.3 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

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.

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

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 asset 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.

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

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

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

Accounting Policies

1.4 Intangible assets (continued)

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	**Useful life**
Computer software, other	3 - 6 years

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

1.5 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates commercial return.

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 of its fair value less costs to sell and its value in use.

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

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

Accounting Policies

1.5 Impairment of cash-generating assets (continued)

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.

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.6 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.

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Recognition and measurement (Individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

1.7 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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 services.

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 cell phone) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity 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 recognise 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 entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity 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.

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.

1.7 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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 recognise 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 recognise 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 entity account 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 measure 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.

The entity determine 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.

Accounting Policies

1.7 Employee benefits (continued)

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.

Post retirement obligations - medical aid

The municipality provides post-retirement health care benefits 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. An annual charge to income is made to cover the liabilities.

Accounting Policies

1.7 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.

Accounting Policies

1.8 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

Accounting Policies

1.8 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.9 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.

Sale of goods

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

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest received

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

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

Accounting by principals and agents

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

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

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

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

1.10 Revenue from non-exchange transactions (continued)

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.

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.

Taxes

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

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate of 15% effective from 1 April 2018 in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Revenue from non-exchange transactions (continued)

Services in-kind

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

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

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

Services in-kind includes services provided by individuals but also includes right of to use of an asset, without charge, but may be subject to stipulations

For the recognition criteria of the services in-kind to be recognised, refer to the section on assets. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of the service. In many cases the entity will recognise an expense for the consumption of the service

To the extent that the service in-kind is significant to the operations and/or service delivery objectives of the recipient of such a service in-kind and it meets the criteria for recognition, although there maybe uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the service.

Basis on which the fair value has been measured has considered fact that the service in kind is received from Department of Public Works and the department does not have to comply with GRAP they are on Cash payments basis and have only valued the buildings in 2013 financial period with the inclusion that yearly escalations are between 7,5% to 8,5%

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

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

1.11 Investment income

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

1.12 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.

Accounting Policies

1.13 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

The municipality has an arrangement with CETA where the municipality is responsible for paying learner stipends, CETA has signed agreements with learners and municipality is entitled to administrations and rural allowance fees.t

The municipality does not determine the significant terms and conditions of the contract, as CETA identifies the beneficiaries of the programme, and identifies how much should be paid by each beneficiary

Binding arrangement

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

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

(a) A description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent's own financial statements. Such disclosure shall include

(i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and

(ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal

(b)The aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and

(c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

Assessing which entity benefits from the transactions with third parties

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

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

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

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Accounting Policies

1.13 Accounting by principals and agents (continued)

Recognition

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

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

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

1.14 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.15 Unauthorised expenditure

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, in relation to a municipality or municipal entity, means-
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or;

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law

but excludes expenditure by a municipality which falls within the definition of ''unauthorised expenditure''.

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

1.17 Irregular expenditure (continued)

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

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

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

1.18 Use of estimates

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

Estimates in the financial statements include but are not limited to the following:
- Depreciation
- Bad debts,
- Long service awards

1.19 Segment information

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner

:The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Segmental information on property, plant and equipment, as well as income and expenditure,
based on the International Government Financial Statistics classifications and the budget formats
The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. The jurisdiction of Thabo Mofutsanyana District Municipality comprises of the following local municipalities:

- Maluti-A-Phofung Local Municipality
- Dihlabeng Local Municipality
- Setsoto Local Municipality
- Mantsopa Local Municipality
- Nketoana Local Municipality
- Phumelela Local Municipality

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.21 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives. Deviations between budget and actual amounts are regarded as material differences when more than 10% deviation exists. Refer to Note 39 for all material differences explained.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30. The financial statements are prepared on the accrual basis of accounting, and the budget is prepared on the accrual basis. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

The annual budget figures have been prepared in accordance with the GRAP standard. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts.

Explanatory comment is provided in the notes to the annual financial statements giving reasons for significant individual variances between budgeted and actual amounts. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on accrual basis.

The Statement of comparison of budget and actual amounts has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.22 Related parties

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

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

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.

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

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

1.23 Events after reporting date

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

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

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

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

1.24 Conditional grants and receipts

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

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

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.

1.25 Commitments

The term ‘commitments’ is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

1.26 Statutory receivables

Identification

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

Cddddarrying 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.

Accounting Policies

1.26 Statutory receivables (continued)

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

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.

Derecognition

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

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

1.27 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.

Municipality had an arrangement with CETA where the municipality is responsible for paying learner stipends, CETA had signed agreements with learners and municipality is entitled to administrations and rural allowance fees.

Accounting Policies

The municipality does not determine the significant terms and conditions of the contract, as CETA identifies the beneficiaries of the programme, and identifies how much should be paid by each beneficiary

Significant terms and conditions of the arrangements did not change during the reporting period however the contract came to an end.

(a) A description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent’s own financial statements. Such disclosure shall include:

(i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and

(ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal;

(b)The aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and

(c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

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:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

Notes to the Annual Financial Statements

	2024	2023 Restated*

3. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

June 2024	Financial assets at amortised cost	Total
Receivables	4 932 131	4 932 131
Cash and cash equivalents	43 262 426	43 262 426
	48 194 557	**48 194 557**

June 2023	Financial assets at amortised cost	Total
Receivables	5 456 222	5 456 222
Cash and cash equivalents	44 264 697	44 264 697
	49 720 919	**49 720 919**

4. Receivables from exchange transactions

Sundry debtors	1 402 136	1 977 630
Suspense account - unidentified payment	304 143	304 143
Impairment provision	(1 271 419)	(693 688)
	434 860	**1 588 085**

Credit quality of trade and other receivables

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

Receivables from exchange and non-exchange transactions impaired

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- The impairment of receivables is based on the continuous reassessment debtor accounts to identify doubtful accounts on basis of persistent default on payment of the accounts and the probability of payment.

As of 30 June 2024, R 3, 746, 877 (2023: R 3, 169, 146) receivables from exchange and non-exchange transactions were impaired and provided for.

The ageing of these receivables from exchange and non-exchange transactions is as follows:

Gross receivables		
0 to 3 months	434 860	345 687
Over 6 months	7 355 531	7 968 795
	7 790 391	8 314 482

Reconciliation of impairment of receivables from exchange and non-exchange transactions

Opening balance	3 169 146	3 526 398
Provision for impairment adjustments	577 731	(357 252)
	3 746 877	**3 169 146**

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

4. Receivables from exchange transactions (continued)

5. Receivables from non-exchange transactions

	2024	2023
Unsolicited debit orders	3 000	3 000
Pension fund receivable	3 174 449	3 174 449
Overpayment to Municipal Officials	117 217	29 814
Seconded councillors salaries over payment	1 784 288	1 784 288
Councillors over payment	691 170	691 170
Municipal Manager overpayment	313 989	349 989
Impairment	(2 475 458)	(2 475 458)
	3 608 655	**3 557 252**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Bank balances	2 813 980	12 655 110
Short-term deposits	40 448 446	31 609 587
	43 262 426	**44 264 697**

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**
ABSA BANK - Cheque Account - 770-150-841	2 813 980	12 655 110	13 651 947	2 813 980	12 665 110	13 651 947
ABSA BANK - Liquidity Plus - 932-530-0160	5 307 060	63	63	5 307 060	63	63
ABSA BANK - Fixed Deposit - 409-474-0923- Account Type	3 596 684	3 313 049	3 185 318	3 596 684	3 313 049	3 185 318
ABSA BANK - Fixed Deposit - 935-501-3452	10 044 895	18 339 570	17 025 866	10 044 895	18 339 570	17 025 866
ABSA BANK - Fixed Deposit - 935-762-5891	14 266 237	3 292 446	6 789 401	14 266 237	3 292 446	6 789 401
NEDBANK - FIXED DEPOSIT - 3788-1151-676/000002	7 233 571	6 664 459	6 250 767	7 233 571	6 664 459	6 250 767
Total	**43 262 427**	**44 264 697**	**46 903 362**	**43 262 427**	**44 274 697**	**46 903 362**

* See Note 42 & 44

7. Property, plant and equipment

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	14 340 767	(1 418 857)	12 921 910	14 340 767	(956 051)	13 384 716
Machinery and Equipment	1 967 893	(755 940)	1 211 953	1 923 007	(567 276)	1 355 731
Furniture and fixtures	4 720 489	(3 646 856)	1 073 633	4 605 582	(3 311 621)	1 293 961
Motor vehicles	5 809 321	(3 509 161)	2 300 160	5 080 504	(3 031 194)	2 049 310
IT equipment	13 809 741	(11 110 986)	2 698 755	12 858 269	(10 042 710)	2 815 559
Total	**40 648 211**	**(20 441 800)**	**20 206 411**	**38 808 129**	**(17 908 852)**	**20 899 277**

Reconciliation of property, plant and equipment - 2024

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Buildings	13 384 717	-	-	(462 806)	12 921 911
Machinery and Equipment	1 355 731	751 347	(706 460)	(188 664)	1 211 954
Furniture and fixtures	1 293 961	147 745	(32 839)	(335 235)	1 073 632
Motor vehicles	1 995 172	783 710	(755)	(477 966)	2 300 161
IT equipment	2 815 559	1 114 039	(162 568)	(1 068 276)	2 698 754
	20 845 140	**2 796 841**	**(902 622)**	**(2 532 947)**	**20 206 412**

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Depreciation	Total
Buildings	13 862 743	-	-	-	-	(478 026)	13 384 717
Machinery and Equipment	1 312 589	212 079	(1 055 091)	1 055 091	-	(168 937)	1 355 731
Furniture and fixtures	1 464 422	242 963	-	-	-	(413 424)	1 293 961
Motor vehicles	1 812 469	176 001	-	-	670 830	(664 128)	1 995 172
IT equipment	3 040 401	764 415	-	-	-	(989 257)	2 815 559
	21 492 624	**1 395 458**	**(1 055 091)**	**1 055 091**	**670 830**	**(2 713 772)**	**20 845 140**

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		
Motor Vehicles	54 602	25 126

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2024			2023		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	5 041 208	(4 911 643)	129 565	5 041 208	(4 858 979)	182 229

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software	182 229	(52 664)	129 565

Reconciliation of intangible assets - 2023

	Opening balance	**Amortisation**	**Total**
Computer software	235 548	(53 319)	182 229

Pledged as security

None of the assets 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.

Notes to the Annual Financial Statements

	2024	2023 Restated*

9. Payables from exchange transactions

	2024	2023
Trade payables	6 766 972	7 009 737
UIF over deducted from employees	193 496	193 496
Councillors salaries under payments	6 637	6 637
	6 967 105	**7 209 870**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2024	2023
Rural Roads Assets Management System Grant	843 380	337 122
Energy Efficiency Demand-Side Management Grant	46 502	-
	889 882	**337 122**

Movement during the year	2024	2023
Balance at the beginning of the year	337 122	-
Additions during the year	12 267 000	18 229 000
Income recognition during the year	(11 377 118)	(17 891 878)
Deducted from equitable share grant	(337 122)	-
	889 882	**337 122**

The nature and extent of government grants and their conditions, restrictions and other contingencies attached to these government grants have to be fulfilled and hence recognised in the annual financial statements as conditional grants

See note 12 for reconciliation of grants from National/Provincial Government.

11. Employee benefit obligation

Reconciliation of employee benefit obligation - 2024

	Opening Balance	**Additions**	**Reversed during the year**	**Total**
Employee benefit obligation - current	1 617 000	-	(929 000)	688 000
Accrued leave provision	7 948 104	858 958	-	8 807 062
Accrued bonus provision	1 853 658	167 207	-	2 020 865
Employee benefit obligation - non-current	8 412 000	499 000	-	8 911 000
	19 830 762	**1 525 165**	**(929 000)**	**20 426 927**

Reconciliation of employee benefit obligation - 2023

	Opening Balance	**Additions**	**Reversed during the year**	**Total**
Employee benefit obligation - current	906 000	711 000	-	1 617 000
Accrued leave provision	7 112 178	835 926	-	7 948 104
Accrued bonus rovision	1 494 651	359 007	-	1 853 658
Employee benefit obligation - non-current	10 558 000	-	(2 146 000)	8 412 000
	20 070 829	**1 905 933**	**(2 146 000)**	**19 830 762**

* See Note 42 & 44

11. Employee benefit obligation (continued)

Long service awards

Valuation method

The Projected Unit Credit Method is used to determined the present value of the defined benefit obligation.

The defined benefit obligation

The defined benefit liability as disclosed below are represented by two different post-employment benefits. None of the benefits set out below are externally funded.

Post-retirement medical aid plan Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amount recognised in the statement of financial position are as follows for 2024:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2023	(4 946 000)	(5 076 000)	(10 022 000)
Current service cost	(525 000)	(36 000)	(561 000)
Interest cost	(631 000)	(638 000)	(1 269 000)
Actuarial (loss) - experience variance	188 000	384 968	572 968
Benefits payments	1 348 000	332 032	1 680 032
	(4 566 000)	**(5 033 000)**	**(9 599 000)**

The amount recognised in the statement of financial position are as follows for 30 June 2023:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2022	(4 881 000)	(6 583 000)	(11 464 000)
Current service cost	(565 000)	(119 000)	(684 000)
Interest cost	(577 000)	(771 000)	(1 348 000)
Actuarial (loss) - experience variance	433 000	2 175 000	2 608 000
Benefits payments	637 000	222 000	859 000
	(4 953 000)	**(5 076 000)**	**(10 029 000)**

	2024	2023 Restated*

11. Employee benefit obligation (continued)

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

The nominal and real zero curves as at 30 June 2024 supplied by the JSE were used to determine our discount rates and CPI assumptions at each relevant time period 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.

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.

Membership Data
Key features of the membership data used in the valuation of post-retirement healthcare subsidy are summarised below:

Current employees	2024	2023
- Number of current employees		
Males	3	4
Females	1	1
- Average age of employees		
Males	64,2	63,6
Females	58,0	57,0
- Average years of past service		
Male	28,80	29,60
Female	25,70	24,70
- Average total monthly premium of Principal members (R)		
Male	R 5, 160	R 4, 680
Female	R 2, 120	R 1, 980
- Average total monthly premium of Adult dependants (R)		
Male	R -	R -
Female	R -	R -

Continuation members		
- Number of continuation members		
Male	4	3
-Average age of continuation members		
Male	74,1	74,1
- Actual percentage married		
Male	100%	100%
Female	0%	0%
- Average total monthly premium of Principal members (R)		
Male	R 6, 170	N/A
Female	N/A	R 0,00
- Average total monthly premium of Adult dependants (R)		
Male	R -	R -
Female	R -	R -

Breakdown of Defined Benefit Obligation

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

11. Employee benefit obligation (continued)

The table below provides a breakdown of the defined benefit obligation between active and continuation members as at the current and previous valuation dates:

Breakdown of defined benefit obligation (R'000)	30 June 2024	30 June 2023	30 June 2022
Active members	2 804	3 225	4 225
Continuation members	2 229	1 851	2 358
	5 033	**5 076**	**6 583**

Post-retirement healthcare subsidy sensitivities

The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The table below sets out the sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost of inflation assumption.

This is regarded as important management information. The GRAP 25 accounting standard also requires this sensitivity to be disclosed in the annual financial statement.

Healthcare cost inflation sensitivity (R'000)	1% decrease	Base	1% increase
Defined benefit obligation	(4 649)	(5 033)	(5 466)
Service cost (next financial year)	(545)	(592)	(645)
Interest cost (next financial year)	(37)	(71)	(46)
	(5 231)	**(5 696)**	**(6 157)**

Assumptions used

The economic assumptions for the 30 June 2024 valuation are shown in the table below, and compared to those used for the respective roll-back valuations.

Long service awards sensitivities (R'000)	1% decrease	Base	1% increase
Total accrued liability	(4 372)	(4 566)	(4 766)
Current service cost	(514)	(530)	(548)
Interest cost	(437)	(459)	(482)
	(5 323)	**(5 555)**	**(5 796)**

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.” .

*Statement of Financial Position (herein referred to as the “balance sheet”).

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. 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.

	2024	2023 Restated*

11. Employee benefit obligation (continued)

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

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 5.1%. The next salary increase was assumed to take place on 01 July 2025.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	2024 Promotional Increase %	2023 Promotional Increase %
20 - 24	5	5
25 - 29	4	4
30 - 34	3	3
35 - 39	2	2
40 - 44	1	1
	-	-

Healthcare cost 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 outstrip general inflation by 1% per annum over the foreseeable future.

Demographic assumptions

This section contains the demographic assumptions used in the valuation. The mortality tables used have not been presented, as they are standard tables, which are widely used.

The demographic assumptions for the 30 June 2024 valuation and compared to those used for the previous valuations are shown in the tables below.

Summary of key demographic assumptions	30 June 2023 & 2024
Pre-retirement mortality	SA85-90 mortality tables used. No explicit assumption was made about additional mortality or health care costs due to AIDS.

* See Note 42 & 44

11. Employee benefit obligation (continued)

Post-retirement mortality	PA(90) mortality tables used. No explicit assumption was made about additional mortality or health care costs due to AIDS.
Withdrawal	See rationale for demographic assumption below
Expected retirement age	65 years for males and females
Percentage married for in-service members	See rationale for demographic assumption below
Spouse and principal member age difference	Males 5 years older than females
Employees’ continuation percentage at retirement	90.00%
Percentage of widows continuing membership	10.00%

Rationale for demographic assumptions

For many of the demographic assumptions, particularly mortality rates, the small size of the membership precludes the use of assumptions based on past experience of the particular scheme. Thus, assumptions are set which are consistent with market practice and with investigations performed where there is a significant amount of data.

Pre-retirement mortality

The pre-retirement mortality table most commonly used in the retirement industry (for similar sub-populations in South Africa) is SA 85-90 (Light). However, given apparent improvements in mortality with active members living longer, we have rated the SA 85-90 (Light) table down by one year for both males and females. This means that the mortality rate assumed for an individual in the valuation is the rate provided in the table for an individual at age one year younger.

Post-retirement mortality

PA (90) is commonly used in the retirement industry. However, given the fact that pensioners are living longer than at the time the table was compiled, we have rated the PA (90) table down by one year for both males and females. This means that the mortality rate assumed for an individual in the valuation is the rate provided in the table for an individual one year younger.

There is a strong argument for inclusion of mortality improvements in the assumption (1.00% to 1.50% p.a. at all ages would be reasonable), given the improvements that have occurred at the post-retirement ages in most developed countries over the past forty years, as well as the evidence of improvements observed by larger actuarial service providers in South Africa. We therefore included a 1% per annum mortality improvement factor from 2010 onwards.

Withdrawal assumption

In the absence of credible past withdrawal data of this particular scheme, the withdrawal assumptions have been set in line with those generally observed in the South African market.

The table below shows the annual withdrawal rates for the valuation, differentiated by age.

Withdrawal assumption age	Males	Females

Notes to the Annual Financial Statements

	2024	2023 Restated*

11. Employee benefit obligation (continued)

20 - 24	16,00%	24,00%
25 - 29	12,00%	18,00%
30 - 34	10,00%	15,00%
35 - 39	8,00%	10,00%
40 - 44	6,00%	6,00%
45 - 49	4,00%	4,00%
50 - 54	2,00%	2,00%
55 - 59	1,00%	1,00%
60+	0,00%	0,00%

Assumed retirement age

The assumed retirement age of 63 years for current employees is based on the normal retirement age of the employer of 65 years for all employees, including allowance for ill-health and early retirements. This assumption is in respect of both males and females.

Spouse and principal member age difference

We have assumed that males are 5 years older than females for active and continuation members.

Typically, the actual age of continuation members’ spouses would be used in valuations, although this detail could not be provided by the employer, and thus the above assumption was applied.

Child dependants

No value has been placed on benefits payable to child dependants. The impact is likely to be immaterial and not allowing for child dependants is generally applied by other actuaries in the market place

Percentage married assumption

We have assumed that 90% of all active members (both male and female), will be married at retirement, whereas actual marital status was used for continuation members.

12. Government grants and subsidies

Operating grants

Equitable share	135 615 000	130 459 000
Financial Management Grant	2 300 000	2 300 000
Expanded Public Works Programme Integrated Grant	3 384 000	5 356 000
Rural Roads Assets Management System Grant	1 739 620	2 235 878
Energy Efficiency and Demand Side Management Grant	3 953 498	8 000 000
	146 992 118	**148 350 878**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	11 377 118	18 229 000
Unconditional grants received	135 615 000	130 459 000
	146 992 118	**148 688 000**

Equitable Share

Current-year receipts	135 615 000	130 459 000

* See Note 42 & 44

	2024	2023 Restated*

12. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(135 278 000)	(130 459 000)
Other	(337 000)	-
	-	-

This grant is used by the municipality, mainly to fund its operational activities.

Rural Roads Assets Management System Grant

Balance unspent at beginning of year	337 122	-
Current-year receipts	2 583 000	2 573 000
Conditions met - transferred to revenue	(1 739 620)	(2 235 878)
Other	(337 122)	-
	843 380	**337 122**

The purpose of the grant is for the provision of systems to collect rural road, traffic data and rural access of bridges.

Expanded Public Works Programme Integrated Grant

Current-year receipts	3 384 000	5 356 000
Conditions met - transferred to revenue	(3 384 000)	(5 356 000)
	-	-

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximized.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	4 000 000	8 000 000
Conditions met - transferred to revenue	(3 953 498)	(8 000 000)
	46 502	-

This grant is used to implement EEDSM initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency

Local Government Sector Education and Training Authority Grant

The purpose of the grant is to improve the effectiveness and efficiency of the skills development through provision of bursaries and promotion and support of theoretical learning with workplace training.

Financial Management Grant (FMG)

Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA

13. Other Transfer revenue

South African National Biodiveristy (SANBI) Grant	550 000	-
Agricultural Sector Education Training Authority (AgriSETA) Grant	330 000	-

	2024	2023 Restated*
	880 000	**-**

14. Interest received - investments

	2024	2023 Restated*
Interest revenue		
Bank	5 528 654	4 501 199

15. Service in Kind revenue

The building that TMDM operates in is owned but the Department of Public Works and the department leases the building to the municipality at no charge. The services in kind are as follows;

	2024	2023 Restated*
Service in kind revenue	6 767 690	6 237 502

Basis on which the fair value has been measured has considered fact that the service in kind is received from Department of Public Works and the department does not have to comply with GRAP they are on Cash payments basis and have only valued the buildings in 2013 financial period with the inclusion that yearly escalations are between 7,5% to 8,5

16. Sundry Income

	2024	2023 Restated*
Tender documents	50 000	13 000
Other income	225 126	577 017
	275 126	**590 017**

17. Depreciation and amortisation

	2024	2023 Restated*
Property, plant and equipment	2 532 948	2 713 771
Intangible assets	52 665	53 319
	2 585 613	**2 767 090**

18. Finance costs

	2024	2023 Restated*
Actuarial interest costs	1 269 000	1 348 000

Notes to the Annual Financial Statements

	2024	2023 Restated*

19. Operational expenses

Advertising	1 020 404	1 657 237
Auditors remuneration	4 253 003	3 511 374
Awareness campaign -Energy efficiency programme	-	128 522
Bank charges	114 723	122 419
Bursary fund	698 490	1 525 965
Cleaning and consumables	214 705	92 013
Catering	2 325 913	2 338 601
Disaster intervention	265 560	-
Disaster recovery services	733 853	990 000
District audit committee	368 866	335 012
District Development Model	200 175	-
Donations	717 101	1 055 091
Electricity	2 400	-
Events management,PA system hire & event decorations	1 853 792	1 415 147
Internet services	1 194 476	636 922
Installation of energy efficient lights	2 120 955	5 775 826
Insurance	1 225 425	999 297
IT infrastructure support & maintenance	237 551	479 563
Legal Fees	744 664	2 016 419
District tourism	-	63 562
Magazines, books and periodicals	221 300	314 510
Motor vehicle expenses	1 691 195	1 987 889
Operating lease (Equipment rental)	940 236	-
Personal Protective Equipment, sanitizers and sanitizer stands	-	112 700
Printing and stationery	605 061	1 077 737
Repairs and maintenance	1 154 980	1 866 714
Rural community support	767 348	578 966
RRAMS Programme - Disbursement expenses	269 250	580 087
Sampling of food and water	144 434	230 702
Service in kind expenditure (Rental expense)	6 767 690	6 237 502
Software and licenses	2 238 017	2 749 986
Subscriptions and membership fees	1 287 613	2 374 941
Sports development programme	149 376	-
Telecommunication expenses	1 719 175	1 358 513
Training	607 743	264 525
Transport	1 196 671	1 637 543
Travel and subsistence	2 115 524	1 950 679
Uniform and protective clothing	740 706	17 000
Rental: Vehicles	-	786 990
Youth development programme - Entrepreneur support	27 000	22 300
	40 935 375	**47 292 254**

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

20. Remuneration related cost

	2024	2023 Restated*
Acting allowances	185 878	520 734
Basic	60 809 861	55 342 134
Bargaining council levies	253 076	629 681
Bonus	4 393 919	4 161 730
Car allowance	13 697 766	11 707 824
Cell phone allowance	1 122 800	937 350
Current service costs	561 000	684 000
EPWP Wages	5 913 701	5 789 769
Housing benefits and allowances	517 643	346 554
Leave redemption and provision	2 682 989	2 260 966
Medical aid - company contributions	4 862 484	4 602 041
Overtime payments	72 522	60 446
Pension fund contributions	8 933 293	8 177 552
SDL	844 285	775 516
UIF	308 899	285 457
Shift allowance	1 661 790	1 345 323
Long-service awards	601 264	379 062
Less: Post Retirement Healthcare Subsidy and Long service benefits	(1 680 032)	(855 000)
	105 743 138	**97 151 139**

Remuneration of Accounting Officer - Ms. TPM Lebenya

	2024	2023 Restated*
Annual Remuneration	1 226 887	896 297
Car allowance	258 188	185 314
Contributions to UIF, Medical and Pension Funds	14 936	12 561
Travel, motor car, accommodation, subsistence and other allowance	62 660	41 503
Cell phone allowance	30 000	23 250
Leave paid out	-	292 730
	1 592 671	**1 451 655**

Ms. Lebenya's term ended 30 November 2022 and she was appointed from 9 February 2023 to 31 January 2028.

Remuneration of Acting Accounting Officer - Mr. SK Khote

	2024	2023 Restated*
Annual remuneration	-	437 952
Car allowance	-	77 333
Acting allowance	-	7 691
Contributions to UIF, Medical and Pension Funds	-	6 061
Leave paid out	-	328 094
Cellphone allowance	-	10 000
	-	**867 131**

Mr. Khote was appointed from 1 December 2017 and his term ended 30 November 2022.

Notes to the Annual Financial Statements

	2024	2023 Restated*

20. Remuneration related cost (continued)

Remuneration of Executive Manager Corporate Service

Mr RS Mokoena		
Annual Remuneration	811 746	-
Car allowance	219 485	-
Housing allowance	55 000	-
Contributions to UIF, Medical and Pension Funds	11 043	-
Travel, motor car, accommodation, subsistence and other allowance	68 841	-
Cell phone allowance	20 000	-
	1 186 115	**-**

Mr Mokoena RS was appointed as the Director Corporate Services from 01 August 2023

Mr Ngwenya MGB		
Annual Remuneration	64 415	61 115
Car allowance	19 324	18 334
Contributions to UIF, Medical and Pension Funds	16 740	16 435
Cell phone allowance	1 500	1 500
Housing allowance	1 066	1 012
Acting allowance	8 052	16 423
	111 097	**114 819**

Mr. MGB Ngwenya was appointed as the acting Director Corporate Services for July 2023 and the remuneration paid to him for acting amounts to R8 051.86.

Ms Ngobese NE		
Annual Remuneration	-	366 688
Car allowance	-	110 007
Contributions to UIF, Medical and Pension Funds	-	90 427
Travel, motor car, accommodation, subsistence and other allowance	-	24 357
Cell phone allowance	-	9 000
Backpay on acting allowance	-	132 020
Acting allowance	-	98 538
	-	**831 037**

Ms. ME Ngobese was appointed as the acting Director Corporate Services from 01 December 2022 to 31 May 2023 and remuneration paid to her for acting amounts to R 98 537.64

Remuneration of Director Community Services - Mr. S Lengoabala

Annual Remuneration	961 817	1 096 700
Car allowance	239 198	210 000
Travel, motor car, accommodation, subsistence and other allowance	62 511	82 449
Contributions to UIF, Medical and Pension Funds	14 924	16 878
Housing allowance	60 000	60 000
Cell phone allowance	24 000	24 000
Acting allowance	15 057	85 226
	1 377 507	**1 575 253**

Mr. Lengoabala was appointed on the 01 March 2020 to 28 February 2025.

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

20. Remuneration related cost (continued)

Remuneration of Chief Financial Officer - Ms. NL Gqoli

Annual remuneration	-	478 390
Car allowance	-	121 215
Contributions to UIF, Medical and Pension Funds	-	104 614
	-	17 742
Cell phone allowance	-	14 000
Annual bonus	-	57 838
Leave paid out	-	189 982
	-	**983 781**

Ms. Gqoli was appointed as the Chief Financial Officer from 1 February 2018 to the 31 January 2023.

Remuneration of Chief Financial Officer - Mr. MD Mhlahlo

Annual Remuneration	759 673	352 434
Car allowance	271 558	105 730
Contributions to UIF, Medical and Pension Funds	14 148	79 883
Travel, motor car, accommodation, subsistence and other allowance	14 387	4 899
Cell phone allowance	22 000	7 500
Housing allowance	55 000	5 059
Annual bonus	-	70 486
Acting allowance	9 287	59 771
Leave paid out	164 565	-
	1 310 618	**685 762**

Mr. MD Mhlahlo was appointed as the acting Chief Financial Officer from 01 February 2023 to 30 June 2023 and the remuneration paId to him for acting amounted to R 59 770.60.

He was appointed as the acting Chief Financial Officer from 01 July 2023 to 31 July 2023 and the remuneration paid to him for acting amounts R 9 287.64.

He was subsequently appointed as the Chief Financial Officer on 01 August 2023.

Remuneration of Director Technical Services - Mrs. MM Nkomo

Annual remuneration	738 999	-
Car allowance	198 494	-
Housing allowance	50 000	-
Cellphone allowance	20 000	-
Travel, motor car, accommodation, subsistence and other allowance	96 516	-
Contributions to UIF, Medical and Pension Funds	10 298	-
	1 114 307	**-**

Mrs Nkomo MS was appointed as the Director: Technical Services on 01 September 2023

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

20. Remuneration related cost (continued)

Remuneration of councillors

	2024	2023
Executive Mayor - Cllr. AC Msibi	995 566	987 297
Chief Whip - Cllr. L Makhalema	113 993	816 596
Speaker - Cllr. TJ Mokoena	804 146	421 751
Chairperson MPAC - Cllr. ES Chabeli	739 372	676 275
Mayoral Committee Members	3 114 025	3 161 427
Councillors	3 588 268	3 290 999
	9 355 370	**9 354 345**

Exec. Mayor, Speaker, Chief Whip and MPAC Chairperson	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Pension and medical aid	Skills development levy	Total
Cllr. AC Msibi	707 990	235 997	42 400	-	9 180	995 567
Cllr. LU Makhalema	104 707	8 073	-	-	1 113	113 893
Cllr. TJ Mokoena	566 389	188 799	42 400	-	6 558	804 146
Cllr. ES Chabeli	492 819	198 375	42 400	-	5 778	739 372
Subtotal	1 871 905	631 244	127 200	-	22 629	2 652 978
	1 871 905	**631 244**	**127 200**	**-**	**22 629**	**2 652 978**

Mayoral committee members	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Pension and medical aid	Skills development levy	Total
Cllr. SM Visagie	163 156	62 826	-	28 195	2 128	256 305
Cllr. TN Masiteng	315 287	129 547	-	-	4 066	448 900
Cllr. A Fume	531 071	206 832	42 400	-	6 272	786 575
Cllr. TJ Mahlambi	290 638	116 639	-	-	3 725	411 002
Cllr. MJ Vilakazi	519 753	202 024	42 400	11 318	6 482	781 977
Cllr. MS Mosia	293 621	132 254	-	-	3 391	429 266
Subtotal	2 113 526	850 122	84 800	39 513	26 064	3 114 025
	2 113 526	**850 122**	**84 800**	**39 513**	**26 064**	**3 114 025**

	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Skills development levy	Sitting allowance	Total
Other councillors	2 298 861	715 951	339 200	24 841	209 515	3 588 368
Subtotal	2 298 861	715 951	339 200	24 841	209 515	3 588 368
	2 298 861	**715 951**	**339 200**	**24 841**	**209 515**	**3 588 368**

The prior term ended on 8th November 2021 and new councillors were elected in to council on the same date. The new term will run from the 8th November 2021 and will end in November 2026.

In-kind benefits

	2024	2023 Restated*

20. Remuneration related cost (continued)

The Executive Mayor, Speaker, Chief Whip, MPAC Chairperson and Mayoral Committee Members are full-time councillors. The Executive Mayor, Speaker, Chief Whip and MPAC Chairperson are provided with offices and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of council.

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

The Executive Mayor and the Speaker have a full-time driver / bodyguard.

The salaries, allowances and benefits of councillors as disclosed above are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act

21. Cash (used in) generated from operation

	2024	2023 Restated*
(Deficit) surplus	(4 125 627)	1 355 012
Adjustments for:		
Depreciation and amortisation	2 585 613	2 767 090
Finance costs	1 269 000	1 348 000
Leave provision	858 958	835 927
Post Retirement Healthcare Subsidy and Long service benefits	(1 680 032)	-
Movements in Employee benefit provisions	(463 318)	414 000
Bonus provision	167 207	359 007
Non-cash donations	717 101	(123 802)
Actuarial gain/loss	(572 968)	(2 608 000)
Gain / loss on sale of assets and liabilities	185 522	-
Interest received	(434 859)	(345 687)
Gains on impariment provision adjustment	-	(357 252)
Rental: Vehicles	-	(54 138)
Changes in working capital:		
Receivables from exchange transactions	1 153 225	580 187
Receivables from non-exchange transactions	(51 403)	(3 360 728)
Payables from exchange transactions	(242 765)	(1 905 362)
VAT	369 843	(484 586)
Unspent conditional grants and receipts	889 882	337 122
	625 379	**(1 243 210)**

22. Financial liability by category

The accounting policies for financial instruments have been applied to the column items below:

2024	Financial liabilities at amortised cost	Total
Payables from exchange transactions	6 967 105	6 967 105

2023	Financial liabilities at amortised cost	Total
Payables from exchange transactions	7 209 870	7 209 870

	2024	2023 Restated*

23. CETA agency fees

Commission income [Agency services (CETA)]	-	160 280

The municipality, as an implementing agent, does not recognise revenue and expenses that arise from transactions with third parties in a implementing agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

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

In the 2022-2023 financial year, the municipality received an aggregate amount of R1 452 748.18, TMDM paid due stipends to the learners in accordance with the binding arrangement with CETA amounting to R1 292 467.70 and revenue was recognised subsequent to payment of learner stipends amounting to R 160 280.47 consisting of administration and rural allowance. Whereas in the current year the municipality did not receive nor pay any amount in relation to CETA therefore no commision income was received.

The municipality did not have liability held on behalf of learner stipends as at 30 June 2024, there is no corresponding reimbursement for year under review.

Notes to the Annual Financial Statements

	2024	2023 Restated*

24. Provisions, contingent assets and contingent liabilities

Contingent liabilities

	2024	2023 Restated*
Ktravel agency vs Thabo Mofutsanyana Demand for payment in execution. Default judgment rescinded on 05 August 2022. Agency has applied for an appeal.	153 262	153 262

The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality.

	2024	2023 Restated*
Ex-Employees vs Thabo Mofutsanyana Claim pro rata bonus and accrued Leave annual leave days	248 083	248 083

The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality

	2024	2023 Restated*
Maluti-A-Phofung seconded Councillors vs Thabo Mofutsanyana Civil claim for councillors remuneration.	5 497 850	5 497 850

The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality

	2024	2023 Restated*
Podbeilski Mhlambi Attorneys vs Thabo Mofutsanyana RSC levies collections. Matter is defended and pending in Bloemfontein HighCourt.	36 423 638	36 423 638

The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality

	2024	2023 Restated*
DW Wessels and 6 others vs Thabo Mofutsanyana Veld fire that destroyed farms. Matters is defended and pending.	4 432 501	4 432 501

The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality

Financial Guarantees

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.

The obligations (or possible obligations) arising from the issue of financial guarantee contracts are recognised, measured and/or disclosed in accordance with GRAP 19. Contingent balance amounting to R95 000 is housing guarantees a contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.

The Municipality has provided housing guarantees to the employees listed below. The maximum amount each qualifying employee may receive is R17 000.

Name of employee	Effective date	2024	2023 Restated*
Ngobese Malefu	22/03/2006	17 000	17 000
Moloi Khesa	25/05/2005	17 000	17 000
Moloi Materonko	08/10/2002	13 000	13 000
Motloung Sylvia	30/01/2007	17 000	17 000
Mthombeni Sthembiso	01/10/2004	14 000	14 000
Mani Koahela	01/07/2009	17 000	17 000
		95 000	**95 000**

* See Note 42 & 44

25. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:
- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- Council and Mayor;
- management personnel, and close members of the family of management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality.

The economic entity's management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

The related party transactions for the current financial year were with management personnel. Refer to Note 20 for detailed disclosure of remuneration.

Notes to the Annual Financial Statements

	2024	2023 Restated*

26. Risk management

Financial risk management

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

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

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

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

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly

* See Note 42 & 44

26. Risk management (continued)

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

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At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4 749 412	2 158 191	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4 367 786	2 608 453	-	233 631

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Receivables from exchange transactions	434 860	1 271 419	-	-
• Receivables from non-exchange transactions	-	6 084 112	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Receivables from exchange transactions	345 687	1 936 086	-	-
• Receivables from non-exchange transactions	-	6 032 709	-	-

Credit risk

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.

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

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

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

Financial assets which exposed the economic entity to credit risk at year end were as follows:

Financial instrument	2024	2023
ABSA Bank - Cheque account	2 813 980	12 655 110
ABSA Bank - Liquidity plus	5 307 060	63
ABSA Bank - Fixed deposit 2	3 596 684	3 313 049
ABSA Bank - Fixed deposit 3	10 044 985	18 339 570

* See Note 42 & 44

	2024	2023 Restated*

26. Risk management (continued)

ABSA Bank - Fixed deposit 4	14 266 237	3 292 446
Nedbank - Fixed deposit	7 233 571	6 664 459
Receivables from exchange transactions	434 860	1 588 085
Receivables from non-exchange transactions	3 174 449	3 194 449

The entity is exposed to a number of guarantees for housing loans of employees.

The balances represent the maximum exposure to credit risk.

Receivables from exchange and non-exchange transactions

The ageing of receivables from exchange and non-exchange at the reporting date:

0 to 3 months	434 860	345 687
3 to 6 months	-	-
Over 6 months	7 355 531	7 968 795
Less: Provision for Impairment	(3 746 877)	(3 169 146)
	4 043 514	**5 145 336**

The movement in the allowance for impairment in respect of receivables from exchange and non-exchange over the year was:

Balance at the beginning of the year	3 169 146	3 526 919
Adjustments for impairment	577 731	(357 773)
	3 746 877	**3 169 146**

The allowance for impairment in respect of receivables from exchange and non-exchange is used to record impairment losses until the municipality is satisfied that no recovery of the amount owing is possible

The ageing of receivables from exchange and non-exchange not impaired but passed due

Over 6 months	3 169 146	3 737 631

Market risk

Cash flow and fair value interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in an amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, receivables and bank and cash balances. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The financial assets are based on the interest rate provided by the banks at the reporting date. As the municipality,we are not exposed to volatility of the market risk/ interest rate like the corporate is exposed. our investments in the banks are based on a solid interest rate agreed prior investment.

During 2022 and 2023, the municipality's borrowings and investments at variable rates were denominated in Rand.

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

27. Going concern

The 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.

During the year ended 30 June 2024, the municipality incurred a deficit of (R 4 125 627) and the municipality's total assets exceed its total liabilities by R 43 890 899, in addition the municipality has a possible obligation of R46 850 334 pending the court ruling as disclosed in note 24. These conditions and events do not cast doubt on the municipality’s ability to continue as a going concern.

28. Events after the reporting date

There were no material events to report after the reporting date.

Event after the reporting period is favorable or unfavorable event that occurs between the end of the reporting period and the date that the financial statements are authorized for issue.The outcome of the MPCA UIFW investigation report itabled in council on irregular expenditure raised during prior year audit. The council resolved to write off amounting to R11,160,024 of irregular expenditure and consequence management was recommended..

- The end of the reporting period and
- The date that the financial statements are authorized for issue.

Adjusting events

Adjusting event is the event that arose after the end of the reporting period, but provides further evidence of conditions that existed at the end of the reporting period.

Accounting treatment: financial statements should be adjusted for adjusting events.

29. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	2 830 568	1 333 435
Opening balance as restated	**2 830 568**	**1 333 435**
Add: Unauthorized Expenditure - Current period	1 085 589	1 497 133
Closing balance	**3 916 157**	**2 830 568**

A Municipal Public Accountant Committee is to convene to analyse and review the findings on unauthorised expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to write-off or recover the unauthorised expenditure as stated above as waiting to be written-off.

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

30. Irregular expenditure

	2024	2023 Restated*
Opening balance as previously reported	25 905 892	34 494 668
Opening balance as restated	**25 905 892**	**34 494 668**
Add: Irregular Expenditure - current period	10 158 359	16 090 703
Less: Amount written off - current	(11 160 024)	(24 679 479)
Closing balance	**24 904 227**	**25 905 892**

Management has performed a review of transactions and identified transactions which did not comply with SCM Regulation, expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-bearers Act to be irregular expenditure in accordance to the guidelines set per Chapter 1 of the MFMA.

A Municipal Public Accountant Committee is to convene to analyse and review the findings on irregular expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to write off or recover the irregular expenditure as stated above as waiting to be condoned

Irregular expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of AFS exclusive of VAT and the full extent of the irregular expenditure is still under investigation.

	2024	2023 Restated*
Irregular expenditure arising from:		
Three quotations not sourced	198 460	274 682
Payment made without a valid invoice	64 140	-
Bid adjudicated by committee not in line with the regulation	-	2 929 507
PPPF Framework not considered	157 177	84 200
SCM Reg 5 not considered	264 623	-
Non-tax compliant supplier appointed	952 753	1 277 700
Advertisement not placed on on notice board for 7 days SCM Reg 18	85 401	-
Regulation 38 not applied	-	822 366
Regulation 17, 18, and 19 not considered	6 125 720	-
Regulation 36 not applied	2 310 085	-
Unapproved contract extentions	-	5 235 719
Competitive bidding not followed SCM Reg 19	-	5 466 532
	10 158 359	**16 090 706**

31. Fruitless and wasteful expenditure

	2024	2023 Restated*
Opening balance as previously reported	48 278	3 626
Opening balance as restated	**48 278**	**3 626**
Add: Fruitless and wasteful Expenditure - current period	6 177	44 652
Less: Amount written off - current	-	-
Closing balance	**54 455**	**48 278**

Municipal Public Accounts Committee is to convene to analyse and review the findings on fruitless and wasteful expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, Council will resolve either to condone or recover the fruitless and wasteful expenditure as stated above as waiting to be condoned.

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

32. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 209 384	2 288 768
Amount paid - current year	(1 209 384)	(2 288 768)
	-	-

Audit fees

Current year subscription / fee	4 253 003	3 510 499
Amount paid - current year	(4 253 003)	(3 510 499)
	-	-

PAYE, SDL and UIF

Current year subscription / fee	20 549 109	19 649 438
Amount paid - current year	(20 549 109)	(19 649 438)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	13 835 290	12 866 689
Amount paid - current year	(13 835 290)	(12 866 689)
	-	-

VAT

VAT receivable	4 532 896	4 902 739
VAT payable	-	-
	4 532 896	**4 902 739**

33. Municipal office occupation

The municipal head office situated at 1 Mampoi Street, Old parliament Building, Witsieshoek. The building is leased from Free State Department of Public Works for no rental consideration.

34. Contracted services

Consultants and Professional Services		
System support consultancy	2 206 491	2 167 187
Professional fees on Grant expenditure	2 209 303	2 491 994
Actuarial Valuation fees	27 000	22 000
Review of annual financial statements	47 640	35 000
	4 490 434	**4 716 181**

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

35. Revenue

Agency services (CETA)	-	160 280
Recoveries (gains on impairment adjustment)	-	357 252
Sundry income	275 126	590 017
Interest received - investment	5 528 654	4 501 199
Service in Kind revenue	6 767 690	6 237 502
Government grants & subsidies	146 992 118	148 350 878
Public contributions and donations	-	1 178 893
Other transfer revenue	880 000	-
Gain on disposal of assets	-	63 458
	160 443 588	**161 439 479**

The amount included in revenue arising from exchanges of goods or services are as follows:

Agency services (CETA)	-	160 280
Debt impairment recovered	-	357 252
Interest received - investment	5 528 654	4 501 199
	5 528 654	**5 018 731**

The amount included in revenue arising from non-exchange transactions is as follows:

Donations, bequests and in-kind revenue		
Service in Kind revenue	6 767 690	6 237 502
Transfer revenue		
Government grants & subsidies	146 992 118	148 350 878
Public contributions and donations	-	1 178 893
Other transfer revenue	880 000	-

36. Sundry income

Recoveries (gains on impairment provision adjustment)	-	357 252
Sundry income	275 126	590 017
	275 126	**947 269**

37. Auditors' remuneration

Fees	4 253 003	3 511 374

* See Note 42 & 44

	2024	2023 Restated*

38. Budget differences

Budget and actual amounts Variances (Reasons provided in cases where the difference exceeds 10%)

38.1 Sundry Income - Budgeted amount is higher than actual due to cash backed rserves, capital replacement reserves which are budgeted for with municipality's surplus cash.

38.2 Sevices in kind - the budgeted amount is less than actual due to projection on inflation rate instead of market related rate

38.3 Governments grants - the budgeted is higher than actual due to conditional grants not utilised, application for a rollover will be made to treasury.

38.4 Employee related cost - the actual is higher than the budgeted amount due to EPWP budget allocated under the general expenses whereas the actual spending is under employee related cost

38.5 Depreciation & asset impairment - The budgeted is higher than actual due to less procurement of Property, Plant and Equipment.

38.6 Contracted services - the budgeted is higher than actual due to differences in application of Mscoa and GRAP and other grants not utilised in the current finacial year.

38.7 Operational Expense (Cost) - actual is less than budgeted due to EPWP expenditure accounted under employee related cost and othe projects not excecuted in the current financial year.

38.8 Receivables from exchange transactions - The is increase due to repayment not received from pension fund receivable which was anticipated to be collected in the current year..

38.9 Receivables from non-exchange transactions - The budget is less than actual due to refunds from employees and councillors not received in the current year.

38.10 VAT receivables - actual is less than the budgeted due to non-excecution of anticipated projects.

38.11 Cash and cash equivalents - decrease in cash and cash equivalent actual against the budget is due to more capital investments made during the year.

38.12 Property, Plant and Equipment - There is a decrease in actual PPE against the budget due to non procurement of some capital assets that were projected for

38.13 Intangible assets - The variance is less than 10%

38.14 Payables from exchange transaction - The actual payables from exchange transaction is higher than the budget due to suppliers not submitting invoices timeously at the end of the year.

38.15 Unspent conditonal grants - the actual is higher than the budget due to conditions of the grants not met at the end of the financial year as the DORA allocation exceeded the contract amount.

38.16 Employee benefit obligation - The actual is as per the work of the actuaries taking into account various assumptions which led to the actual being higher that the budget.

39. Deviations

Deviations from normal supply chain procedures.

Category	Supplier	2024	2023
Price: R2 000 to R10 000	Bongani Mkhonza (Ubuntu Be Africa Theatre)	-	8 000
	Draadloze (Broadband Internet Service)	-	9 947
	Setsoto FM	10 000	-
	Kevcor Safety (Pty) Ltd	8 834	-
Price: R10 000 to R30 000	Kwavulamehlo Arts & Ideas	-	19 288
	Baha Mofokeng Genrral Trade	28 000	28 000
	In-house Media and Communications	-	25 000
		-	-
Price: R30 000 and above		-	-
	MAP Television News (Pty) Ltd	-	40 600
	Menray Communication	-	149 710
	Dikgau Trading & Projects	-	52 590
	Dikgau Trading & Projects	-	41 324
	Mornpard Molake Supply	673 268	-
	Mabolela Construction and Mechanical	547 092	-
	Mornpard Molake Supply	621 725	-
	Kaho Ya Sechaba Holdings	421 130	-
	Monoceros Electrical	224 825	-
	Rara N Phapz	305 394	-
		2 840 268	**374 459**

40. Segment reporting

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Segmental information on property, plant and equipment, as well as income and expenditure, is set out based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. Municipality.

Thabo Mofutsanyana District Municipality in the year under review does not have a reportable segment that generates economic benefits or service potential, Laboratory based in Maluti -A- Phofung Local Municipality donated to the District Municipality is currently being reviewed by management during the year under review.

Decisions about resources to be allocated to that activity and in assessing its performance and whether the Laboratory will have separate financial information is under consideration. To achieve this, the municipality has appointed the Principal Scientist and lab staff.

Notes to the Annual Financial Statements

	2024	2023 Restated*

41. VAT receivable

	2024	2023
VAT	4 532 896	4 902 739

	2024	2023
Opening balance	4 902 739	4 418 153
Vat input declared	4 186 599	5 173 252
	-	-
Refunds received from SARS	(4 556 442)	(4 688 666)
	4 532 896	**4 902 739**

Thabo Mofutsanyana District Municipality is a registered VAT vendor. When municipality purchases goods or services, it is able to claim the VAT on those purchasess.

The same thinking applied above will be applicable, where the arrangement between the VAT vendor and the other party supplying the goods or services is contractual in nature, and the transaction between the VAT vendor and SARS is statutory in nature.

In this case Thabo Mofutsanyana District municipality is able the collect input vat from SARS after finalization of VAT reviews, the VAT receivable from SARS is accounted for in accordance with GRAP 108 as a statutory receivable.

42. Changes in Accounting Estimate

New information was apparent at the beginning of the year which indicated that the Property, Plant and Equipment was nearing the end of their useful lives but were however still in working condition. As a result the municipality decided to revise the useful life of the Property, Plant and Equipment to extend the carrying value of the Property, Plant and Equipment by increasing the remaining useful life]

The aggregate effect of the changes in estimate on the annual financial statements for the year ended 30 June 202 is as follows:

Statement of financial position

	2024	2023
Property, plant and equipment		
Previously stated	19 952 719	20 555 794
Adjustment	253 692	269 667
	20 206 411	**20 825 461**
Intangible assets		
Adjustment	-	182 884

Statement of Financial Performance

	2024	2023
Depreciation		
Previously stated	2 786 641	2 353 754
Adjustment	(253 692)	(286 667)
	2 532 949	**2 067 087**
Amortization		
Previously stated	-	236 202
Adjustment	-	(182 884)
	-	**53 318**

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

43. Operating lease

The municipality entered into an agreement with Konica Minolta to lease office automation machinery rental of which is payable on a monthly basis.

Minimum lease payment due		
- no later than one year	1 222 312	-
- later than one year no later than five years	1 222 312	-
	2 444 624	**-**

44. Prior period errors

44.1. **Payables from exchange transactions**

Payables from exchange transactions were erroneously overstated by R 9 801 762 and the current portion of employee benefit obligations was understated by 9 801 762 due to a presentation error.

The correction of the error resulted in adjustment as follows;

Statement of Financial Position (30 June 2023)		
Payables from exchange transactions	-	(9 801 762)
Employee benefint obligations - current portion	-	9 801 762
	-	**-**

44.2. Operational costs.

Operating expense (Insurance, legal expenses and software license expenses) relating to 2022/2023 erroneously accounted for in the 2023/2024 accounting period. The correction has impacted the financials in the following manner:

Statement of Financial Performance (30 June 2023)		
Insurance General	-	140 631
Legal expenses	-	897 490
Software licenses	-	83 876
	-	**1 121 997**

Statement of Financial Position (30 June 2023)		
Payables from exchange transactions	-	1 121 997

44.3. Receivables from exchange transactions

Pension fund receivable was erroneousl classified as a receivables from exchange transaction ans therefore a correction to the class of receivables from non exchange transactions had the followinf impact on the financial;

Statement of Financial Position (30 June 2023)		
Receivables from exchange transaction	-	(3 174 449)
Receivables from non-exchange transactions	-	3 174 449
	-	**-**

* See Note 42 & 44

Notes to the Annual Financial Statements

	2024	2023 Restated*

44. Prior period errors (continued)
44.4 Vehicle rental expense

Additional text

Expendure relating to vehicle aquisition costs was erroneously accounted for as vehicle rental expense. The vehicle rental expense was overstated by R54 137 and theVehicle acquisition costs were understated by R54 137 in the prior year.

The effect of this correction is:

	2024	2023 Restated*
Statement of Financial Performance (30 June 2023)		
Operational expenses	-	(54 137)
Statement of Financial Position (30 June 2023)		
Property, plant and equipment	-	54 137

44.5 Employee benefit obligations

During the current financial period management reviewed actuarial valuation report assumptions on post medical health subsidy, the actuaries employer contritbution was 70% instead of 60%, change occurred on 25 January 2023, this resulted in prior period error note.

	2024	2023 Restated*
Statement of Financial Position (30 June 2023)		
Employee benefit obligation	-	(846 000)
Statement of Financial Performance (30 June 2023)		
Retained earnings	-	846 000

* See Note 42 & 44