Mohokare Local Municipality

Annual Financial Statements
for the year ended 30 June 2025

General Information

Country of incorporation and domicile	South Africa
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	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998) providing municipal services and maintain the best interests of the local community mainly in the Mohokare area
Mayoral committee	
Executive Mayor	TD Mochechepa
Councillors	RJ Thuhlo
	PP Mahapane
	TJ November
	MA Letele
	D Job
	ED Nai
	NA Adoons
	J Swart
	BJ Lobi
	NM Mkendani
	IS Riddle
	NR Mokati
Grading of local authority	Grade 2
Chief Finance Officer (CFO)	V Litabe (Acting)
Accounting Officer	M Mohale (Acting)
Registered office	Civic Centre Hoofd Street Zastron 9950
Postal address	PO Box 20 Zastron 9950
Bankers	ABSA Bank
Auditors	External - Auditor-General of South Africa (AGSA) Internal Auditor - Thato Ntakatsane
Attorneys	Peyper Attoneys

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

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Abbreviations used:

AFS	Annual Financial Statements
COGTA	Cooperative Governance and Traditional Affairs
GRAP	Generally Recognised Accounting Practice
DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Programme
EQS	Equitable Share
FAR	Fixed Asset Register
FMG	Financial Management Grant
FSPT	Free State Provincial Treasury
GAMAP	Generally Accepted Municipal Accounting Practice
IFRS	International Financial Reporting Standards
IMFO	Institute of Municipal Finance Officers
INEP	Intergrated National Electrification Programme
MEC	Members of the Executive Council
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
mSCOA	Municipal Standard Chart of Accounts
NRV	Net Realisable Value
RBIG	Regional Bulk Infrastructure Grant
SA GAAP	South Africa Statements of Generally Accepted Accounting Practice
SARS	South African Revenue Services
TMS	Traffic Management System
UIFW	Unauthorised, Irregular and Fruitless and Wasteful
VAT	Value Added Tax
WSIG	Water Services Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with South African 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 judgments and estimates.

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

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

The Accounting Officer has reviewed the Municipality’s cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, he is supported by the Municipality's internal auditors.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025 and were signed by:

M Mohale (Acting)
Accounting Officer

Mohokare Local Municipality
(Registration number FS163)
Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	2 196 342	3 118 786
Receivables from exchange transactions	4	19 074 800	18 185 159
Receivables from non-exchange transactions	5	3 039 196	6 329 821
VAT receivable	6	16 453 670	11 972 881
Prepayments	7	550 749	550 749
Cash and cash equivalents	8	2 235 954	1 385 344
		43 550 711	**41 542 740**
Non-Current Assets			
Biological assets	9	85 795	210 695
Investment property	10	53 985 697	53 985 697
Property, plant and equipment	11	638 874 588	637 709 653
Other financial assets	12	676 246	601 416
		693 622 326	**692 507 461**
Total Assets		**737 173 037**	**734 050 201**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	330 504 988	250 789 618
Consumer deposits	14	378 640	370 223
Employee benefit obligation	15	1 453 000	688 000
Unspent conditional grants	16	8 455 183	20 201 551
Provisions	18	14 170 097	14 170 097
		354 961 908	**286 219 489**
Non-Current Liabilities			
Other financial liabilities	17	81 637 457	81 637 457
Employee benefit obligation	15	24 518 000	20 830 000
Provisions	18	24 798 151	19 908 422
Payables from exchange transactions	13	74 828 217	74 828 217
		205 781 825	**197 204 096**
Total Liabilities		**560 743 733**	**483 423 585**
Net Assets		**176 429 304**	**250 626 616**
Accumulated surplus		176 345 412	250 626 616
Total Net Assets		**176 345 412**	**250 626 616**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	88 375 672	94 269 966
Rental of facilities and equipment	20	2 252 869	741 311
Interest received on outstanding debtors	21	41 328 667	37 949 261
Other income	23	308 022	267 105
Interest received on external investments	24	180 963	357 160
Dividends received	24	23 693	20 462
Total revenue from exchange transactions		**132 469 886**	**133 605 265**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	15 093 669	14 806 613
Interest received on outstanding debtors	22	4 901 653	4 503 158
Transfer revenue			
Government grants and subsidies	26	125 744 666	116 911 620
Fines, penalties and forfeits		163 200	-
In-kind contribution		124 575	-
Total revenue from non-exchange transactions		**146 027 763**	**136 221 391**
Total revenue		**278 497 649**	**269 826 656**
Expenditure			
Employee related costs	27	(100 069 615)	(91 743 953)
Remuneration of councillors	28	(5 583 267)	(5 568 897)
Administration		-	(481 167)
Depreciation and amortisation	29	(22 203 416)	(20 212 102)
Finance costs	30	(15 442 617)	(9 972 671)
Lease rentals on operating lease	31	(231 118)	(170 048)
Debt Impairment	32	(90 537 411)	(90 311 949)
Bad debts written-off	32	(32 815 183)	(38 499 597)
Bulk purchases	33	(50 976 993)	(44 290 363)
Contracted services	34	(8 648 334)	(17 758 573)
General expenses	35	(23 513 887)	(31 218 351)
Total expenditure		**(350 021 841)**	**(350 227 671)**
Operating (deficit)/surplus		**(71 524 192)**	**(80 401 015)**
Loss on disposal of assets and liabilities		-	(2 947 080)
Fair value adjustments	36	74 830	463 407
Actuarial gains/(losses)	15	(1 123 240)	738 000
Gain (loss) on biological assets		135 450	(34 080)
Impairment loss	37	-	(6 372 854)
		(912 960)	**(8 152 607)**
(Deficit)/surplus for the year		**(72 437 152)**	**(88 553 622)**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**250 626 616**	**250 626 616**
Changes in net assets		
Surplus/(deficit) for the year*	(88 553 622)	(88 553 622)
Total changes	(88 553 622)	(88 553 622)
Balance at 01 July 2024	**162 072 994**	**162 072 994**
Restated balance at 01 July 2024*	**-**	**-**
Changes in net assets		
Surplus/(deficit) for the year	(72 437 152)	(72 437 152)
Total changes	(72 437 152)	(72 437 152)
Balance at 30 June 2025	**176 345 412**	**176 345 412**

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		16 175 456	13 509 685
Grants		113 998 298	109 601 512
Interest income		45 973 760	42 809 579
		176 147 514	165 920 776
Payments			
Employee costs		(94 123 696)	(42 083 229)
Suppliers		(53 149 449)	(105 616 457)
Finance costs		(9 415 689)	(5 313 056)
		(156 688 834)	(153 012 742)
Net cash flows from operating activities	38	**19 458 680**	**12 908 034**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(17 889 529)	(25 906 759)
Net cash flows from investing activities		**(17 865 836)**	**(25 886 297)**
Cash flows from financing activities			
Other financial assets		-	5 196 357
Movement in other liability 2		83 459	-
Net cash flows from financing activities		**83 459**	**5 196 357**
Net increase/(decrease) in cash and cash equivalents		**1 676 303**	**(7 781 906)**
Cash and cash equivalents at the beginning of the year		1 385 344	9 187 713
Cash and cash equivalents at the end of the year	8	**2 235 954**	**1 385 344**

The accounting policies on pages 12 to 44 and the notes on pages 45 to 106 form an integral part of the annual financial statements.

* See Note 49

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						
Service charges	79 756 080	-	**79 756 080**	88 375 672	**8 619 592**	Note 53
Rental of facilities and equipment	786 012	-	**786 012**	2 252 869	**1 466 857**	Note 53
Interest received - debtors	16 800 000	-	**16 800 000**	41 328 667	**24 528 667**	Note 53
Other income	245 748	-	**245 748**	308 022	**62 274**	Note 53
Interest received - investments	99 996	-	**99 996**	180 963	**80 967**	Note 53
Dividends received	20 004	-	**20 004**	23 693	**3 689**	Note 53
Total revenue from exchange transactions	**97 707 840**	**-**	**97 707 840**	**132 469 886**	**34 762 046**	
Revenue from non-exchange						
Taxation revenue						
Property rates	18 948 948	-	**18 948 948**	15 093 669	**(3 855 279)**	Note 53
interest received on outstanding debtors	-	-	**-**	4 901 653	**4 901 653**	
Transfer revenue						
Government grants and subsidies	163 349 016	-	**163 349 016**	125 744 666	**(37 604 350)**	Note 53
Fines, penalties and forfeits	9 999 996	-	**9 999 996**	163 200	**(9 836 796)**	Note 53
Inkind contribution	-	-	**-**	124 575	**124 575**	
Total revenue from non-exchange transactions	**192 297 960**	**-**	**192 297 960**	**146 027 763**	**(46 270 197)**	
Total revenue	**290 005 800**	**-**	**290 005 800**	**278 497 649**	**(11 508 151)**	
Expenditure						
Employee related cost	(90 277 656)	-	**(90 277 656)**	(100 069 615)	**(9 791 959)**	Note 53
Remuneration of councillors	(5 790 156)	-	**(5 790 156)**	(5 583 267)	**206 889**	Note 3
Depreciation and amortisation	(17 547 384)	-	**(17 547 384)**	(22 203 416)	**(4 656 032)**	Note 53
Finance costs	(15 999 996)	-	**(15 999 996)**	(15 442 617)	**557 379**	Note 53
Lease rentals on operating lease	(99 996)	-	**(99 996)**	(231 118)	**(131 122)**	
Debt Impairment	-	-	**-**	(90 537 411)	**(90 537 411)**	Note 53
Collection costs	-	-	**-**	(32 815 183)	**(32 815 183)**	
Bulk purchases	(39 999 996)	-	**(39 999 996)**	(50 976 993)	**(10 976 997)**	Note 53
Contracted services	(3 509 988)	-	**(3 509 988)**	(8 648 334)	**(5 138 346)**	Note 53
General expenses	(27 279 348)	-	**(27 279 348)**	(23 513 887)	**3 765 461**	Note 53
Total expenditure	**(200 504 520)**	**-**	**(200 504 520)**	**(350 021 841)**	**(149 517 321)**	
Operating deficit	**89 501 280**	**-**	**89 501 280**	**(71 524 192)**	**(161 025 472)**	
Fair value adjustments	-	-	**-**	74 830	**74 830**	Note 53
Actuarial gains/(losses)	-	-	**-**	(1 123 240)	**(1 123 240)**	Note 53
Loss on biological assets	-	-	**-**	135 450	**135 450**	Note 53
	-	**-**	**-**	**(912 960)**	**(912 960)**	
(Deficit)/surplus for the year	**89 501 280**	**-**	**89 501 280**	**(72 437 152)**	**(161 938 432)**	

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						
Inventories	(3 628 920)	-	**(3 628 920)**	2 196 342	**5 825 262**	Note 53
Receivables from exchange transactions	-	-	**-**	19 074 800	**19 074 800**	Note 53
Receivables from non-exchange transactions	2 399 592	-	**2 399 592**	3 039 196	**639 604**	Note 53
VAT receivable	13 368 398	-	**13 368 398**	16 453 670	**3 085 272**	Note 53
Prepayments	1 300 310	-	**1 300 310**	550 749	**(749 561)**	
Cash and cash equivalents	(25 244 884)	-	**(25 244 884)**	2 235 954	**27 480 838**	Note 53
	(11 805 504)	**-**	**(11 805 504)**	**43 550 711**	**55 356 215**	
Non-Current Assets						
Biological assets	158 280	-	**158 280**	85 795	**(72 485)**	Note 53
Investment property	51 884 574	-	**51 884 574**	53 985 697	**2 101 123**	Note 53
Property, plant and equipment	16 452 912	-	**16 452 912**	638 874 588	**622 421 676**	
Other financial assets	-	-	**-**	676 246	**676 246**	Note 53
	68 495 766	**-**	**68 495 766**	**693 622 326**	**625 126 560**	
Total Assets	**56 690 262**	**-**	**56 690 262**	**737 173 037**	**680 482 775**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	162 573 753	-	**162 573 753**	330 504 988	**167 931 235**	Note 53
Consumer deposits	674 639	-	**674 639**	378 640	**(295 999)**	Note 53
Employee benefit obligation	1 205 626	-	**1 205 626**	1 453 000	**247 374**	Note 53
Unspent conditional grants	26 727 758	-	**26 727 758**	8 455 183	**(18 272 575)**	Note 53
Provisions	-	-	**-**	14 170 097	**14 170 097**	Note 53
	191 181 776	**-**	**191 181 776**	**354 961 908**	**163 780 132**	
Non-Current Liabilities						
Other financial liabilities	139 581 878	-	**139 581 878**	81 637 457	**(57 944 421)**	Note 53
Employee benefit obligation	7 562 024	-	**7 562 024**	24 518 000	**16 955 976**	Note 53
Provisions	-	-	**-**	24 798 151	**24 798 151**	Note 53
Payables from exchange transactions	-	-	**-**	74 828 217	**74 828 217**	Note 53
	147 143 902	**-**	**147 143 902**	**205 781 825**	**58 637 923**	
Total Liabilities	**338 325 678**	**-**	**338 325 678**	**560 743 733**	**222 418 055**	
Net Assets	**(281 635 416)**	**-**	**(281 635 416)**	**176 429 304**	**458 064 720**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(281 635 416)	-	**(281 635 416)**	176 429 304	**458 064 720**	

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						
Sale of goods and services	110 242 000	-	**110 242 000**	16 175 456	**(94 066 544)**	
Grants	146 336 000	-	**146 336 000**	113 998 298	**(32 337 702)**	
Interest Income	265 000	-	**265 000**	45 973 760	**45 708 760**	
	256 843 000	**-**	**256 843 000**	**176 147 514**	**(80 695 486)**	
Payments						
Suppliers and employees	(181 418 000)	-	**(181 418 000)**	(147 273 145)	**34 144 855**	
Finance costs	-	-	**-**	(9 415 689)	**(9 415 689)**	C6
	(181 418 000)	**-**	**(181 418 000)**	**(156 688 834)**	**24 729 166**	
Net cash flows from operating activities	**75 425 000**	**-**	**75 425 000**	**19 458 680**	**(55 966 320)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	**-**	(17 889 529)	**(17 889 529)**	
Net increase/(decrease) in cash and cash equivalents	75 425 000	-	**75 425 000**	1 569 151	**(73 855 849)**	C.1
Cash and cash equivalents at the beginning of the year	-	-	**-**	1 385 344	**1 385 344**	
Cash and cash equivalents at the end of the year	**75 425 000**	**-**	**75 425 000**	**2 954 495**	**(72 470 505)**	

Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgments and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These 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.

The following are the critical judgements and estimations that management have made in the process of applying the municipality’s accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy 1.8 on financial assets classification and accounting policy 1.8 on financial liabilities classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

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

Impairment testing

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

1.3 Significant judgments and sources of estimation uncertainty (continued)

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable category across all classes of debtors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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

If the related asset is measured using the cost model:

a) changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

b) the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

c) if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets.

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

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

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 11.723% (2024:7.42%) and discounted to the present value at the average long-term treasury bond rate which were adjusted for specific risk factors.

In terms of the licensing of the landfill refuses sites, the municipality will incur rehabilitation costs of R59.5 million (2024: R65.5) million) to restore the sites at the end of its useful lives, estimated to be in 2035 for the Rouxville site and 2037 for the Smithfield and 2039 for Zastron stes.

The Matlakeng landfill site has no remaining useful life as at 30 June 2025 and as a result it should be rehabilitated. It has been provided for at current cost of rehabilitation as a current liability.

Provision has been made for the net present value of its cost using the average cost of borrowing interest reate. The provision was arrived at after taking the following main factors into account, location, macro- and micro environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by Citofield Development Consultants (Pty) Ltd is 30 June 2025.

The valuation was performed by Citofield Development Consultants (Pty) Ltd [Lead Consultant: Judith Mlanda (Masters in Environmental Management)].

Accounting Standard GRAP 19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2025 was 5.5% p.a. The consumer price inflation of 11.723% p.a.

Key assumptions	Zastron	Matlakeng	Rouxville	Smithfield	Total
Long term treasury bond rate	- %	10,11 %	10,11 %	12,25 %	32
Adjusted for:					-

1.3 Significant judgments and sources of estimation uncertainty (continued)

Landfill site not fenced	0,15 %	0,15 %	0,15 %	0,15 %R	1
No record was available	0,30 %	0,30 %	0,30 %	0,30 %R	1
No inspections	0,15 %	0,15 %	0,15 %	0,15 %	1
No end-use plan	0,30 %	0,30 %	0,30 %	0,30 %	1
	0,90 %	11,01 %	11,01 %	13,15 %R	36

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Defined benefit plan liabilities

As described in the accounting policy on employee benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 15 to the annual financial statements.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

Revenue recognition

The accounting policy on Revenue from exchange transactions and the accounting on Revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Useful lives of property, plant and equipment and intangible assets

As described in the accounting policies relating to assets, 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 requirements 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 judgement 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.

Impairment: write-capital down of property, plant and equipment, intangible assets, heritage assets and inventory

The accounting policy on Property, plant and equipment - impairment of assets; and the accounting policy on intangible assets - subsequent measurement, amortisation and impairment and the accounting policy pertaining to inventory - subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: Impairment of cash generating assets and GRAP 21: Impairment of non-cash generating assets. In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets and the NRV for inventories involves significant judgment by management.

1.4 Biological assets

A biological asset is described as a living animal or plant which is under the control of the Municipality wherefore the fair value or cost can be determined reliably.

The municipality recognises biological assets or agricultural produce when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

1.5 Investment property

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

Investment property includes property (land or a building, or part of a building, or both land and buildings) held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality);
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment or inventory, as appropriate:
- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc. and
- Property held for strategic purposes or service delivery.

1.5 Investment property (continued)

Fair value

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

The fair value of investment property reflects the open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

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

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

1.6 Property, plant and equipment

Initial recognition

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Subsequent measurement

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

Subsequently all property plant and equipment, excluding properties held for transfer, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition infrastructure are carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	15 - 60 years
Furniture and fittings	Straight-line	3 - 15 years
Motor vehicles	Straight-line	4 - 7 years
Office equipment	Straight-line	5 - 7 years
Infrastructure - Electricity	Straight-line	60 years
• Mini-sub	Straight-line	50 years
• MV power transformer	Straight-line	30 years
• MV switch gear - circuit breaker	Straight-line	30 years
• MV switch gear - isolating link	Straight-line	30 years
• Circuit breaker panel	Straight-line	30 years
• Battery charger	Straight-line	30 years
Infrastructure - Roads and Paving	Straight-line	3 - 60 years
• Road surface - gravel	Straight-line	3 -20 years
• Road structural layer (access)	Straight-line	20 - 55 years
• Road surface - bituminous	Straight-line	20 - 55 years
• Road structural layer - collector	Straight-line	10 - 55 years
• Road structural layer - distributor	Straight-line	20 - 55 years
• Road surface - concrete block	Straight-line	20 - 55 years
Landfill sites	Straight-line	10 - 15 years
Community	Straight-line	5 - 60 years
• Recreational facilities	Straight-line	5 - 10 years
• Security	Straight-line	3 - 5 years
Wastewater network	Straight-line	10 - 60 years
Water network	Straight-line	10 - 60 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Bins and containers	Straight-line	10 - 15 years
Specialised property, plant and equipment	Straight-line	10 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.

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.

Incomplete construction work

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

Finance leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the entity, or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Land

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

Infrastructure assets

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

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

a) subject to b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value model and assumptions

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Amortised cost

The municipality uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

- Consideration 1 - Base rate used as starting point - Prime lending rate
- Consideration 2 - Adjustments for industry risk - None
- Consideration 3 - Adjustment for entity risk - None

Financial assets - classification

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

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.
- Financial assets measured at fair value are financial assets that meet either of the following conditions:

a) derivatives;

b) combined instruments that are designated at fair value

1.8 Financial instruments (continued)

c) instruments held for trading.

d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or

e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

Financial liabilities - classification

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

There are three main categories of financial liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at cost

Classification

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

Class	**Category**
Short-term investment deposits	Financial asset measured at amortised cost
Bank balances and cash	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Other debtors	Financial asset measured at amortised cost
Traffic fines debtors	Financial asset measured at amortised cost
Non-current investments	Financial asset measured at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

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

Class	**Category**
Long-term liabilities (excluding Centlec Payable)	Financial liability measured at amortised cost
Long-term liabilities (Centlec payable)	Financial liability measured at amortised cost
Other creditors	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term loans	Financial liability measured at amortised cost
Current portion of longterm liabilities	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at fair value

Accounting Policies

1.8 Financial instruments (continued)

Financial liabilities that are measured at fair value are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement

Financial assets

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

Financial liabilities

Financial liabilities measured at fair value:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial liabilities measured at amortised cost:

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, including consumer deposits, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

Accounting Policies

1.8 Financial instruments (continued)

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of financial assets measured at cost

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

Derecognition of financial assets

The municipality derecognises Financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of financial liabilities

The municipality derecognises Financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.9 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position.

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

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

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

Recognition

The entity 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 entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

1.9 Statutory receivables (continued)

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

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

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

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

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

Derecognition

The entity 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 entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, 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.

1.10 Leases

Lease classification

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

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality’s incremental borrowing rate.

1.10 Leases (continued)

Finance leases - lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality’s net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality’s net investment outstanding in respect of the leases or installment sale agreements.

Finance leases - lessee

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

Property, plant and equipment or intangible assets, subject to finance lease agreements, are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Operating leases - lessor

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

Operating leases - lessee

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.11 Inventories

Initial recognition

Inventories comprise of current assets held for sale and current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

1.11 Inventories (continued)

Unsold properties

Unsold properties are measured at the lower of cost and the current replacement value as determined at year end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

1.12 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return,
- such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

1.12 Impairment of cash-generating assets (continued)

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity 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 entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

- the future cash inflows used to determine the assets or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The entity 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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return;
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

The entity 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 entity 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

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 entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Short-term employee benefits

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

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality’s contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

Accounting Policies

1.14 Employee benefits (continued)

Post-retirement health care benefits:

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

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

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service allowance

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after every 5 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Provincially-administered defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide post-retirement pension benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 percent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 percent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.15 Provisions and contingencies

Provisions

Provisions are recognised when:
- the entity 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.

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

Contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Annual Financial Statements.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

1.15 Provisions and contingencies (continued)

- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the Statement of Changes in Net Assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.16 Commitments

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

Capital commitments are not recognised in the Statement of Financial Position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific Standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

1.17 Revenue from exchange transactions

General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in GRAP 1.

1.17 Revenue from exchange transactions (continued)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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

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

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

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 entity 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.

Rendering of services

Service charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

Tariff charges

1.17 Revenue from exchange transactions (continued)

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

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods (including houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:
- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

Rentals

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

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Interest, royalties and dividends

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

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

Rates and taxes

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

Traffic fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines, and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Public contributions

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants and receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purposes of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when expenses are incurred to construct the items of property, plant and equipment are brought into use.

Revenue from recovery of Unauthorised, Irregular, Fruitless and Wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.19 Borrowing costs

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2022 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses it for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

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

Binding arrangement

The entity 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.

Assessing which entity benefits from the transactions with third parties

When the entity 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 entity concludes that it is not the agent, then it is the principal in the transactions.

The entity 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 entity 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 entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

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

Details of the arrangement is as follows:

The municipality has appointed a service provider for the supply, installation and maintenance of a digital speed and static red light violation cameras and back office services.

Mohokare local municipality is the principle. The assumptions made in this regard are as follows:
- Mohokare local municipality is responsible for the supply, installation and maintenance of digital speed and static red light violation cameras and back office services

The service provider is responsible for the implementation of a digital speed and static red light violation cameras and back office services on behalf of the municipality. The service provider is responsible for the support functions, payment facilities,offender tracing and call centre, fine collection initiaves, warrant of arrest administration and roadblock support.

Accounting Policies

1.20 Accounting by principals and agents (continued)

The municipality shall pay over an amount of R96.90 (2024: R96.90) per fine paid to the agent in respect of services rendered.

There were no changes to the terms of the arrangement from the previous financial year.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

There are no resources of the municipality under the custiodianship of the agent.

Fees paid

	-	-

Resource and/or cost implications for the entity if the principle-agent arrangement is terminated

Should the agreement be terminated, in order to provide a similar experience to consumers, the municipality will need to incur the following costs:

- Purchase of digital speed and static red light violation cameras
- Purchase of vehicles
- Additional insurance costs
- Employment of additional personnel for back office services

1.21 Comparative figures

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Budget information

The annual budget figures have been prepared in accordance with the GRAP Standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. 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 firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. 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 an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025.

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). 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. Council will implement investigations on the unauthorised expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

Accounting Policies

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. 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. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is identified and recorded in the Irregular expenditure register and disclosed in the notes to the Annual Financial Statements. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written off as irrecoverable. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.25 Segment information

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the municipality's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

1.26 Related parties

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

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

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

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

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

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

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

Accounting Policies

1.26 Related parties (continued)

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

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

1.27 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 blue smartie reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

The entity 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.

1.28 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

1.29 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.30 Value added tax

The municipality is registered with SARS for Value added tax (VAT) on the payments basis, in accordance with Section15(2)(a) of the Value-Added Tax Act, 1991 (Act No. 89 of 1991).

1.31 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.32 Changes in accounting policy, estimates and errors

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

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

Accounting Policies

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.33 Operating expenditure

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

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

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 Presentation of Financial Statements	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 103 Heritage Assets	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• Amendments: Improvements to Standards of GRAP	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 106 Transfer of functions Between Entities Not Under Common Control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 107 Mergers	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	date to be determined by the Minister of Finance	Unlikely there will be a material impact
• GRAP 104 Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

	2025	2024
Consumable stores and spare parts	1 974 016	2 833 022
Unsold properties held-for-resale	196 650	196 650
Water for distribution	25 676	89 114
	2 196 342	**3 118 786**

Inventory pledged as security

No Inventories have been pledged as collateral for liabilities of the municipality.

Water for distribution

	2025	2024
Water	25 676	89 114

4. Receivables from exchange transactions

	2025	2024
Gross balances		
Consumer debtors - Sewerage	112 792 497	101 891 010
Consumer debtors - Water	366 455 477	321 148 934
Consumer debtors - Refuse	64 146 231	57 218 608
Consumer debtors - Electricity	13 147 410	346 718
Consumer debtors - Housing rental	5 578 827	4 559 951
Consumer debtors - Other	18 420 670	16 994 022
	580 541 112	**502 159 243**
Less: Allowance for impairment		
Consumer debtors - Electricity	(2 778 570)	(3 061)
Consumer debtors - Water	(361 814 715)	(310 624 069)
Consumer debtors - Sewerage	(111 293 148)	(97 721 516)
Consumer debtors - Refuse	(61 916 790)	(54 728 308)
Consumer debtors - Housing rental	(5 421 078)	(4 395 383)
Consumer debtors - Other	(18 242 011)	(16 501 747)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

	(561 466 312)	**(483 974 084)**

Net balances	-	-
Consumer debtors - Electricity	10 368 840	343 657
Consumer debtors - Water	4 640 762	10 524 865
Consumer debtors - Sewerage	1 499 349	4 169 494
Consumer debtors - Refuse	2 229 441	2 490 300
Consumer debtors - Housing rental	157 749	164 568
Consumer debtors - Other	178 659	492 275
	19 074 800	**18 185 159**

Non-current assets	-	-
Current assets	19 074 800	18 185 159
	19 074 800	**18 185 159**

2025

Water

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	10 226 327	(10 096 821)	129 506
Past due: 30 - 60 days	5 823 148	(5 749 404)	73 744
Past due: 61 - 90 days	5 877 050	(5 802 623)	74 427
Past due: 91+ days	344 528 953	(340 165 866)	4 363 087
	366 455 478	**(361 814 714)**	**4 640 764**

Sewerage

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	1 855 238	(1 830 577)	24 661
Past due: 30 - 60 days	1 841 023	(1 816 550)	24 473
Past due: 61 - 90 days	1 857 698	(1 833 004)	24 694
Past due: 91+ days	107 238 537	(105 813 018)	1 425 519
	112 792 496	**(111 293 149)**	**1 499 347**

Refuse

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	1 065 807	(1 028 766)	37 041
Past due: 30 - 60 days	1 057 060	(1 020 321)	36 739
Past due: 61 - 90 days	1 074 077	(1 036 746)	37 331
Past due: 91+ days	60 949 286	(58 830 955)	2 118 331
	64 146 230	**(61 916 788)**	**2 229 442**

4. Receivables from exchange transactions (continued)

Electricity

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	10 605 241	(2 202 934)	8 402 307
Past due: 30 - 60 days	110 836	(25 105)	85 731
Past due: 61 - 90 days	108 683	(24 617)	84 066
Past due: 91+ days	2 321 871	(525 915)	1 795 956
	13 146 631	**(2 778 571)**	**10 368 060**

Other

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	237 568	(235 254)	2 314
Past due: 30 - 60 days	236 446	(234 143)	2 303
Past due: 61 - 90 days	238 978	(236 650)	2 328
Past due: 91+ days	17 708 457	(17 535 964)	172 493
	18 421 449	**(18 242 011)**	**179 438**

Housing Rentals

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	112 099	(108 930)	3 169
Past due: 30 - 60 days	111 117	(107 975)	3 142
Past due: 61 - 90 days	105 705	(102 716)	2 989
Past due: 91+ days	5 249 905	(5 101 457)	148 448
	5 578 826	**(5 421 078)**	**157 748**

2024

Water

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	6 659 636	(6 441 382)	218 254
Past due: 30 - 60 days	6 187 450	(5 984 672)	202 778
Past due: 61 - 90 days	4 759 382	(4 603 405)	155 977
Past due: 91+ days	303 542 466	(293 594 609)	9 947 857
	321 148 934	**(310 624 068)**	**10 524 866**

Sewerage

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	1 855 491	(1 779 562)	75 929
Past due: 30 - 60 days	1 802 956	(1 729 177)	73 779
Past due: 61 - 90 days	1 776 021	(1 703 345)	72 676

4. Receivables from exchange transactions (continued)

Past due: 91+ days	96 456 543	(92 509 433)	3 947 110
	101 891 011	**(97 721 517)**	**4 169 494**

Refuse

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	1 065 446	(1 019 075)	46 371
Past due: 30 - 60 days	1 044 437	(998 980)	45 457
Past due: 61 - 90 days	1 032 893	(987 939)	44 954
Past due: 91+ days	54 075 832	(51 722 313)	2 353 519
	57 218 608	**(54 728 307)**	**2 490 301**

Electricity

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	343 629	(3 035)	340 594
Past due: 91+ days	3 089	(27)	3 062
	346 718	**(3 062)**	**343 656**

Other

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	241 190	(234 203)	6 987
Past due: 30 - 60 days	235 830	(228 998)	6 832
Past due: 61 - 90 days	241 014	(234 032)	6 982
Past due: 91+ days	16 275 989	(15 804 514)	471 475
	16 994 023	**(16 501 747)**	**492 276**

Housing Rentals

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	93 327	(89 959)	3 368
Past due: 30 - 60 days	89 988	(86 740)	3 248
Past due: 61 - 90 days	88 975	(85 764)	3 211
Past due: 91+ days	4 287 661	(4 132 920)	154 741
	4 559 951	(4 434 508)	125 443

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Receivables from exchange transactions (continued)

2025

Summary of consumer debtors by customer classification

	Households	Commercial	National and Provincial Government	Total
Current 0 - 30 day	20 481 120	1 476 599	2 144 644	24 102 363
Past due: 31 - 60 days	7 438 875	425 414	1 315 341	9 179 630
Past due: 61 - 90 days	7 541 014	416 315	1 304 861	9 262 190
Past due: 90+ days	447 448 893	22 398 458	68 149 658	537 997 009
	482 909 903	24 716 786	72 914 504	580 541 193
Less: Provision for impairment	(467 042 901)	(23 904 665)	(70 518 747)	(561 466 313)
Net	15 867 002	812 121	2 395 757	19 074 880

2024*

Summary of consumer debtors by customer classification

	Households	Commercial	National and Provincial Government	Total
Current 0 - 30 day	8 506 200	1 364 974	387 544	10 258 718
Past due: 31 - 60 days	7 886 106	1 052 487	422 067	9 360 660
Past due: 61 - 90 days	6 635 736	935 050	327 499	7 898 285
Past due: 90+ days	400 741 277	60 623 219	13 277 083	474 641 579
	423 769 319	63 975 730	14 414 193	502 159 242
Less: Provision for impairment	(408 422 967)	(61 658 918)	(13 892 199)	(483 974 084)
Net	15 346 352	2 316 812	521 994	18 185 158

Reconciliation of provision for impairment of trade and other receivables

	2025	2024
Opening balance	483 974 084	392 321 418
Contribution for the year	77 492 227	91 652 666
	561 466 311	**483 974 084**

5. Receivables from non-exchange transactions

	2025	2024
Gross balances		
Traffic fines	265 704	104 503
Consumer debtors - Rates	56 181 303	46 588 067
Other Sundry debtors	88 114	88 114
	56 535 121	**46 780 684**
Provision for impairment		
Traffic fines	(263 960)	(103 919)
Consumer debtors - Rates	(53 232 087)	(40 346 944)
	(53 496 047)	**(40 450 863)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Receivables from non-exchange transactions (continued)

Net balance		
Traffic fines	1 744	584
Consumer debtors - Rates	2 949 216	6 241 123
Other sundry debtors	88 236	88 114
	3 039 196	**6 329 821**

	-	-
Current assets	3 039 196	6 329 821
	3 039 196	**6 329 821**

Statutory receivables general information

6. VAT receivable

VAT	16 453 670	11 972 881

The municipality is registered as a category C vendor for VAT purposes. This means that the municipality is required to submit monthly VAT returns to the SARS.

The municipality is registered on the payments basis, therefore input and output VAT is declared based on the cash flow of the municipality.

Interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. Prepayments

Prepayments made consist of:

Mofomo Consulting	550 749	550 749

Prepayments relate to a creditor that was incorrectly paid during the 2020 financial year.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 180	1 180
Bank balances	2 126 626	1 269 252
Short-term deposits	108 148	114 912
	2 235 954	**1 385 344**

For the purpose of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash on hand, cash in banks, and investment in money market instruments net of outstanding bank overdrafts.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

8. Cash and cash equivalents (continued)

The fair value of current investment deposits, bank balances and cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

No cash and cash equivalents have been pledged as collateral for liabilities of the municipality.

Cash and cash equivalents pledged as collateral

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2025	**30 June 2024**	**30 June 2023**	**30 June 2025**	**30 June 2024**	**30 June 2023**
ABSA Bank - Current account 405 265 4478 (Main)	907 328	46 126	(90 978)	907 328	46 126	(90 978)
ABSA Bank - Current account 2810 000 018 (Traffic)	88	913 470	66 053	88	913 470	66 053
FNB Bank - Current account 5359 3549 308	584 140	313 809	334 979	584 140	313 809	334 979
FNB Call account - 7235 9004546	98 540	91 355	84 126	98 540	91 355	84 126
FNB Call account - 6289 5294967	9 610	19 403	680 543	9 610	19 403	680 543
Standard Bank - Standard Bank 0000370883462	635 065	-	-	635 065	-	-
Total	**2 234 771**	**1 384 163**	**1 074 723**	**2 234 771**	**1 384 163**	**1 074 723**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Biological assets

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Cattle	85 795	-	85 795	202 695	-	202 695
Horses	-	-	-	8 000	-	8 000
Total	**85 795**	**-**	**85 795**	**210 695**	**-**	**210 695**

9. Biological assets (continued)

Reconciliation of biological assets - 2025

	Opening balance	Additions	Losses during the year	Gains or losses arising from changes in fair value	Total
Cattles	202 695	-	(116 900)	-	85 795
Horses	8 000	-	(8 000)	-	-
	210 695	**-**	**(124 900)**	**-**	**85 795**

Reconciliation of biological assets - 2024

	Opening balance	Additions	Losses during the year	Gains or losses arising from changes in fair value	Total
Cattles	108 210	12 520	(46 600)	128 565	202 695
Horses	8 000	-	-	-	8 000
	116 210	**12 520**	**(46 600)**	**128 565**	**210 695**

Non-financial information

Quantities of each biological asset	2025	2024
Cattle	-	11
Horses	-	1
	-	**12**

All of the municipality's biological assets are held under freehold interest and no biological assets have been pledged as security for any liabilities of the municipality.

Biological assets carried at fair value

The municipality's biological assets are valued annually at 30 June at fair value. The valuation which confirms to international valuation standards is arrived at by reference to a market evidence of transaction prices for similar assets.

10. Investment property

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	53 985 697	-	53 985 697	53 985 697	-	53 985 697

Reconciliation of investment property - 2025

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	53 985 697	-	-	53 985 697

Reconciliation of investment property - 2024

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Investment property (continued)

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	57 846 430	(4 119 690)	258 957	53 985 697

Pledged as security

None of the investment property have been pledged as security.

A register containing the information required by MFMA is available for inspection at the registered office of the entity.

There are no restrictions on the realisability of Investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

Details of valuation

Investment property fair value

The fair value of investment properties are in line with the valuation roll as compiled by MVDM valuers.

Impairment of Investment property

No impairment losses have been recognised on investment property of the municipality at the reporting date.

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure assets	809 924 191	(526 220 981)	283 703 210	794 322 911	(507 618 335)	286 704 576
Infrastructure - work in progress	307 525 893	-	307 525 893	304 044 889	-	304 044 889
Total infrastructure assets	-	-	-	1 098 367 800	(507 618 335)	590 749 465
Land	17 776 803	-	17 776 803	17 893 539	(116 736)	17 776 803
Buildings	24 661 873	(20 643 388)	4 018 485	24 661 873	(20 359 479)	4 302 394
Community facilities	78 541 428	(60 107 540)	18 433 888	78 541 428	(58 870 757)	19 670 671
Movable assets	17 901 790	(10 485 481)	7 416 309	14 563 400	(9 353 080)	5 210 320
Total	**1 256 331 978**	**(617 457 390)**	**638 874 588**	**1 234 028 040**	**(596 318 387)**	**637 709 653**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers	Depreciation	Total
Infrastructure assets	286 704 576	4 660 432	11 782 956	(19 444 754)	283 703 210
Infrastructure - work in progress	304 044 889	15 263 960	(11 782 956)	-	307 525 893
Land	17 776 803	-	-	-	17 776 803
Buildings	4 302 394	-	-	(283 909)	4 018 485
Community facilities	19 670 671	105 569	-	(1 342 352)	18 433 888
Movable assets	5 210 320	3 338 390	-	(1 132 401)	7 416 309
	637 709 653	**23 368 351**	**-**	**(22 203 416)**	**638 874 588**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Infrastructure assets	309 271 356	(1 843 594)	(2 670 922)	(18 052 264)	-	-	286 704 576
Infrastructure - work in progress	295 890 051	23 216 395	-	-	-	(15 061 557)	304 044 889
Land	17 882 092	-	-	-	(105 289)	-	17 776 803
Buildings	4 538 795	-	(1 718)	(287 210)	52 527	-	4 302 394
Community facilities	21 310 800	-	(108 557)	(1 376 007)	(155 565)	-	19 670 671
Movable assets	3 434 077	2 348 894	(54 413)	(496 621)	(21 617)	-	5 210 320
	652 327 171	**23 721 695**	**(2 835 610)**	**(20 212 102)**	**(229 944)**	**(15 061 557)**	**637 709 653**

Pledged as security

No property, plant and equipment has been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Project 2 or Class 2 or Asset 2 Civil component of the pump stations have been completed. Procurement delays affected by COVID 19 regulations for the installation of the raw water storage tank.	162 968 296	162 968 296
Integrated National Electrification Project Late appointment of the contractor by Centlec and delays in receiving material on site due to Covid 19 pandemic.	2 623 951	2 623 951
Water meter Project implementation delayed due to municipal cashflow challenges	3 497 114	3 497 114
Upgrading of Zastron/Matlakeng Cemeteries Project were place on hold by CoHGTA with the instruction for the municipality to focus on water and sanitation related projects as a priority due to the COVID 19 pandemic	-	1 355 469
Upgrading of Zastron/Matlakeng Cemeteries Project were place on hold by CoHGTA with the instruction for the municipality to focus on water and sanitation related projects as a priority due to the COVID 19 pandemic	1 355 469	71 489
Smithfield/Mofuletshepe: Erection of fence at the cemetery, construction of gatehouse and ablution facilities Projects were place on hold by CoHGTA with the instruction for the municipality to focus on water and sanitation related projects as a priority due to the Covid 19 pandemic.	1 009 918	1 009 918
Rouxville/Releathunya: Upgrading of the waste water treatment works	765 732	765 732
Zastron: Electrification of 300 Households (Phase 2) The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges.	4 086 957	4 086 957
Rouxville: Electrification of 186 Households (Phase 3) The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	3 097 391	3 097 391
Smithfield: Pre-Engineering for electrification of 281 Households (Phase 1) The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	260 870	260 870
Upgrading of Rouxville/Roleleathunya water treatment works The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	60 880 771	60 880 771
Smithfield Bulk Water Supply	10 560 054	10 560 054
Zastron/Matlakeng: Installation of Water and Sanitation services in Ext 10 The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	596 740	596 740
Upgrading of Rouxville Bulk Raw Water Pump Stations Civil component of the pump station have been completed. Procurement delays	11 146 378	11 146 378
Project 4 or Class 4 or Asset 4 The project was placed on hold as a result of litigation between the contractor and the municipality. New MIG 1 application will have to be submitted to CoHGTA for the completion of the project. The project was placed on hold as a result of litigation between the contractor and the municipality. New MIG 1 application will have to be submitted to CoHGTA for the completion of the project.	168 646	168 646
	263 018 287	**263 089 776**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	318 714 137	2 842 953	321 557 090
Additions/capital expenditure	8 196 942	5 894 234	14 091 176
	326 911 079	**8 737 187**	**335 648 266**

Reconciliation of work-in-progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	295 393 702	2 605 523	297 999 225
Additions/capital expenditure	23 320 435	237 430	23 557 865
	318 714 137	**2 842 953**	**321 557 090**

A register containing the information required by MFMA is available for inspection at the registered office of the entity.

12. Other financial assets

	2025	2024
Designated at fair value		
OVK Operations Limited	676 246	601 416

13 193 ordinary shares valued at R24.25 (2024: R22.62) per share and 13 731 holding shares valued at R20.50 (2024: R20.50) per share.

	2025	2024
Non-current assets		
Designated at fair value	676 246	601 416

The fair value of investments was determined after considering the market value of the shares held with OVK.

13. Payables from exchange transactions

Current liabilities

	2025	2024
Trade payables	287 261 200	185 491 322
Payments received in advanced	14 434 020	15 246 186
Staff salaries and third parties	104 166 630	95 872 748
Other payables	(85 793 986)	(44 170 377)
Accrued leave pay	7 654 282	6 179 425
Accrued bonus	1 742 736	1 743 314
Unallocated deposits	(10 032 156)	(19 353 939)
Retentions	11 072 262	9 780 939
	330 504 988	**250 789 618**

Non-Current liabilities

	2025	2024
Staff salaries and third parties	74 828 217	74 828 217

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

13. Payables from exchange transactions (continued)

The average credit period on purchases should be 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of the receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

The municipality has defaulted on payment of its creditors. The municipality has negotiated terms of payment with certain of its long outstanding trade creditors.

Fair value of trade and other payables

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14. Consumer deposits

	2025	2024
Housing rental	14 947	18 771
Water	363 693	351 452
	378 640	**370 223**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are refunded when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as repayment for the outstanding account.

15. Employee benefit obligations

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

	2025	2024
Carrying value		
Opening balance	21 518 000	19 181 000
Current service cost	1 443 000	1 377 000
Interest cost	2 537 000	2 311 000
Benefits vesting	(650 240)	(613 000)
Actuarial loss/(gain)	1 123 240	(738 000)
	25 971 000	**21 518 000**
Non-current liabilities	(24 518 000)	(20 830 000)
Current liabilities	(1 453 000)	(688 000)
	(25 971 000)	**(21 518 000)**

Net expense recognised in the statement of financial performance:

	2025	2024
Net expense recognised in the statement of financial performance	(4 436 000)	(2 337 000)

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	(1 435 000)	(1 377 000)
Interest cost	(2 528 000)	(2 311 000)
Actuarial (gains) losses	(1 123 240)	613 000
Settlement	650 240	738 000
	(4 436 000)	**(2 337 000)**

Long service award

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligations (continued)

The municipality offers long service awards for every 5 years of completed services from 10 years to 45 years. Assumptions used at the reporting date:

	2025	2024
Discount rates used	9,04 %	10,89 %
CPI inflation rate	3,47 %	5,00 %
Expected salary increase	4,47 %	6,00 %
Net effective discount rate	4,38 %	4,62 %
Expected pension increases	62	62
Proportion of employees opting for early retirement	SA85-90	SA85-90

Long service award

The members of the long service award are made up as follows:

Movements in the present value of the defined benefit obligations were as follows:		
Current service cost	(504 000)	(501 000)
Interest cost	(587 000)	(534 000)
Expected subsidy payments	556 240	404 000
Actuarial loss/gains	(265 240)	(29 000)
	(800 000)	**(660 000)**

Reconciliation of the long services obligation		
Opening balance	5 627 000	4 967 000
Current service cost	504 000	501 000
Interest cost	587 000	534 000
Benefits paid	(556 240)	(404 000)
Actuarial gains/loss	265 240	29 000
	6 427 000	**5 627 000**

Classification of long service award obligation		
Current portion	1 154 000	482 000
Non current portion	5 273 000	5 145 000
	6 427 000	**5 627 000**

Amounts for the current and previous four years are as follows:	2025	2024	2023	2022	2021
Defined benefit obligation	6 427 000	5 627 000	4 967 000	5 889 000	5 727 000
Fair value of plan asset	-	-	-	-	-
	6 427 000	5 627 000	4 967 000	5 889 000	5 727 000
Defined benefit obligation (Gain)/ loss	-	88 000	(463 000)	unknown	unknown

15. Employee benefit obligations (continued)

Financial Assumptions

Discount rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.Consequently, a discount rate of 9.04% per annum has been used. The correspondingindex-linked yield is 5.13%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2025

These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the DBO). The duration of the DBO was estimated to be 7.75 years.

Earnings Inflation rate
This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award. The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation.The latter is considered under demographic assumptions.

General Earnings Inflation Rate
This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation.The CPI inflation assumption of 5.00% per annum was obtained from the differential between market yields on index-linked bonds (5.13%) consistent with the estimated term of the DBO and those of nominal bonds (10.89%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected CPI inflation is determined as ((1+10.89%-0.50%)/(1+5.13%))-1Thus, a general earnings inflation rate of 6.00% per annum over the expected term of the DBO has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.62%. It was assumed that the next general earnings increase will take place on 1 July 2025.

Demographic Assumptions
Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale
The annual escalation rates below are in addition to the general earnings inflation assumption of 6.00% per annum for all employees.

Promotional earnings scale

Age Band	Additional Promotional Scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 45+	0.0%

Withdrawal from Service
If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed rates are set out below.

Age	Rate
20 – 24	9%
25 – 29	8%
30 – 34	6%
35 – 39	5%
40 – 44	5%

15. Employee benefit obligations (continued)

45 – 49	4%
50 – 54	3%
55+	0%

Plan assets
Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA DBO.

LSA Arrangement Assumptions
It was assumed that the employer's LSA arrangements would remain as outlined in Section 3, and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

Additional text

Additional text

Sensitivity analysis
In order to illustrate the sensitivity the liability was recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of mortality

- 20% increase/decrease in the assumed level of withdrawal.

- 1% increase/decrease in the Medical Aid inflation.

- 1% increase/decrease in the Discount rates.

- 1 year increase/decrease in the average retirement age.

Mortality Rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

Illustration of the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	6 470 000	6 427 000	6 384 000
Interest Cost	500 000	496 000	493 000
Service Cost	582 000	578 000	574 000
	-	-	-

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rate of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Illustration of the effect of higher and lower withdrawal rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate

Figures in Rand		2025	2024

15. Employee benefit obligations (continued)

Total Accrued Liability	6 642 000	6 427 000	6 224 000
Current Service Cost	518 000	496 000	477 000
Interest Cost	599 000	578 000	559 000
	-	-	-

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

Illustration of the effect of 1% p.a change in the discount rate assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	6 112 000	6 427 000	6 768 000
Current Service Cost	469 000	469 000	526 000
Interest Cost	549 000	578 000	611 000
	-	-	-

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

The effect of a 1% p.a. change in the discount rate assumption. The effect is as follows:

	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	6 756 000	6 427 000	6 128 000
Current Service Cost	525 000	496 000	471 000
Interest Cost	542 000	578 000	611 000

Average retirement age

The value of the liability is directly dependent on the average retirement age of employees as this age determines how long the liability is paid out for.

The effect of a 1-year decrease in the assumed average retirement age of employees. The effect is as follows:

	-1 Year (62)	Valuation Assumption (63)	+1 Year (64)
Total Accrued Liability	6 155 000	6 427 000	6 696 000
Current Service Cost	481 000	496 000	513 000
Interest Cost	553 000	578 000	603 000

Post employment medical aid benefit obligation

Sensetivity Analysis

Amounts for the current and previous four years are as followAs mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Organisation will be dependent on actual future levels of assumed variables.Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit.

15. Employee benefit obligations (continued)

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality rates.
- 20% increase/decrease in the assumed level of withdrawal rates.
- 1% increase/decrease in the Medical aid inflation.
- 1% increase/decrease in the Discount rate.

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Organisation. If the actual rates of mortality turn out higher than the rates assumed in the valuation basis, the cost to the Organisation in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	**Valuation Assumption**	**+20% Mortality rate**
Total Accrued Liability	20 886 00(	19 544 00(	18 384 00(
Interest Cost	1 104 00(	1 031 00(	968 00(
Service Cost	2 771 00(	2 592 00(	2 437 00(

Withdrawal rate

Deviations from the assumed level of Withdrawal experience of the current employees will have a large impact on the actual cost to the Organisation. If the actual rates of Withdrawal turn out higher than the rates assumed in the valuation basis, the cost to the Organisation in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower Withdrawal rates by increasing and decreasing the Withdrawal rates by 20%. The effect is as follows:

	20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	19 982 000	19 544 000	19 276 000
Interest Cost	1 054 000	1 031 000	1 010 000
Service Cost	2 631 000	2 592 000	2 555 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liabilty	17 432 000	19 544 000	21 232 000
Interest Cost	909 000	1 031 000	1 126 000
Service Cost	2 309 000	2 592 000	2 818 000

15. Employee benefit obligations (continued)

	20 650 000	**23 167 000**	**25 176 000**

Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

We have tested the effect of a 1% p.a. change in the discount rate assumption. The effect is as follows:

Total Accrued Liabilty	22 867 000	19 544 000	16 860 000
Interest Cost	1 230 000	1 031 000	872 000
Service Cost	3 037 000	2 592 000	2 232 000
	27 134 000	**23 167 000**	**19 964 000**

Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

We have tested the effect of a one-year increase and decrease in the assumed average retirement age. The effect is as follows:

Assumption	-1-year Average Retirement Age	Valuation Assumption	+1 -year Average Retirement Age
Total Accrued Liabilty	21 816 000	19 544 000	17 465 000
Interest Cost	1 119 000	1 031 000	934 000
Service Cost	2 890 000	2 592 000	2 322 000
	-	-	-

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the entity to account for the plan(s) as a defined benefit plan(s). The entity accounted for this (these) plan(s) as a defined contribution plan(s):

16. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: Water Services Infrastructure Grant (WSIG)	2 736 703	10 534 938
National: Municipal Infrastructure Grant (MIG)	-	422 864
National: Regional Bulk Infrastructure Grant (RBIG)	4 977 389	8 792 758
National: Integrated National Electrification Programme (INEP)	290 100	-
Provincial: Free State Provincial Treasury (FSPT)	450 991	450 991

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants (continued)

	8 455 183	**20 201 551**

Movement during the year

Balance at the beginning of the year	20 201 551	27 511 659
Additions during the year	110 497 202	109 601 512
Income recognition during the year	(122 243 570)	(116 911 620)
	8 455 183	**20 201 551**

See Note 26 for reconciliation of grants from National/Provincial Government.

17. Other financial liabilities

At amortised cost		
Centlec payable	81 637 457	81 637 457

The Centlec payable relates to the amounts owed to Centlec in terms of services provided on behalf of the municipality. This accounts for electricity bulk purchases, electricity sales on behalf of Mohokare Local Municipality, general expenditure incurred in the process of performing these duties as well as distribution losses. No contractual agreement regarding repayment terms or interest rates are applicable, maturity date has been agreed upon and based on past history there is no indication that Centlec will demand payment within the next 12 months.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Interest	Change in discount factor	Total
Environmental rehabilitation	34 078 519	2 333 864	2 555 865	38 968 248

Reconciliation of provisions - 2024

	Opening Balance	Interest movement	Change in discount factor	Total
Environmental rehabilitation	33 573 498	2 348 615	(1 843 594)	34 078 519

	2025	2024
Non-current liabilities	24 798 151	19 908 422
Current liabilities	14 170 097	14 170 097
	38 968 248	**34 078 519**

Environmental rehabilitation provision

In terms of the licensing of the landfill refuses sites, the municipality will incur rehabilitation costs of R59.5 million (2024: R65.5million) to restore the sites at the end of its useful lives, estimated to be in 2035 for the Rouxville Site, 2037 for the Smithfield Site and 2039 for the Zastron sites.

The Matlakeng landfill site should be rehabilitated and is provided for at current cost of rehabilitation as a current provision.

Provision has been made for the net present value of its cost using the average cost of borrowing interest rate. The provision was arrived at after taking the following main factors into account, location, macro- and micro environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by Citofield Development Consultants (Pty) Ltd is 30 June 2025..

The valuation was performed by Judith Mlanda (Masters in Environmental Management).

19. Service charges

	2025	2024
Sale of electricity	34 126 165	39 613 421
Sale of water	34 789 733	35 201 748
Sewerage and sanitation charges	12 291 593	12 167 875
Refuse removal	7 168 181	7 286 922
	88 375 672	**94 269 966**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs. Connection and other fees are in respect of once off connection charges and blockages.

20. Rental of facilities and equipment

	2025	2024
Premises		
Operating lease rental investment property	2 231 520	734 643
Rental income from buildings	21 349	6 668
	2 252 869	**741 311**

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Interest billed on outstanding debtors-Exchange Transactions

Receivables from exchange transactions	41 328 667	37 949 261

The municipality only started to levy interest on outstanding debtors from November 2021.

22. Interest billed on outstanding debtors-non-exchange transactions

Receivables from non-exchange transactions	4 901 653	4 503 158

The municipality only started to levy interest on outstanding debtors from November 2021.

23. Other income

Building plan fees	1 950	6 379
Cemetery fees	40 461	65 461
Rates certificates	13 084	20 161
Sundry income	252 527	175 104
	308 022	**267 105**

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required, according to approved tariffs.

24. Interest received on external investment

Dividend revenue		
Unlisted financial assets - Local	-	20 462
Other financial asset 1 - Local	23 693	-
	23 693	**20 462**
Interest revenue		
Bank	180 963	357 160
	204 656	**377 622**

25. Property rates

Rates received

Residential	4 849 096	4 734 832
Commercial	1 323 971	1 369 427
State	3 002 151	3 120 816
Small holdings and farms	5 918 451	5 581 538
	15 093 669	**14 806 613**

Valuations

Residential	468 707 500	468 707 500
Commercial	98 978 500	98 978 500
State	157 053 453	157 053 453
Municipal	268 229 797	268 229 797
Small holdings and farms	3 834 313 991	3 834 313 991
Public benefit organisation	8 970 000	8 970 000
Public Service infrastructure	42 000	42 000
Churches	14 815 000	14 815 000
Schools	66 354 000	66 354 000

Figures in Rand	2025	2024

25. Property rates (continued)

	4 917 464 241	**4 917 464 241**

Property rates are levied on the value of land and improvements which a valuation is performed for every four years. The last valuation came into effect on 1 July 2021.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by Council on outstanding amounts.

26. Government grants and subsidies

Operating grants		
Equitable Share	99 365 000	93 733 000
National: Expanded Public Works Programme (EPWP)	922 000	-
National: Financial Management Grant (FMG)	3 000 000	3 000 000
	103 287 000	**96 733 000**
Capital grants		
National: Integrated National Electrification Programme (INEP)	489 900	-
National: Municipal Infrastructure Grant (MIG)	13 465 839	19 468 378
National: Regional Bulk Infrastructure Grant (RBIG)	4 776 370	710 242
Revenue-in-kind	3 551 323	-
Water Services Infrastructure grant	174 234	-
	22 457 666	**20 178 620**
	125 744 666	**116 911 620**

Equitable Share

Equitable Share		
Conditional grant roll-over withheld	19 224 000	23 354 000
Current year receipts	80 141 000	70 379 000
	99 365 000	**93 733 000**

In terms of the Constitution, this grant is used to subsidies the provision of basic services to community members. In terms of the allocation made by National Treasury, the funds are also utilised to enable the municipality to execute its functions as the local authority. R- was withheld in the financial period ended 30 June 2025 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R80 141 000 (R70 379 000 in year 2024) was paid to the municipality during the financial period ended 30 June 2025.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	10 534 938	14 234 938
Current-year receipts	2 000 000	7 000 000
Conditions met - transferred to revenue	(174 235)	-
Grant roll-over withheld	(9 624 000)	(10 700 000)
	2 736 703	**10 534 938**

Conditions still to be met - remain liabilities (see note 16).

During the 2024/25 an amount of R2 000 000 was allocated to Mohokare LM. No funds were spent during the financial year and the entire receipt has been reported as unspent for WSIG at year end.

26. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

	2025	2024
Balance unspent at beginning of year	422 865	8 418 730
Current-year receipts	14 442 974	20 326 512
Conditions met-Transferred to capital projects (current year)	(13 465 839)	(17 888 132)
Grant roll-over withheld	(1 400 000)	(8 854 000)
Prior period error	-	(1 580 245)
Unspent closing balance	**-**	**422 865**

Conditions still to be met - remain liabilities (see note 16).

During the 2024/25 an amount of R14 442 974 was allocated to Mohokare LM. R13 465 839 was spent during the financial year. An amount of R0 has been reported as unspent for MIG at year-end.

Regional Bulk Infrastructure Grant (RBIG)

	2025	2024
Balance unspent at beginning of year	8 792 758	607 000
Current year receipts	9 161 000	8 896 000
Conditions met - transferred to revenue	(4 776 369)	(710 242)
Rollover adjustment	(8 200 000)	-
Unspent closing balance	**4 977 389**	**8 792 758**

Conditions still to be met - remain liabilities (see note 16).

During the 2024/25 an amount of R9 161 000 was allocated to Mohokare LM. An amount of R4 977 389 has been reported as unspent for RBIG at year-end.

Financial Management Grant (FMG)

	2025	2024
Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA) Act No.53 of 2003. No funds have been withheld.

Expanded Public Works Programme (EPWP) Grant

	2025	2024
Current-year receipts	972 228	-
Conditions met - transferred to revenue	(972 228)	-
Unspent closing balance	**-**	**-**

This grant was received for the creation of job opportunities. The full allocation was spent in accordance with the conditions of the grant.

Figures in Rand	2025	2024

26. Government grants and subsidies (continued)

Integrated National Electrification Grant (INEP)

Current-year receipts	780 000	-
Conditions met - transferred to revenue	(489 900)	-
Unspent closing balance	**290 100**	**-**

Conditions still to be met - remain liabilities (see note 16).

During the 2024/25 financial year, the municipality was awarded an in-kind grant allocation under Schedule 6B of the Division of Revenue Act. The municipality is aware of this amount and despite several communication with the relevant stakeholders, we were unable to confirm whether any amount has indeed been spent on behalf of the municipality during the financial year.

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

During the 2024/25 an amount of R780 000 was allocated to Mohokare LM. An amount of R290 000 has been reported as unspent for INEP at year-end.

Free State Provincial Treasury (FSPT): Assistance with installation of pre-paid water meters

Balance unspent at beginning of year	450 991	450 991

Conditions still to be met - remain liabilities (see note 16).

During the 2024/25 no amount was allocated to Mohokare LM. An amount of R450 991 has been reported as unspent for FSPT at year-end..

Municipal Disaster Relief Grant

Conditions met - transferred to revenue	(1 131 000)	-

This grant was received from National Treasury to utilise in response to and for intervention measures for the COVID-19 pandemic during the 2019/20 financial year. No allocation was made to Mohokare LM under this grant during the 2020/21 financial year.

27. Employee related costs

Basic	61 296 441	57 441 582
Bonus	4 013 301	4 270 755
Medical aid contributions	5 595 975	5 664 689
UIF	516 706	495 349
SDL	851 333	748 265
Other payroll levies	90 913	208 622
Leave pay provision charge	1 596 999	(452 452)
Long Service Award	240 217	-
Defined contribution plans	9 123 911	8 887 862
Travel, motor car, accommodation, subsistence and other allowances	7 443 019	6 678 024
Overtime payments	7 452 924	6 936 378
Housing benefits and allowances	875 648	753 312
Temporary workers	972 228	111 567
	100 069 615	**91 743 953**

Figures in Rand	2025	2024

27. Employee related costs (continued)

Remuneration of Municipal Manager Mr MJ Kanwendo

Annual Remuneration	781 783	781 784
Travel Allowance	248 976	281 405
Other allowances - acting - and remote allowance	72 153	72 153
Contribution to UIF	2 125	2 125
Contribution to SDL	9 037	9 189
Contribution to Industrial Council	143	130
	1 114 217	**1 146 786**

Mr MJ Kanwendo is the current municipal manager but was not performing the duties of the municipal manager as he was on suspension.

Remuneration of Acting Municipal Manager - Mr MS Mohale

Annual Remuneration	1 086 051	665 206
Reimbursive travel and subsistance allowance	18 750	12 803
Remote Allowance	76 023	45 454
Contributions to UIF	2 125	1 240
Contributions to SDL and Industrial council	11 683	7 165
	1 194 632	**731 868**

Mr. MS Mohale was appointed as the acting Municipal Manager from December 1, 2023, until January 8, 2025. The disclosed salary of R741,769 is for the period he served in this acting role. As of 1 June 2025, he was seconded by COGTA and is now being remunerated by COGTA

Remuneration of Acting Chief Financial Officer- Mr PV Litabe

Annual Remuneration	1 086 051	-
Reimbursive travel and subsistance allowance	18 750	-
Remote Allowance	76 023	-
Contributions to UIF	2 125	-
Contributions to SDL	11 683	-
	1 194 632	**-**

Mr PV Litabe was seconded as an acting Chief Financial Officer from 1 July 2024 and is still acting as at the reporting date.

Remuneration of Chief Finance Officer- Mr TV Mdluli

Annual Remuneration	-	706 665
Acting allowance	-	211 547
Travel allowance	-	165 000
Remote and other Allowances	-	236 569
Contributions to UIF, Medical and Pension Funds	-	2 125
Bargaining council and SDL	-	119
	-	**1 322 025**

Mr TV Mdluli resigned on 30 June 2024.

Remuneration of Director Corporate Services - Ms LG Ceba

Annual Remuneration	1 123 501	-
Reimbursive travel and subsistance allowance	10 624	-
Remote allowance	78 645	-

Figures in Rand	2025	2024

27. Employee related costs (continued)

Contributions to UIF	2 125	-
Contributions to SDL and Industrial council	12 176	-
	1 227 071	**-**

Ms LG Ceba was the Director - Corporate Services throughout the financial year 2024/25.

Remuneration of Director Technical Services - Mr NT Makgajane

Annual Remuneration	749 001	-
Reimbursive travel and subsistance allowance	16 470	-
Remote Allowance	52 430	-
Acting Allowance	143 513	-
Contributions to UIF	1 417	-
Contributions to SDL	9 511	-
	972 342	**-**

Mr NT Makgajane was the Director: Technical Services during the financial year 2024/25.

The acting allowance received relate the period 09 January 2025 to 08 April 2025 when he was the acting Municipal Manager.

Remuneration of Director Community Services - Ms MAB Mosima

Annual Remuneration	561 750	-
Reimbursive travel and subsistance allowance	5 224	-
Remote Allowance	39 323	-
Leave paid out	56 175	-
Contributions to UIF	1 240	-
Contributions to SDL and Industrial council	6 665	-
	670 377	**-**

Ms MAB Mosima resigned on 31 December 2025.

Remuneration of Acting Director: Community Services - Ms DC Matsoso

Acting Allowance	46 669	-

Ms DC Matsoso was acting as Director: Community Services for the period 5 March 2025 to 04 June 2025

Remuneration of Acting Director: Technical Services - Mr SL Shamase

Acting Allowance	152 335	-

Mr SL Shamase was acting as Director: Technical Services for the period 15 July 2024 to 14 October 2024

Remuneration of the Acting Director Community Services-Tabiso Alexis Lekwala

Annual Remuneration	-	683 019
Performance Bonuses	-	56 918
Acting Allowance	-	169 261
Travel Allowance	-	133 305
Back pay	-	572
Contributions to UIF, Medical and Pension Funds	-	220 264
	-	**1 263 339**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Employee related costs (continued)

TA Lekwala is the Manager: Community Services and thus acting Director: Community Services as he is the highest ranking official in the department. He was acting for the period from July 2023 to November 2023.

Remuneration of Acting Director Corporate Services - NS Buyeye

Annual Rumuneration	-	565 025
Performance Bonuses	-	47 085
Travel Allowance	-	137 295
Acting Allowance	-	155 156
Back pay	-	14 677
Contributions to UIF, Medical and Pension Funds	-	161 321
	-	**1 080 559**

NS Buyeye was acting as the Director Corporate Services for the period from July 2023 to January 2024.

Remuneration of Chief Finance Officer- Mr MP Dyonase

28. Remuneration of councillors

Executive Mayor	905 674	954 082
Speaker	731 017	745 255
Councillors	3 172 464	3 216 656
Medical aid contributions	90 628	57 550
Travel and subsistance allowance	-	84 153
Cell phone and other allowances	657 978	433 200
Council contribution: UIF and SDL	25 505	78 002
	5 583 266	**5 568 898**

In-kind benefits

Councillors' remuneration was within the upper limits as per the government gazette.

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity.

29. Depreciation and amortisation

Property, plant and equipment	22 203 416	20 212 102

30. Finance costs

Centlec SOC Limited	-	7 331
Employee benefits obligations	4 870 864	2 311 000
Provisions (Rehabilitation of landfill sites)	2 333 864	2 348 615
Trade and other payables	8 237 889	5 305 725
	15 442 617	**9 972 671**

31. Lease rentals on operating lease

Equipment		
Contractual amounts	231 118	170 048

32. Bad debts Written off and Debt impaiment

Bad debts written-off	32 815 183	38 499 597

Figures in Rand	2025	2024

32. Bad debts Written off and Debt impaiment (continued)

Debt impairment	90 537 411	90 311 949
	123 352 594	**128 811 546**

33. Bulk purchases

Electricity - Eskom	50 976 993	44 290 363

34. Contracted services

Consultants and Professional Services		
Financial consulting	7 865 709	7 607 709
Legal cost	745 302	1 498 774
Contractors		
Competency Assessments	37 323	43 667
Electrical-Repairs and maintenance	-	8 608 423
	8 648 334	**17 758 573**

35. General expenses

Advertising	168 380	194 233
Auditors remuneration	8 070 337	5 662 926
Bank charges	439 983	319 010
Chemicals	3 672 721	4 793 878
Commission paid	-	604 054
Computer expenses	235 228	289 053
Conferences and seminars	1 210	1 500
Consumables	2 202 089	111 065
Electricity	750 964	3 141 090
Employee wellness	28 208	65 136
Entertainment	19 412	51 112
Fuel and oil	629 090	836 760
Insurance	1 302	509 494
Motor vehicle expenses	67 700	99 934
Postage and courier	1 101	-
Printing and stationery	125 055	84 622
Protective clothing	8 289	282 408
Rental of machinery and equipment	1 834 535	6 662 278
Repairs and maintenance	958 997	1 921 175
Special programs	529 028	137 720
Subscriptions and membership fees	-	941 450
Telephone and fax	2 498 972	2 598 672
Title deed search fees	-	2 522
Other Expenses	33 453	-
Transport and freight	313 583	315 984
Travel - local	924 250	1 592 275
	23 513 887	**31 218 351**

The amounts disclosed are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Fair value adjustments

Investment property (Fair value model)	-	258 957
Biological assets	-	128 565
Other financial assets	74 830	75 885
	74 830	**463 407**

37. Impairment loss

Impairments		
Property, plant and equipment	-	6 372 854

38. Cash generated from operations

Surplus (deficit)	21 152 669	(39 480 411)
Adjustments for:		
Depreciation and amortisation	22 203 416	26 584 956
Movements in retirement benefit assets and liabilities	4 496 000	3 075 000
Loss on disposal of assets	-	2 981 160
Loss on biological assets	124 900	-
Other non cash items	(2 646 398)	(14 326 917)
Fair value adjustments	(335 180)	(463 408)
Debt impairment	-	41 440 243
Acturial loss/gain	-	(738 000)
Provisions	-	505 021
Addition non cash-landfill site	-	1 843 594
Changes in working capital:		
Inventories	922 444	(1 884 132)
Receivables from exchange transactions	(79 117 139)	(48 743 487)
Consumer debtors	8 417	(437 381)
Receivables from non-exchange transactions	(10 932 947)	(6 177 655)
Unspent conditional grants and receipts	(11 746 368)	(7 310 108)
Payables from exchange transactions	79 824 144	58 978 716
VAT	(4 495 278)	(2 939 157)
	19 458 680	**12 908 034**

39. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	19 074 800	19 074 800
Receivables from non-exchange transactions-Sundry debtors	-	88 236	88 236
Receivables from non-exchange transactions-Consumer debtors-Rates	-	2 950 960	2 950 960
Other financial assets	676 246	-	676 246
Cash and cash equivalents	-	2 235 954	2 235 954
	676 246	**24 349 950**	**25 026 196**

Financial liabilities

	At amortised cost	Total

Notes to the Annual Financial Statements

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39. Financial instruments disclosure (continued)

Payables from exchange transactions	331 012 563	331 012 563
Consumer deposits	378 640	378 640
Unspent conditional grants and receipts	8 455 183	8 455 183
	339 846 386	**339 846 386**

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	18 185 159	18 185 159
Receivables from non-exchange transactions-Sundry debtors	-	88 114	88 114
Other financial assets	601 416	-	601 416
Cash and cash equivalents	-	1 385 344	1 385 344
Receivables from non-exchange transactions-Sundry debtors	-	6 329 821	6 329 821
	601 416	**25 988 438**	**26 589 854**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	251 041 489	251 041 489
Consumer deposits	370 223	370 223
Unspent conditional grants and receipts	20 201 551	20 201 551
	271 613 263	**271 613 263**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment as previously reported	103 782 719	10 444 612
• Prior year adjustment - Property, plant and equipment	-	83 509 179
	103 782 719	**93 953 791**

Total capital commitments		
Already contracted for but not provided for	103 782 719	93 953 791

Total commitments

Total commitments		
Authorised capital expenditure	103 782 719	93 953 791

This committed expenditure relates to property, plant and equipment and will be financed through infrastructure conditional grants (WSIG, RBIG, INEP and MIG) , existing cash resources, funds internally generated, etc.

41. Contingencies

The amounts disclosed relate to contingent liabilities, the municipality does not have any contingent assets.

Incident

Figures in Rand	2025	2024

41. Contingencies (continued)

KJ Makhube:	150 000	150 000
KJ Makhube claimed R1 909 543 from the Municipality due to arrear payments of salaries. Case is awaiting trail date from Labour Court.		
Master Maize Drilling:	200 000	200 000
Civil matter – contractual dispute against the Municipality		
Malherbe, Saayman & Smith:	30 000	30 000
Malherbe, Saayman & Smith claimed R 30 000 from the Municipality due to a dispute for professional services rendered to the Municipality.		
EMS has issued a summons in the amount of R1 917 423.82	200 000	-
EMS Solutions	500 000	500 000
Civil matter – dispute about professional services rendered to the Municipality (VAT Returns). Matter is enrolled for the 24 October 2023		
Auditor General South Africa (6061/2021)	-	150 000
Claim against the Municipality in the amount of R6 730 255.09 for audit activities.		
Auditor General South Africa (6061/2021)	-	150 000
Claim against the Municipality in the amount of R6 730 255.09 for audit activities.		
Auditor General South Africa (3355/2023)	-	150 000
Claim against the Municipality in the amount of R2 371 975.85 for audit activities.		
Auditor General South Africa (6730/2023)	-	150 000
Claim against the Municipality in the amount of R1 056 720.08 for audit activities.		
Auditor General South Africa (2664/2023)	-	150 000
Claim against the Municipality in the amount of R2 656 803.93 for audit activities.		
Warrant of attachment of R 4 525 390.17 (interest included) for arrear pension fund contributions. Interest is incorrectly calculated and attributed.	150 000	-
Interdict against workers who partook in unprotected strike action as well as contempt application for those who contravened the interdict.	90 000	-
	1 320 000	**1 630 000**

Contingent liabilities

Mohokare municipality has been operating the Matlakeng landfill site for a number of years without valid licenses to proof that the actions is legal. A contingent liability is therefore disclosed to draw attention to the possible liability that may arise from this practice.

Section 20(b) of NEMWA stipulates that no person may commence, undertake or conduct a waste management activity, except in accordance with a waste management licence issued in respect of that activity, if a licence is required.

Section 68. (I) of NEMWA stipulates that A person convicted of an offence referred to in section 67(I)(a), (g) or (Ii) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made in terms of the National Environmental Management Act

42. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality’s risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

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.

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.

As at 30 June 2025	**Less than 1 year**	**Over 5 years**
Payables from exchange transactions	482 352 371	-
Other Financial Liabilities	81 637 457	-
	563 989 828	**-**

As at 30 June 2024	**Less than 1 year**	**Over 5 years**
Payables from exchange transactions	348 702 128	-
Other Financial Liabilities	81 637 457	-
	430 339 585	**-**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

42. Risk management (continued)

Investments / bank, cash and cash equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner has to be settled;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually; and
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality’s maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy. Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

42. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income of the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures risk.

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 amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are investments and loan payables. The municipality is exposed to interest rate risk on these financial instruments as the rates applicable are floating interest rates.

Potential concentrations of interest rate risk consist mainly of consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the Councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment and discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

43. Related parties

Relationships

Director	Refer to directors' report note
Council	
TD Mochechepa	None
R.J Thuhlo	Sethuka Agricultural Primary Co-Operative Limited
P.P Mahapane	Mohokare Funeral Services (Deregistered) Vuka Sizwe Women Construction (Deregistered) Punthaba Construction (Deregistration Process) Mahapane Metal Manufacture Letlaka Funeral Services Mahapane Funeral Services

43. Related parties (continued)

N.A Adoons	None
T.J November	Satshethe Security Services (Deregistration process)
D. Job	None
T.E Nai	Matlakeng Charcoal Project
N R Mokati	None
M.A Letele	None
J. Swart	Al-Huda Muslim School
I.S Riddle	None
M Mkendani	None
	Matlakeng Building Contractors (Deregistered)
	Nafuma Building and Construction (Deregistered)
	Vuboketha Civil Construction Trading (Deregistration Process)
	Bois Tuck Shop (Deregistration Process)
B.J Lobi	Re A Bona Construction (Deregistered)
	Rekaofela Ditshepe Mohomeng
S.E Thejane	Tshele Civil Works (Deregistered)
	Rekaofela Ditshepe Mohomeng
Z. N Mgawuli	Telkom-Ordinary shares
	KZ20117221628 (PTY)-100%
	Bhele Creations (PTY)-100%
	ORE Works (PTY)-30%
MS Mohale	None
PS Litabe	Diabo Business Consultants Accountants
LG Ceba	None
NT Makgajane	None
A Mosima	None
Senior managers remuneration	Refer to note 27
Councillors remuneration	Refer to note 28

These include the total remuneration per councillor and key management, in aggregate for the entire financial year. For remuneration of key management refer to Note 28, employee related costs and for councillor remuneration refer to Note 29.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Related parties (continued)

Remuneration of management

Councillors

2025

Name	Basic Salary	Back-pay	Travel allowance	Cellphone allowance	RM 100	Unemployment Insurance fund	Skills development levy	Medical aid	Total
TD Mochechepa (Mayor)	232 670	18 447	36 552	39 400	-	2 125	3 596	59 522	392 312
RJ Thuhlo	646 211	68 123	-	44 600	-	2 125	7 366	-	768 425
IS Riddle	230 581	7 500	47 601	44 600	2 498	2 125	3 005	-	337 910
B Lobi	367 790	9 916	-	44 600	12 907	-	3 715	-	438 928
N R Mokati (Speaker)	21 669	2 825	-	-	-	177	231	-	24 902
D Job	278 183	7 500	-	44 600	1 514	2 125	3 092	-	337 014
J Swart	278 183	7 500	-	44 600	7 788	2 125	3 137	-	343 333
NM Mkendani	278 183	7 500	-	44 600	4 088	2 125	3 113	-	339 609
MA Letele	278 183	7 500	-	44 600	-	2 125	3 080	-	335 488
TN November	278 183	7 500	-	44 600	11 418	2 125	3 170	-	346 996
NA Adoons	278 183	7 500	-	44 600	-	2 125	3 080	-	335 488
TE Nai	367 790	9 916	-	44 600	14 953	2 125	4 113	-	443 497
PP Mahapane	278 183	7 500	-	44 600	4 519	2 125	3 116	-	340 043
	3 813 992	**169 227**	**84 153**	**530 000**	**59 685**	**23 552**	**43 814**	**59 522**	**4 783 945**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Related parties (continued)

2024

Name	Basic Salary	Back pay	Travel allowance	Cellphone allowance	RM 100	Unemployment Insurance fund	Skills development levy	Medical aid	Total
ZN Mgawuli (Mayor)	833 992	46 540	-	40 800	-	2 125	9 337	32 810	965 604
RJ Thuhlo (Speaker)	667 146	37 309	-	40 800	-	2 125	7 249	-	754 629
IS Riddle	188 837	14 949	47 601	40 800	3 837	2 120	2 653	-	300 797
B Lobi	353 979	14 949	-	40 800	16 679	-	3 644	-	430 051
T Mochechepa	205 946	9 984	36 552	25 200	-	2 125	3 153	57 550	340 510
D Job	300 047	9 984	-	40 800	10 989	2 125	3 392	-	367 337
J Swart	263 909	14 949	-	40 800	9 112	2 125	3 065	-	333 960
NM Mkendani	263 909	14 949	-	40 800	22 510	2 125	3 173	-	347 466
MA Letele	263 909	14 949	-	40 800	-	2 125	2 993	-	324 776
TN November	300 047	9 984	-	40 800	9 971	2 125	3 384	-	366 311
NA Adoons	263 909	14 949	-	40 800	-	2 125	2 993	-	324 776
TE Nai	353 979	19 102	-	40 800	13 324	2 125	4 041	-	433 371
PP Mahapane (Chief Wip)	300 047	9 984	-	40 800	14 968	2 125	3 424	-	371 348
	4 559 656	**232 581**	**84 153**	**514 800**	**101 390**	**25 495**	**52 501**	**90 360**	**5 660 936**

Management class: Executive management

2025

Name	Fees for services as a member of management	Basic salary	Other short-term employee benefits	Other benefits received	Total
MJ Kanwendo	32 429	-	-	-	32 429
MS Mohale	12 803	-	-	-	12 803
SE Thejane	28 462	-	-	-	28 462
LG Ceba	-	1 123 501	89 269	14 301	1 227 071

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Related parties (continued)

A Mosima	-	561 750	100 722	7 905	670 377
NT Makgajane	-	749 001	212 413	10 928	972 342
	73 694	**2 434 252**	**402 404**	**33 134**	**2 943 484**

2024

Name	Fees for services as a member of management	Basic salary	Other short-term employee benefits	Other benefits received	Total
MJ Kanwendo	18 618	-	-	-	18 618
A Mosima	-	38 890	2 722	604	42 216
LG Ceba	-	38 890	2 722	604	42 216
SE Thejane	59 241	304	-	-	59 545
MP Dyonase	21 057	-	-	-	21 057
	98 916	**78 084**	**5 444**	**1 208**	**183 652**

Councillors arrears

2025

Name	Gross amount	Provision for Impairment	Total
ZN Mgawuli	118 017	(117 544)	473
RJ Thuhlo	1 712	(1 705)	7
IS Riddle	1 691	-	1 691
B Lobi	18 870	(14 216)	4 654
D Job	83 357	(79 429)	3 928
NM Mkendani	40 674	(40 510)	164
MA Letele	224 414	(223 514)	900
TJ November	41 295	(41 130)	165
NA Adoons	5 277	(5 256)	21

43. Related parties (continued)

	535 307	**(523 304)**	**12 003**

2024

Name	Gross amount	Provision for Impairment	Total
ZN Mgawuli	101 327	(100 747)	580
RJ Thuhlo	901	(347)	554
IS Riddle	563	-	563
B Lobi	13 204	(13 129)	75
PP Mohapane	61 227	(60 876)	351
D Job	66 757	(66 376)	381
MA Letele	145 046	(144 216)	830
TJ November	33 450	(33 259)	191
NA Adoons	50 700	(50 410)	290
	473 175	**(469 360)**	**3 815**

44. Events after the reporting date

Non adjusting events after reporting date:

The Council of Mohokare Local Municipality resolved to terminate the secondment of Mr. M. Mohale as the Acting Municipal Manager per Council resolution 6.1 of 30 September 2025. The Council of Mohokare Local Municipality resolved to appoint the Director of Corporate Services, Ms. L. Ceba as the acting Municipal Manager in line with Section 54(a) of the Municipal Systems Act. per Council resolution 6.1 of 30 September 2025.

Impact on Mohokare Local Municipality:

The above matter does not have an impact on the annual financial statements for the year ended 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Unauthorised expenditure

Opening balance as previously reported	483 293 189	369 486 223
Add: Unauthorised expenditure - current	65 366 095	113 806 966
Closing balance	**548 659 284**	**483 293 189**

Details of unauthorised expenditure

Non-cash	38 903 506	30 180 328
Cash	26 462 589	83 626 638
	65 366 095	**113 806 966**

Non-cash unauthorised expenditure

Employee related cost	-	764 000
Depreciation and amortisation	-	2 764 956
Finance charges	2 537 000	4 659 615
Capital Acqusitions	3 551 323	-
Loss on disposal of municipal assets	-	2 947 080
Loss on biological assets	-	34 080
Bad debts written-off	32 815 183	19 010 597
	38 903 506	**30 180 328**

Cash unauthorised expenditure

Employee related costs	8 999 482	82 163 953
Remuneration of councillors	-	48 897
General expenditure	4 267 543	-
Lease rentals on operating lease	131 122	170 048
Contracted services	2 869 341	762 573
Administration	-	481 167
Capital acqusitions	468 884	-
Bulk Purchases	9 726 218	-
	26 462 590	**83 626 638**

46. Fruitless and wasteful expenditure

Opening balance as previously reported	100 299 286	41 085 940
Add: Fruitless and wasteful expenditure identified - current	10 571 753	5 176 908
Add: Fruitless and wasteful expenditure identified - prior period	-	54 036 438
Less: Amount written off	(66 589 521)	-
Closing balance	**44 281 518**	**100 299 286**

Fruitless and wasteful expenditure is presented inclusive of VAT.

Analysis of fruitless and wasteful expenditure

Interest on payables	8 794 355	3 455 507
Penalties	1 777 398	1 721 400
Prior year adjustment- interest	-	54 036 438
	10 571 753	**59 213 345**

Prior period error

Fruitless and wasteful expenditure was restated as a result of the interest on South African Local Authorities Pension Fund that was not previously accounted for.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Fruitless and wasteful expenditure (continued)

Figures in Rand		2025	2024

46. Fruitless and wasteful expenditure (continued)

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of 66 589 521 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

	Condoned by (Condoning authority)		
Fruitless and wasteful expenditure for 2022/23	Council	62 629 331	-
Fruitless and wasteful expenditure for 2023/24	Council	937 189	-
Fruitless and wasteful expenditure for 2024/25	Council	3 023 001	-
		66 589 521	**-**

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. Based on the nature of the expenditure items, the expenditure is not recoverable. No criminal or disciplinary steps have been taken as a result of the expenditures / losses.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Irregular expenditure

Opening balance as previously reported	261 966 602	256 396 884
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	1 306 708	5 569 718
Less: Amount written off - current	(4 419 330)	-
Closing balance	**258 853 980**	**261 966 602**

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

Non – compliance - normal SCM process not followed	1 306 707	5 569 718

Disciplinary steps taken/criminal proceedings

No disciplinary steps have been taken as no individual or group of individuals have been identified to be guilty of the expenses incurred. The matter is still under investigation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	7 015 086	6 219 484
Current year subscription / fee	1 003 023	949 700
Amount paid - current year	-	(154 098)
	8 018 109	**7 015 086**

Audit fees

Opening balance	13 015 739	9 102 813
Current year subscription / fee	8 085 390	5 564 860
Amount paid - current year	-	(1 750 000)
Interest charged	1 284 533	98 066
	22 385 662	**13 015 739**

PAYE, UIF and SDL

Opening balance	10 089 126	10 809 423
Current year subscription / fee	13 511 609	13 202 469
Amount paid - current year	(8 669 267)	(4 727 848)
Amount paid - previous years	-	(10 809 423)
Penalties and Interest	-	1 614 505
	14 931 468	**10 089 126**

Pension and medical aid deductions

Opening balance	132 090 505	118 939 060
Current year subscription / fee	8 054 155	23 765 315
Amount paid - current year	-	(10 613 870)
	140 144 660	**132 090 505**

Medical aid fund:		
Opening balance	1 719 736	2 374 087
Current year payroll deductions	8 745 138	9 711 665
Amount paid - current year	(2 600 242)	(10 366 016)
	7 864 632	**1 719 736**

Pension fund:		
Opening balance	130 370 769	116 564 973
Current year payroll deductions	12 199 313	14 053 650
Amount paid - current year	(12 661 894)	(247 854)
Interest and pealties	-	-
	129 908 188	**130 370 769**

VAT

VAT receivable	16 453 670	40 601 123

All VAT returns have been submitted.

Refer to non-compliance with the MFMA disclosure for VAT returns not submitted within the legislated time frame.

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

Deviations from supply chain management regulations

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

	2025	2024
Incident		
Social crime prevention	-	43 236
Earthmoving equipment repairs	-	4 993 555
Impractical	2 658 759	-
Emergency	1 737 953	-
	4 396 712	**5 036 791**

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding as at 30 June 2025:

30 June 2025	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
ZN Mgawuli	3 418	114 599	118 017
RJ Thuhlo	974	738	1 712
IS Riddle	1 691	-	1 691
B Lobi	1 502	17 368	18 870
D Job	4 461	78 895	83 356
NM Mkendani	1 692	38 981	40 673
MA Letele	24 092	200 322	224 414
TJ November	2 141	39 154	41 295
NA Adoons	1 071	4 205	5 276
	41 042	**494 262**	**535 304**

30 June 2024	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
NA Adoons	1 918	48 782	50 700
D Job	3 227	63 530	66 757
MA Letele	15 455	129 591	145 046
BJ Lobi	1 206	11 999	13 205
PP Mahapane	2 160	59 067	61 227
ZN Mgawuli	5 863	95 464	101 327
TJ November	1 453	31 997	33 450
IS Riddle	563	-	563
RJ Thuhlo	901	-	901
	32 746	**440 430**	**473 176**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Non-compliance with the Municipal Finance Management Act

1. The municipality did not always pay employee's third party deduction(s) to benefit funds on time due to cash-flow constraints as per the requirement of the MFMA section 65.

2. Creditors were not paid within 30 days as per the requirements of the MFMA section 65 due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.

3. The municipality incurred irregular expenditure as a result of non-compliance with the MFMA section 112 and Supply Chain Management Regulations.

4. MFMA section 71 reports were not always submitted on time due to system challenges post mSCOA implementation.

Bulk electricity and water losses in terms of Section 125(2)(d)(i) of the MFMA

Electricity distribution losses		
Electricity units (kWh) purchased from Eskom	17 897 045	17 479 308
Electricity units (kWh) sold to consumers	(10 108 004)	(9 138 862)
	7 789 041	**8 340 446**

Electricity losses for current financial year is 40.42% (2024:48.72%). The rand value of electricity distribution losses is R 22 862 127 (2024: R18 029 877).

Water distribution losses		
Water units (Kl) purchased	2 244 067	2 135 196
Water units (Kl) sold to customers	(717 028)	(174 636)
	1 527 039	**1 960 560**

Water distribution losses for current financial year is 22.46% (2024: 14.43%). The rand value of water distribution losses is R 544 820 (2024: R18 029 877).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	3	3 118 786	-	-	3 118 786	
Receivables from exchange transactions	4	59 846 148	(41 660 989)	-	18 185 159 [1]	
Receivables from non-exchange transactions	5	3 242 677	3 087 144	-	6 329 821 [2]	
VAT receivable	6	12 005 734	(32 853)	-	11 972 881 [3]	
Prepayments	7	550 749	-	-	550 749	
Cash and cash equivalents	8	34 073 582	(32 688 238)	-	1 385 344	
		112 837 676	**(71 294 936)**	**-**	**41 542 740**	
Non-Current Assets						
Biological assets	9	210 695	-	-	210 695	
Investment property	10	53 985 697	-	-	53 985 697 []	
Property, plant and equipment	11	656 947 632	(19 237 979)	-	637 709 653 [4]	
Other financial assets	12	601 416	-	-	601 416	
		711 745 440	**(19 237 979)**	**-**	**692 507 461**	
Total Assets		**824 583 116**	**(90 532 915)**	**-**	**734 050 201**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	13	275 293 400	(24 503 782)	-	250 789 618 [5]	
Consumer deposits	14	370 223	-	-	370 223	
Employee benefit obligation	15	688 000	-	-	688 000	
Unspent conditional grants	16	45 135 797	(24 934 246)	-	20 201 551 [6]	
Provisions	18	14 170 097	-	-	14 170 097	
		335 657 517	**(49 438 028)**	**-**	**286 219 489**	
Non-Current Liabilities						
Other financial liabilities		81 637 457	-	-	81 637 457	
Employee benefit obligation	15	20 830 000	-	-	20 830 000	
Provisions	18	19 908 422	-	-	19 908 422	
Payables from exchange transactions	13	74 828 217	-	-	74 828 217	
		197 204 096	**-**	**-**	**197 204 096**	
Total Liabilities		**532 861 613**	**(49 438 028)**	**-**	**483 423 585**	
Net Assets		**291 721 503**	**(41 094 887)**	**-**	**250 626 616**	
Accumulated surplus		290 045 112	(39 418 496)	-	250 626 616 [7]	

49. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	19	94 269 966	-	-	94 269 966	
Rental of facilities and equipment	20	741 311	-	-	741 311	
Interest on outstanding receivables		37 949 261	-	-	37 949 261	
Other income	23	267 105	-	-	267 105	
Interest on Investments	24	391 278	(34 118)	-	357 160	
Dividends received	24	20 462	-	-	20 462	
Total revenue from exchange transactions		**133 639 383**	**(34 118)**	**-**	**133 605 265**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25	14 806 613	-	-	14 806 613	
Transfer revenue						
Government grants & subsidies	26	91 977 374	24 934 246	-	116 911 620 [9]	
Total revenue from non-exchange transactions		**111 287 145**	**20 431 088**	**-**	**131 718 233**	
Total revenue		**244 926 528**	**20 396 970**	**-**	**265 323 498**	
Expenditure						
Employee related costs	27	(91 743 953)	-	-	(91 743 953)	
Remuneration of councillors	28	(5 568 897)	-	-	(5 568 897)	
Administration		(481 167)	-	-	(481 167)	
Depreciation and amortisation	29	(20 212 102)	-	-	(20 212 102)	
Impaiment loss/ Reversal of Impairment	37	(6 372 854)	-	-	(6 372 854)	
Finance costs	30	(9 972 671)	-	-	(9 972 671)	
Lease rentals on operating lease	31	(170 048)	-	-	(170 048)	
Debt Impairment	32	(38 499 597)	(51 812 352)	-	(90 311 949) [10]	
Debt impairrment		-	-	-	-	
Repairs and maintenance		(41 238 738)	2 739 141	-	(38 499 597)	
Bulk purchases	33	(44 290 363)	-	-	(44 290 363)	
Contracted services	34	(17 758 573)	-	-	(17 758 573)	
General Expenses	35	(31 043 803)	(174 548)	-	(31 218 351)	
Operating deficit		**(62 426 238)**	**(28 850 789)**	**-**	**(91 277 027)**	
Loss on disposal of assets and liabilities		(2 947 080)	-	-	(2 947 080)	
Fair value adjustments	36	463 407	-	-	463 407	
Actuarial losses	15	738 000	-	-	738 000	
Loss on biological assets		(34 080)	-	-	(34 080)	
		(1 779 753)	**-**	**-**	**(1 779 753)**	
Deficit for the year		**(64 205 991)**	**(28 850 789)**	**-**	**(93 056 780)**	

[1] Receivables from exchange transactions were restated as a result of errors a result of errors in calculation of impairment on receivables was incorrectly adjusted for under revenue instead of being adjusted for under receivables. This error was also corrected for in the current year as part of Receivables from exchange transactions restatement.

[2] Receivables from non exchange transactions were restated as a result of errors in calculation of impairment on receivables on non exchange was incorrectly adjusted for under revenue instead of being adjusted for under receivables from non exchange transactions. This error was also corrected for in the current year as part of Receivables from non exchange transactions restatement

[3] VAT was restated as a result of errors that were corrected on expenditure related WIP

* See Note 49

Figures in Rand	Note(s)	2025	2024 Restated*

49. Prior period errors (continued)

[4] Property plant and equipment was restated as a result errors in previous registers.

[5] Payables from exchange transactions was restated as a result of transactions which were wrongly classified under unallocated deposits.

[6] Unspent conditional grantswas restated as a result of transactions which were wrongly classified under unallocated deposits.

[7] Accumulated surplus was restated due to all corrections done on statement of financial position and statement of financial performance.

[8] Interest from outstanding receivables was restated as as result of of reclassification to revenue from exchange transaction.

[9] Government grants revenue was restated as a result of errors on Water services infrastructure grant revenue that was not accounted for in the prior year.

[10] Debt impairment was restated as a result of errors in calculating impairment losses.

[11] Deviation from supply chain management were adjusted due to management identifying additional transactions not previously accounted for and reported accurately in the disclosure note.

[12] Fruitless and wasteful expenditure was adjusted due to interest incurred not previously accounted for from suppliers accounts.

[13] Irregular expnditure was adjusted due to prior year transaction ommitted in the register resulting from contracts obtained under irregularities.

50. Change in estimate

Property, plant and equipment		
Other property,plant and equipment	-	542 893
Infrastructure assets	-	6 279 354
Land, buildings and community assets	-	522 545
	-	**7 344 792**

The change in estimate effect amount relating to future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

51. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement.

Details of the arrangements is as follows:

Agent in principal-agent arrangement

The municipality deduct specified amounts from salaries of municipal employees on behalf of the principal in exchange for commission.

No significant judgements are applied in determining that the municipality was the agent in the arrangement.

The municipality is paid commission of 2.5% and 5% (2024: 2.5% and 5%) or deduction from employees salary performed.

* See Note 49

51. Accounting by principals and agents (continued)

There have been no significant changes in the terms and conditions of the arrangements during the reporting period.

There are no significant risks and benefits associated with the principal-agent arrangements.

Principal in principal-agent arrangement

1. The municipality has appointed a service provider for the supply, installation and maintenance of the digital speed and static red light violation cameras and back office services.

Mohokare Local Municipality is the principal. The assumptions made in this regard are as follows:

- Mohokare Local Municipality is responsible for the supply, installation and maintenance of the digital speed and static red light violation cameras and back office services.
- The municipality has the power to determine the significant terms and conditions of the transaction as per the agreement.

The service provider is responsible for:

- The supply, installation and maintenance of the digital speed and static red light violation cameras and back office services.
- Support functions.
- Ensuring the availability of payment facilities.
- Operate an offender tracing and call centre.
- Fine collection initiatives.
- Warrant of arrest administration and roadblock support.

The municipality pays a commission to the amount of R96.90 (2023: R96.90) per fine collected to the service provider.

The contract term ended at 30 June 2021.

Risks are management through the service provider only being paid after the money collected is reflected in the bank accounts of Mohokare Local Municipality.

2. The Municipality did appoint Ole Power through a binding arrangement to undertake transactions with third parties on behalf of Mohokare Local Municipality, which is sale of municipal electricity. These are specialists which are used due to capacitation of the municipality and is more cost effective which provide customers easy access to prepaid electricity.

Entity as agent

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

There are no resources of the agent under the custodianship of the municipality.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R- (2024:R31 647 586.88).

Entity as principal

Additional text

* See Note 49

Figures in Rand	Note(s)	2025	2024 Restated*

51. Accounting by principals and agents (continued)

Resources (including assets and liabilities) of the entity under the custodianship of the agent

There are no resources of the municipality under the custodianship of the agent.

Should the agreement be terminated, the municipality will need to incur the following costs:

- Purchase of additional equipment and vehicles
- Set-up and arrangement of payment facilities
- Employment of additional staff
- Additional insurance costs

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

52. Segment information

General information

Identification of segments

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Council and Executive
Segment 2	Finance and Administration
Segment 3	Corporate services
Segment 4	Community and social services
Segment 5	Technical Services

* See Note 49

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Council and Executive	Finance and Administration	Corporate services	Community and social services	Technical Services	Total
Revenue						
Service changes	-	-	-	-	94 269 966	94 269 966
Rental of facilities and equipment	-	-	-	741 311	-	741 311
Interest received on outstanding debtors-exchange	-	690 408	-	-	37 670 593	38 361 001
Sale of Goods and rendering of services	-	65 621	5 032	65 461	-	136 114
Operational revenue	-	129 645	-	-	-	129 645
Dividend received	-	20 462	-	-	-	20 462
Property rates	-	14 806 613	-	-	-	14 806 613
Government grants	3 153 000	61 769 786	17 888 132	-	9 166 457	91 977 375
Licences or Permits	-	-	-	1 347	-	1 347
Interest received on outstanding debtors - non-exchange	-	4 503 158	-	-	-	4 503 158
Total segment revenue	**3 153 000**	**81 985 693**	**17 893 164**	**808 119**	**141 107 016**	**244 946 992**
Fair value adjustments						463 407
Actuarial gains/(losses)						738 000
Total revenue reconciling items						**1 201 407**
Entity's revenue						**246 148 399**
Expenditure						
Bulk purchases	-	-	-	-	(44 290 363)	(44 290 363)
Contracted services	(125 444)	(10 229 152)	(380)	(335 857)	(9 663 159)	(20 353 992)
Total segment expenditure	**(125 444)**	**(10 229 152)**	**(380)**	**(335 857)**	**(53 953 522)**	**(64 644 355)**
Total segmental surplus/(deficit)			**-**	**-**	**-**	**12 060 645**
Loss on disposal						(2 947 080)

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

	Council and Executive	Finance and Administration	Corporate services	Community and social services	Technical Services	Total
52. Segment information (continued)						
Impairment loss						(34 080)
Total revenue reconciling items						1 201 407
Entity's surplus (deficit) for the period						**14 075 319**
Assets						
Inventories	-	1 209 711	-	-	1 909 075	3 118 786
Receivables from exchange transactions	-	347 704 550	(25 280)	2 590 989	405 028 336	755 298 595
Receivables from non-exchange transactions	-	3 882 263	(176 950)	176 950	-	3 882 263
Investment property	-	52 309 306	-	-	-	52 309 306
Property,plant and equipment	-	334 032 830	1 152 773	61 467 384	311 490 536	708 143 523
Total segment assets	**-**	**739 138 660**	**950 543**	**64 235 323**	**718 427 947**	**1 522 752 473**
Total assets as per Statement of financial Position						**1 522 752 473**
Liabilities						
Payables from exchange transactions	(2 805 850)	(155 226 912)	83 720	(23 714 495)	(84 571 528)	(266 235 065)
Consumer deposits	-	(355 817)	-	(14 428)	(23)	(370 268)
Defined benefit obligation - current portion	-	(688 000)	-	-	-	(688 000)
Total segment liabilities	**(2 805 850)**	**(156 270 729)**	**83 720**	**(23 728 923)**	**(84 571 551)**	**(267 293 333)**
Total liabilities as per Statement of financial Position						**(267 293 333)**

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

2024

	Council and Executive	Finance and Administration	Corporate Services	Community services	Technical Services	Total
Revenue						
Service charges	-	-	-	-	94 269 966	94 269 966
Rental of facilities and equipment	-	-	-	741 311	-	741 311
Interest received on outstanding debtors	-	690 408	-	-	37 670 593	38 361 001
Other income	-	65 621	6 032	65 461	-	137 114
Interest received on external investments	-	129 645	-	-	-	129 645
Dividends received	-	20 462	-	-	-	20 462
Property rates	-	14 806 613	-	-	-	14 806 613
Interest on outstanding debtors non- exchange	-	4 503 158	-	-	-	4 503 158
Licences and Permits	-	-	-	1 347	-	1 347
Government grants and subsidies	3 153 000	61 769 786	17 888 132	-	9 166 457	91 977 375
Total segment revenue	**3 153 000**	**81 985 693**	**17 894 164**	**808 119**	**141 107 016**	**244 947 992**
Fair value adjustment						463 407
Actuarial gains						738 000
Total revenue reconciling items						**1 201 407**
Entity's revenue						**246 149 399**
Expenditure						
Employee related costs	(7 239 302)	(26 318 373)	(11 288 060)	(12 562 185)	(32 552 700)	(89 960 620)
Remuneration of councillors	(5 568 897)	-	-	-	-	(5 568 897)
Administration	-	(481 167)	-	-	-	(481 167)
Depreciation and amortisation	-	(26 584 956)	-	-	-	(26 584 956)
Finance costs	-	(7 624 056)	-	(2 348 615)	-	(9 972 671)
Bad debts written off	2 698 321	-	(36 652 787)	(4 545 131)	-	(38 499 597)
Lease rental on operating lease	-	(170 048)	-	-	-	(170 048)
Debt impairment	-	(41 238 738)	-	-	-	(41 238 738)

* See Note 49

	Council and Executive	Finance and Administration	Corporate Services	Community services	Technical Services	Total
52. Segment information (continued)						
Contracted services	(125 444)	(10 229 152)	(380)	(335 857)	(44 290 363)	(54 981 196)
General expenses	-	-	-	-	(9 663 159)	(9 663 159)
Total segment expenditure	**(10 235 322)**	**(112 646 490)**	**(47 941 227)**	**(19 791 788)**	**(86 506 222)**	**(277 121 049)**
Total segmental surplus/(deficit)			**-**	**-**	**-**	**(71 072 735)**
Total revenue reconciling items						1 201 407
Loss on disposal of assets and liabilities						(2 947 080)
Loss on biological assets						(34 080)
Impairment loss						1 201 407
Entity's surplus (deficit) for the period						**(578 346)**
Assets						
Inventory	-	1 209 711	-	-	1 909 075	3 118 786
Receivables from exchange transactions	-	347 704 550	(25 280)	2 590 989	405 028 336	755 298 595
Receivables from non-exchange transactions	-	3 882 263	(176 950)	176 950	-	3 882 263
VAT receivables	339 391	10 686 941	20 313	8 201 802	(6 977 328)	12 271 119
Prepayments	-	550 749	-	-	-	550 749
Cash and cash equivalents	6 581 977	246 092 007	7 111 717	(31 533 440)	(194 178 679)	34 073 582
Biological assets	-	-	-	210 695	-	210 695
Investment property	-	52 309 306	-	-	-	52 309 306
Property,plant and equipment	-	334 032 830	1 152 773	61 467 384	311 490 536	708 143 523
Total segment assets	**6 921 368**	**996 468 357**	**8 082 573**	**41 114 380**	**517 271 940**	**1 569 858 618**
Total assets as per Statement of financial Position						**1 569 858 618**
Liabilities						
Payables from exchange transactions	(2 805 850)	(155 226 912)	83 720	(23 714 495)	(84 571 528)	(266 235 065)
Consumer deposits	-	(355 817)	-	(14 428)	(23)	(370 268)
Employee benefit obligation - exchange	-	(688 000)	-	-	-	(688 000)

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

	Council and Executive	Finance and Administration	Corporate Services	Community services	Technical Services	Total
52. Segment information (continued)						
Unspent conditional grants and receipts	-	(47 646 410)	-	-	(2 510 613)	(50 157 023)
Provisions-exchange	-	(14 170 097)	-	-	-	(14 170 097)
Other financial liabilities	-	(81 637 457)	-	-	-	(81 637 457)
Provisions -non-exchange	-	(19 908 422)	-	-	-	(19 908 422)
Payables from exchange transactions	-	(20 830 000)	-	-	-	(20 830 000)
Total segment liabilities	**(2 805 850)**	**(340 463 115)**	**83 720**	**(23 728 923)**	**(87 082 164)**	**(453 996 332)**
Total liabilities as per Statement of financial Position						**(453 996 332)**

* See Note 49

53. Budget differences

Material differences between budget and actual amounts

Material differences are deemed material were the differences differ with 10% or more of the final budget.

Statement of Financial Performance:

Service charge: The actual service charges for the municipality exceeded the budget due to increased demand for services.

Rental of facilities and equipment: Rental of facilities and equipment: The rental income generated through the rental of municipal facilities are informed by the need of the community for such facilities. The budget was based on usage of municipal assets in previous years

Interest earned outstanding debtors: More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated

Other revenue: The variance is as a result of increase in connection fees of electricity and water.

Interest on external investment: The variance is as a result interest earned on grant income.

Dividends received: Dividends received relates to the OVK Shares held by the Municipality. The amount depends on the annual performance of the company and the subsequent dividend declared by the board. Mohokare has no control over the amount declared as dividend and the budgeted figure is merely informed by the prior year's actual receipt.

Property rates: The major contribution to the variance was overestimation of property values and economic downturns.

Government Grants: Over budgeting based on the capital projects.
.

Fines, penalties and forfeits: The contract with the traffic service provider came to an end in January 2021. This resulted in operations being winded down with no fines issued from February 2021 - June 2025 except for hand written fines. We expected that a new contracted will be appointed but no appointment was made in the current year.

Employee related costs: The variances was a a result of allowances for those acting in key management positions.

Depreciation and amortisation: The item is not properly budgeted for as it is accounted for and included in the financial statements as at year end, management has no oversight or means to manage the variance of the budget.

Finance Cost: The municipality due to high debt amount on SALA and AGSA incurred interest costs for the year.

Lease rentals on operating lease: The budget for lease rentals are included in general expenditure.

Collection costs: Municipality did not budget for collection cost, although collection costs materialised

Bulk purchases: The major contributing factor was purchase of electricity from ESKOM.

Contracted services: The municipality appointed more contractors and consultants.

General expenditure: Main contributing factors to the variance on other expenditure are the increased cost of water chemicals utilised in the water treatment process, the increase in the usage and cost of fuel and oil, printing and stationery, protective clothing, rental expenses relating to the vehicles of the Mayor and Speaker as well as the rental of yellow fleet for operational maintenancepurposes.

Fair value adjustment: Municipality did not budget for fair value adjustment, although fair value adjustment materialised.

* See Note 49

53. Budget differences (continued)

Loss on Biological assets: Municipality did not budget for loss on biological assets, although loss on biological assets materialised.

Statement of Financial Position:

Inventory: The decrease in the closing balance of inventory on hand at year end are due to the municipality's constricted cash flow. Procurement of spare parts and consumables are done as and when required and inventory levels are kept at a minimum.

Receivables from exchange transactions: The municipality did not budget for receivables from exchange transactions, although Receivables from exchange transactions materialised.

Receivables from non-exchange transactions: The item has not been adequately included in the budget. As a result, management lacks oversight and the ability to control any budget variances.

VAT Receivable: The variance wa as a result of an increase in capital expenditures and delayed refunds.

Prepayment: The prepayment on the face of the financial statement relate to a payment made in 2020.

Cash and Cash equivalents: Overly optimistic revenue projections and expense estimates that do not materialize..

Biological assets: The variance was brought on by the fair value changes in biological assets offsetting the losses suffered by the municipality.

Investment property: The item is not properly budgeted for as it is accounted for and included in the financial statements as year end, management has no oversight or means to manage the variance of budget.

Property, plant and equipment: The item is not properly budgeted for as it is accounted for and included in the financial statements as year end, management has no oversight or means to manage the variance of budget.

Other financial assets: The municipality did not budget for the fair value adjustment on the shares

Consumer deposits: The variance was as a result overly ambitious budget forecasts and slow down in housing and commercial developments.

Provisions: The municipality did not budget for provisions, although provisions materialised.

Other financial liabilities: The item is not properly budgeted for as it is accounted for by Centlec and included in the financial statements as year end, management has no oversight or means to manage the variance of budget therefore

Employee benefit obligations: The item is not properly budgeted for as it is accounted for and included in the financial statements as year end, management has no oversight or means to manage the variance of budget therefore

Provisions: The item is not properly budgeted for as it is accounted for and included in the financial statements as year end, management has no oversight or means to manage the variance of budget therefore.

53. Budget differences (continued)

Unspent conditional grants: The municipality did not budget for unspent conditional grants, although Unspent conditional grants are material

Provisions: Due to the fact that this is a non cash flow item that is not calculated by the municipality the budgeted amount was incorrect. The budgeted amount was for provisions of Landfill sites. Employee benefit obligations and long service awards includes the current liability portion and the non-current portion that is disclosed as a separate line item on the financial statements.

Other financial liabilities: The item is not properly budgeted for as it is accounted for by Centlec and included in the financial statements as year end, management has no oversight or means to manage the variance of budget therefore

Employee benefit obligations: The item is not properly budgeted for as it is accounted for and included in the financial statements as year end, management has no oversight or means to manage the variance of budget therefore

Provisions: The item is not properly budgeted for as it is accounted for and included in the financial statements as year end, management has no oversight or means to manage the variance of budget therefore.

B.11: Trade and other payables: The increase is mainly due to the significant increase in the amount outstanding to salary related third parties for employer and employee contributions to pension and provident funds. It is furthermore due to the increase in outstanding trade payables where the Municipality was not able to make the payments within the required 30 day time frammed to estimate the future liability, which resulted in an actual amount to be provided for in the current financial year.

Cash flow statement:

Payables from exchange: The variances is as a result of cashflow constraints faced by the Municipality during the year under review.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from 2024/07/01 to 2025/06/30. The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to the explanations above.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to the explanations above.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

Figures in Rand	Note(s)	2025	2024
Other income			
Gains on biological assets and agricultural produce		135 450	-
Operating surplus		**135 450**	**-**
Losses on biological assets and agricultural produce		-	(34 080)
Surplus (deficit) before taxation from agricultural activities		**135 450**	**(34 080)**

* See Note 49