



Mohokare Local Municipality

**Annual Financial Statements
for the year ended 30 June 2023**

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Local Municipality

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

Councillors

ZN Mgawuli

RJ Thuhlo

PP Mahapane

TD Mochechepa

TJ November

MA Letele

D Job

ED Nai

NA Adoons

J Swart

BJ Lobi

NM Mkendani

IS Riddle

Grading of local authority

Grade 2

Chief Finance Officer (CFO)

T Mdluli

Accounting Officer

MJ Kanwendo

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 Attonerys

Contact details

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Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 12
Accounting Policies	13 - 46
Notes to the Annual Financial Statements	46 - 97

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Index

Abbreviations used:

AFS	Annual Financial Statements
COGTA	Cooperative Governance and Traditional Affairs
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 Provisional Treasury
GAMAP	Generally Accepted Municipal Accounting Practice
IFRS	International Financial Reporting standards
IMFO	Institute of Municipal Finance Officers
INEP	Integrated 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 African 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 Service Infrastructure Grant
WTW	Water Treatments Works

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

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 30 June 2023 and were signed by:

MJ Kanwendo
Municipal Manager

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of Local Government: Municipal Demarcation Act. (1998 (Act No. 27 of 1998) and is responsible for providing municipal services and maintain the best interest of the local community mainly in the Mohokare area. The municipality provides services such as electricity, refuse and other public services and operates principally in South Africa.

Net surplus of the municipality was R 12 060 622 (2022: Deficit R 72 072 734).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 411 409 836 and that the municipality's total assets exceed its liabilities by R 411 409 836.

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

3. Subsequent events

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

4. Accounting Officer

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

Name	Nationality
MJ Kanwendo	South African

5. Auditors

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

MJ Kanwendo
Municipal Manager

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	1 234 654	820 229
Receivables from exchange transactions	4	102 853 532	8 233 123
Receivables from non-exchange transactions	5	7 636 908	1 300 410
VAT receivable	6	8 739 106	21 626 486
Prepayments	7	550 749	550 749
Cash and cash equivalents	8	9 187 713	1 594 323
		130 202 662	34 125 320
Non-Current Assets			
Biological assets	9	116 210	158 280
Investment property	10	54 997 648	51 884 574
Property, plant and equipment	11	653 288 639	670 298 117
Other financial assets	12	525 530	459 916
		708 928 027	722 800 887
Total Assets		839 130 689	756 926 207
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	169 938 212	140 204 127
Consumer deposits	14	807 604	674 639
Employee benefit obligation	15	731 000	1 316 000
Unspent conditional grants and receipts	16	30 022 272	28 959 424
Provisions	18	13 538 679	10 840 393
		215 037 767	181 994 583
Non-Current Liabilities			
Other financial liabilities	17	76 441 100	64 753 661
Employee benefit obligation	15	21 765 000	20 089 000
Provisions	18	20 034 819	15 911 531
Payables from exchange transactions	13	94 442 167	74 828 217
		212 683 086	175 582 409
Total Liabilities		427 720 853	357 576 992
Net Assets		411 409 836	399 349 215
Accumulated surplus		411 409 836	399 349 215
Total Net Assets		411 409 836	399 349 215

* See Note 49

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	101 683 353	86 913 170
Rental of facilities and equipment	20	698 807	680 603
Interest received on outstanding debtors	21	41 366 564	22 203 177
Other income	22	510 367	604 969
Interest received on external investments	23	85 834	229 682
Dividends received	23	19 385	14 000
Total revenue from exchange transactions		144 364 310	110 645 601
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	13 092 281	11 751 602
Interest received on outstanding debtors	21	-	2 918 119
Availability charges	25	-	614 661
Transfer revenue			
Government grants and subsidies	26	98 638 823	130 570 128
Fines, penalties and forfeits		103 650	86 150
Total revenue from non-exchange transactions		111 834 754	145 940 660
Total revenue		256 199 064	256 586 261
Expenditure			
Employee related costs	27	(90 555 353)	(84 433 877)
Remuneration of councillors	28	(5 444 658)	(4 932 484)
Administration		(165 216)	(157 649)
Depreciation and amortisation	29	(24 139 314)	(28 966 691)
Finance costs	30	(17 832 769)	(17 834 466)
Lease rentals on operating lease	31	(189 027)	(223 821)
Debt impairment	32	(22 916 304)	(80 393 089)
Bulk purchases	33	(35 426 407)	(35 264 338)
Contracted services	34	(8 516 750)	(11 083 792)
General expenses	35	(38 804 568)	(42 267 411)
Total expenditure		(243 990 366)	(305 557 618)
Operating surplus (deficit)		12 208 698	(48 971 357)
Loss on disposal of assets and liabilities		(3 062 479)	(4 398 760)
Fair value adjustments	36	3 171 338	43 428
Actuarial gains/losses	15	2 299 440	(13 471 489)
Loss on biological assets and agricultural produce		(34 720)	(9 870)
Impairment loss	37	(2 521 655)	(4 264 686)
		(148 076)	(22 101 377)
Surplus (deficit) for the year		12 060 622	(71 072 734)

* See Note 49

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	465 393 399	465 393 399
Adjustments		
Prior year adjustments	5 028 550	5 028 550
Restated balance at 01 July 2021*	470 421 949	470 421 949
Changes in net assets		
Surplus (deficit) for the year*	(71 072 734)	(71 072 734)
Total changes	(71 072 734)	(71 072 734)
Restated balance at 01 July 2022*	399 349 214	399 349 214
Changes in net assets		
Surplus (deficit) for the year	12 060 622	12 060 622
Total changes	12 060 622	12 060 622
Balance at 30 June 2023	411 409 836	411 409 836

* See Note 49

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		47 354 846	56 947 645
Grants		103 337 105	142 300 423
Interest income		85 834	229 682
Dividends received		19 385	14 000
		<u>150 797 170</u>	<u>199 491 750</u>
Payments			
Employee costs		(58 837 529)	(85 211 278)
Suppliers		(88 135 801)	(96 333 003)
		<u>(146 973 330)</u>	<u>(181 544 281)</u>
Net cash flows from operating activities	38	<u>3 823 840</u>	<u>17 947 469</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(7 897 514)</u>	<u>(38 543 573)</u>
Cash flows from financing activities			
Other financial assets		<u>11 667 064</u>	<u>17 123 496</u>
Net increase/(decrease) in cash and cash equivalents		<u>7 593 390</u>	<u>(3 472 608)</u>
Cash and cash equivalents at the beginning of the year		1 594 323	5 066 931
Cash and cash equivalents at the end of the year	8	<u>9 187 713</u>	<u>1 594 323</u>

The accounting policies on pages 13 to 46 and the notes on pages 46 to 97 form an integral part of the annual financial statements.

* See Note 49

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange						
Service charges	93 065 000	5 687 000	98 752 000	101 683 353	2 931 353	Note 53
Rental of facilities and equipment	560 000	-	560 000	698 807	138 807	Note 53
Interest received - debtors	9 584 000	-	9 584 000	41 366 564	31 782 564	Note 53
Other income	12 425 000	-	12 425 000	510 367	(11 914 633)	Note 53
Interest received - investments	250 000	-	250 000	85 834	(164 166)	Note 53
Dividends received	12 000	-	12 000	19 385	7 385	Note 53
Total revenue from exchange transactions	115 896 000	5 687 000	121 583 000	144 364 310	22 781 310	
Revenue from non-exchange						
Taxation revenue						
Property rates	8 888 000	1 527 000	10 415 000	13 092 281	2 677 281	Note 53
Transfer revenue						
Government grants	92 025 000	-	92 025 000	98 638 823	6 613 823	Note 53
Fines, penalties and forfeits	13 250 000	-	13 250 000	103 650	(13 146 350)	Note 53
Total revenue from non-exchange transactions	114 163 000	1 527 000	115 690 000	111 834 754	(3 855 246)	
Total revenue	230 059 000	7 214 000	237 273 000	256 199 064	18 926 064	
Expenditure						
Employee related cost	(87 809 000)	2 447 000	(85 362 000)	(90 555 353)	(5 193 353)	Note 53
Remuneration of councillors	(5 676 000)	139 000	(5 537 000)	(5 444 658)	92 342	Note 53
Administration	-	-	-	(165 216)	(165 216)	Note 53
Depreciation and amortisation	(21 899 000)	-	(21 899 000)	(24 139 314)	(2 240 314)	Note 53
Impairment loss	-	-	-	(2 521 655)	(2 521 655)	Note 53
Finance costs	(7 056 000)	-	(7 056 000)	(17 832 769)	(10 776 769)	Note 53
Lease rentals on operating lease	-	-	-	(189 027)	(189 027)	
Debt impairment	(36 767 000)	-	(36 767 000)	(22 916 304)	13 850 696	Note 53
Bulk purchases	(27 619 000)	891 000	(26 728 000)	(35 426 407)	(8 698 407)	
Contracted services	(15 671 000)	(1 511 000)	(17 182 000)	(8 516 750)	8 665 250	Note 53
Sale of goods/Inventory	(1 658 000)	687 000	(971 000)	-	971 000	
General expenses	(19 816 000)	(2 570 000)	(22 386 000)	(38 804 568)	(16 418 568)	Note 53
Total expenditure	(223 971 000)	83 000	(223 888 000)	(246 512 021)	(22 624 021)	
Operating surplus	6 088 000	7 297 000	13 385 000	9 687 043	(3 697 957)	
Loss on disposal of assets	-	-	-	(3 062 479)	(3 062 479)	
Fair value adjustments	-	-	-	3 171 338	3 171 338	Note 53
Actuarial gains/losses	-	-	-	2 299 440	2 299 440	Note 53
Loss on biological assets	-	-	-	(34 720)	(34 720)	Note 53
Government grants	45 486 000	-	45 486 000	-	(45 486 000)	
	45 486 000	-	45 486 000	2 373 579	(43 112 421)	
Deficit for the year	51 574 000	7 297 000	58 871 000	12 060 622	(46 810 378)	

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	2 486 000	687 000	3 173 000	1 234 654	(1 938 346)	Note 53
Receivables from exchange transactions	91 719 000	2 336 000	94 055 000	102 853 532	8 798 532	Note 53
Receivables from non-exchange transactions	11 862 000	-	11 862 000	7 636 908	(4 225 092)	Note 53
VAT receivable	-	-	-	8 739 106	8 739 106	Note 53
Prepayments	-	-	-	550 749	550 749	
Cash and cash equivalents	72 048 000	2 181 000	74 229 000	9 187 713	(65 041 287)	Note 53
	178 115 000	5 204 000	183 319 000	130 202 662	(53 116 338)	

Non-Current Assets

Biological assets	173 000	-	173 000	116 210	(56 790)	Note 53
Investment property	-	-	-	54 997 648	54 997 648	Note 53
Property, plant and equipment	676 794 000	110 000	676 904 000	653 288 639	(23 615 361)	
Other financial assets	411 000	-	411 000	525 530	114 530	Note 53
	677 378 000	110 000	677 488 000	708 928 027	31 440 027	

Total Assets

	855 493 000	5 314 000	860 807 000	839 130 689	(21 676 311)	
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Liabilities

Current Liabilities

Payables from exchange transactions	151 144 000	(1 984 000)	149 160 000	169 938 210	20 778 210	Note 53
Consumer deposits	618 000	(1 236 000)	(618 000)	807 604	1 425 604	Note 53
Employee benefit obligation	794 000	(1 588 000)	(794 000)	731 000	1 525 000	Note 53
Unspent conditional grants and receipts	-	-	-	30 022 272	30 022 272	Note 53
Provisions	-	-	-	13 538 679	13 538 679	Note 53
	152 556 000	(4 808 000)	147 748 000	215 037 765	67 289 765	

Non-Current Liabilities

Other financial liabilities	-	-	-	76 441 100	76 441 100	Note 53
Employee benefit obligation	-	-	-	21 765 000	21 765 000	Note 53
Provisions	6 435 000	-	6 435 000	20 034 819	13 599 819	Note 53
Payables from exchange transactions	124 280 000	-	124 280 000	94 442 167	(29 837 833)	Note 53
	130 715 000	-	130 715 000	212 683 086	81 968 086	

Total Liabilities

	283 271 000	(4 808 000)	278 463 000	427 720 851	149 257 851	
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Net Assets

	572 222 000	10 122 000	582 344 000	411 409 838	(170 934 162)	
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Net Assets

Accumulated surplus	572 222 000	10 122 000	582 344 000	411 409 838	(170 934 162)	
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Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	85 282 000	4 879 000	90 161 000	56 947 645	(33 213 355)	
Grants	139 275 000	-	139 275 000	142 300 423	3 025 423	
Other receipts	26 049 000	-	26 049 000	229 682	(25 819 318)	
Dividends	12 000	-	12 000	14 000	2 000	
	250 618 000	4 879 000	255 497 000	199 491 750	(56 005 250)	
Payments						
Suppliers and employees	(165 669 000)	(2 588 000)	(168 257 000)	(180 024 557)	(11 767 557)	
Net cash flows from operating activities	84 949 000	2 291 000	87 240 000	19 467 193	(67 772 807)	
Cash flows from investing activities						
Capitalised development costs	(46 476 000)	(110 000)	(46 586 000)	-	46 586 000	
Decrease (increase) in non-current investments	411 000	(411 000)	-	-	-	
Net cash flows from investing activities	(46 065 000)	(521 000)	(46 586 000)	-	46 586 000	
Cash flows from financing activities						
Proceeds from borrowings	-	-	-	17 123 496	17 123 496	
Net cash flows from financing activities	-	-	-	17 123 496	17 123 496	
Net increase/(decrease) in cash and cash equivalents	38 884 000	1 770 000	40 654 000	36 590 689	(4 063 311)	C.1
Cash and cash equivalents at the beginning of the year	33 556 000	-	33 556 000	-	(33 556 000)	
Cash and cash equivalents at the end of the year	72 440 000	1 770 000	74 210 000	36 590 689	(37 619 311)	

The accounting policies on pages 13 to 46 and the notes on pages 46 to 97 form an integral part of the annual financial statements.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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 municipality.

1.2 Going concern assumption

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

1.3 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 7.42% (2021: 5.16%) 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 R55.4 million (2022:49.1 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 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 EMS Solutions is 30 June 2023.

The valuation was performed by Aiden Bowers (Pr. Eng).

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 2022 was 12.69% p.a. The consumer price inflation of 7.42% p.a.

Key assumptions	Zastron	Matlakeng	Rouxville	Smithfield
Long term treasury bond rate	11,62 %	10,60 %	10,60 %	11,62 %
Adjusted for:				
Landfill site not fenced	0,20 %	0,20 %	0,20 %	0,20 %

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgments and sources of estimation uncertainty (continued)

No record was available	0,40 %	0,40 %	0,40 %	0,40 %
No inspections	0,20 %	0,20 %	0,20 %	0,20 %
No end-use plan	0,40 %	0,40 %	0,40 %	0,40 %
No licences provided	0,40 %	0,40 %	0,40 %	0,40 %
	13,22 %	12,20 %	12,20 %	13,22 %

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 Significant judgments and sources of estimation uncertainty (continued)

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 municipality; 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	20 - 100 years
Furniture and fittings	Straight-line	4 - 7 years
Motor vehicles	Straight-line	7 - 10 years
Office equipment	Straight-line	4 - 7 years
Infrastructure - Electricity	Straight-line	45 - 50 years
• Mini-sub	Straight-line	45 years
• MV power transformer	Straight-line	45 years
• MV switch gear - circuit breaker	Straight-line	45 years
• MV switch gear - isolating link	Straight-line	30 years
• Circuit breaker panel	Straight-line	50 years
• Battery charger	Straight-line	45 years
Infrastructure - Roads and Paving	Straight-line	10 - 50 years
• Road surface - gravel	Straight-line	10 years
• Road structural layer (access)	Straight-line	25 - 40 years
• Road surface - bituminous	Straight-line	30 - 40 years
• Road structural layer - collector	Straight-line	50 years
• Road structural layer - distributor	Straight-line	30 years
• Road surface - concrete block	Straight-line	30 years
Landfill sites	Straight-line	5 - 100 years
Community	Straight-line	5 - 80 years
• Recreational facilities	Straight-line	15 - 80 years
• Security	Straight-line	5 years
Wastewater network	Straight-line	40 - 80 years
Water network	Straight-line	20 - 80 years
Bins and containers	Straight-line	4 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

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

If the related asset is measured using the cost model:

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

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
 - 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

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 fine 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 long term liabilities	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at fair value

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

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.

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

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 municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Statutory receivables (continued)

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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

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

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

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

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

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Statutory receivables (continued)

Derecognition

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

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

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

1.10 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.

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Leases (continued)

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Designation

At initial recognition, the municipality 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 a municipality's objective of using the asset.

The municipality 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- 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 municipality 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

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 municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

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

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

- the future cash inflows used to determine the 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Designation

At initial recognition, the municipality 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 a municipality's objective of using the asset.

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Provisions and contingencies

Provisions

Provisions are recognised when:

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

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

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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 municipality, 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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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 municipality'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 a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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

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

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

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

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

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

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

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Accounting by principals and agents (continued)

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

Recognition

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

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

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 2019 to 30 June 2022.

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.

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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 municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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

1.28 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 Section 15(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.

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Guideline on accounting for Landfill sites	01 April 2023	Unlikely there will be a material impact
GRAP 25 on Employee benefits (revised)	To be determined	Unlikely there will be a material impact
iGRAP 7 (Revised) Limit on a Defined Benefit Asset Min Fund Requirement and Interact	01 April 2023	Not expected to impact results but may result in additional disclosure
GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 on Financial Instruments (revised)	01 April 2025	Unlikely there will be a material impact
Guideline on Accounting for landfill sites	01 April 2023	Unlikely there will be a material impact
GRAP 25 on Employee benefits (revised)	To be determined	Unlikely there will be a material impact
iGRAP 7	To be determined	Unlikely there will be a material impact

3. Inventories

Consumable stores	370 241	355 818
Spare parts	359 278	242 819
Unsold properties held-for-resale	196 650	196 650
Water for distribution	308 485	24 942
	1 234 654	820 229

Inventory pledged as security

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

4. Receivables from exchange transactions

Gross balances

Consumer debtors - Electricity	4 477 006	4 461 697
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Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from exchange transactions (continued)		
Consumer debtors - Water	315 153 617	254 345 713
Consumer debtors - Sewerage	88 771 424	70 645 133
Consumer debtors - Refuse	46 881 565	35 573 724
Consumer debtors - Housing rental	4 453 446	3 708 958
Consumer debtors - Other	3 001 996	191 329
	462 739 054	368 926 554
Less: Allowance for impairment		
Consumer debtors - Electricity	(879 289)	(1 687 198)
Consumer debtors - Water	(250 968 326)	(250 970 878)
Consumer debtors - Sewerage	(69 267 803)	(69 267 803)
Consumer debtors - Refuse	(35 000 895)	(35 000 895)
Consumer debtors - Housing rental	(3 575 880)	(3 575 880)
Consumer debtors - Other	(190 777)	(190 777)
	(359 882 970)	(360 693 431)
Net balances	(2 552)	-
Consumer debtors - Electricity	3 597 717	2 774 499
Consumer debtors - Water	64 185 291	3 374 835
Consumer debtors - Sewerage	19 503 621	1 377 330
Consumer debtors - Refuse	11 880 670	572 829
Consumer debtors - Housing rental	877 566	133 078
Consumer debtors - Other	2 811 219	552
	102 853 532	8 233 123

2023

Electricity

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	489 718	(46 304)	443 414
Past due: 31 - 60 days	222 501	(19 423)	203 078
Past due: 61 - 90 days	202 768	(15 493)	187 275
Past due: 90+ days	1 780 951	(653 883)	1 127 068
	2 695 938	(735 103)	1 960 835

Water

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	4 899 123	-	4 899 123
Past due: 31 - 60 days	3 482 863	-	3 482 863
Past due: 61 - 90 days	4 141 575	-	4 141 575
Past due: 90+ days	214 466 025	(209 819 245)	4 646 780
	226 989 586	(209 819 245)	17 170 341

Sewerage

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	2 114 131	-	2 114 131
Past due: 31 - 60 days	1 069 659	-	1 069 659
Past due: 61 - 90 days	1 033 317	-	1 033 317
Past due: 90+ days	60 666 142	(58 845 489)	1 820 653

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

4. Receivables from exchange transactions (continued)

64 883 249	(58 845 489)	6 037 760
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Refuse

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	1 290 445	-	1 290 445
Past due: 31 - 60 days	654 019	-	654 019
Past due: 61 - 90 days	639 446	-	639 446
Past due: 90 + days	31 825 407	(31 072 641)	752 766
	34 409 317	(31 072 641)	3 336 676

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

4. Receivables from exchange transactions (continued)

Other

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	8 540 508	-	8 540 508
Past due: 30 - 60 days	4 254 125	-	4 254 125
Past due: 61 - 90 days	4 330 095	-	4 330 095
Past due: 91+ days	108 389 880	(126 135 949)	(17 746 069)
	125 514 608	(126 135 949)	(621 341)

2022

Electricity

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	497 605	(185 088)	312 517
Past due: 30 - 60 days	268 897	(114 995)	153 902
Past due: 61 - 90 days	90 303	(43 665)	46 638
Past due: 90+ days	3 604 892	(1 343 450)	2 261 442
	4 461 697	(1 687 198)	2 774 499

Water

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	13 996 740	(13 806 898)	189 842
Past due: 31 - 60 days	8 543 605	(8 428 573)	115 032
Past due: 61 - 90 days	7 640 248	(7 539 072)	101 176
Past due: 90+ days	224 165 120	(221 196 335)	2 968 785
	254 345 713	(250 970 878)	3 374 835

Sewerage

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	3 102 590	(3 038 478)	64 112
Past due: 31 - 60 days	1 265 312	(1 238 255)	27 057
Past due: 61 - 90 days	1 312 415	(1 287 402)	25 013
Past due: 90+ days	64 964 815	(63 703 668)	1 261 147
	70 645 132	(69 267 803)	1 377 329

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

4. Receivables from exchange transactions (continued)

Refuse

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	1 692 097	(1 662 347)	29 750
Past due: 31 - 60 days	771 426	(757 585)	13 841
Past due: 61 - 90 days	801 714	(789 336)	12 378
Past due: 90+ days	32 308 486	(31 791 628)	516 858
	35 573 723	(35 000 896)	572 827

Housing rental

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	207 493	(199 593)	7 900
Past due: 31 - 60 days	69 737	(67 081)	2 656
Past due: 61 - 90 days	387 499	(372 137)	15 362
Past due: 90 + days	3 044 229	(2 937 068)	107 161
	3 708 958	(3 575 879)	133 079

Other

	Gross balances	Provision for impairment	Total
Past due: 90 + days	191 329	(190 777)	552

2023

Summary of consumer debtors by customer classification

	Households	Industrial/Co mmercial	National and Provincial Government and other	Total
Current 0 - 30 days	13 404 249	2 120 581	1 146 276	16 671 106
Past due: 31 - 60 days	7 861 754	1 020 754	578 157	9 460 665
Past due: 61-90 days	8 217 337	1 169 706	757 391	10 144 434
Past due: 90+ days	344 888 507	51 013 941	19 445 006	415 347 454
	374 371 847	55 324 982	21 926 831	451 623 660
Less: Provision for impairment	(353 389 483)	(539 970 923)	(18 486 747)	(911 847 153)
	20 982 364	1 327 889	3 440 083	25 750 336

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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4. Receivables from exchange transactions (continued)

2022

Summary of consumer debtors by customer classification

	Households	Industrial/commercial	National and Provincial Government	Total
Current 0 - 30 days	752 025	5 745	15 561	773 331
Past due: 31 - 60 days	101 166	16 495	7 752	125 413
Past due: 61 - 90 days	367 091	88 972	63 487	519 550
Past due: 90+ days	21 053 771	19 580 055	3 442 653	44 076 479
	22 274 053	19 691 267	3 529 453	45 494 773
Less: Provision for impairment	(22 116 451)	(19 569 082)	(2 624 393)	(44 309 926)
	157 602	122 185	905 060	1 184 847

Reconciliation of provision for impairment

5. Receivables from non-exchange transactions

Gross balances

Traffic fines	157 750	5 280 134
Other sundry debtors	88 114	88 114
Consumer debtors - Rates	40 905 414	34 560 193
Consumer debtors - Levies	-	10 934 581
Availability charges	-	3 005 859
	41 151 278	53 868 881

Provision for impairment

Traffic fines	(127 195)	(5 252 686)
Consumer debtors - Rates	(33 713 201)	(33 701 371)
Consumer debtors - Levies	-	(10 608 555)
Availability charges	(13 614 414)	(3 005 859)
	(47 454 810)	(52 568 471)

Net balance

Traffic fines	30 555	27 448
Other sundry debtors	88 114	88 114
Consumer debtors - Rates	7 192 213	858 822
Consumer debtors - Levies	326 026	326 026
	7 636 908	1 300 410

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transactions arising from statute

2023

Assessment rates

	Gross balance	Provision for impairment	Total
Current 0-30 days	856 325	-	856 325
Past due: 31 - 60 days	36 987	-	36 987
Past due: 61 - 90 days	785 241	-	785 241
Past due: 90+ days	39 226 861	(33 713 201)	5 513 660
	40 905 414	(33 713 201)	7 192 213

Levies

	Gross balance	Provision for impairment	Total
Current 0 - 30 days	312 226	(316 138)	(3 912)
Past due: 31 - 60 days	147 746	(149 577)	(1 831)
Past due: 61 - 90 days	153 224	(155 393)	(2 169)
Past due: 90+ days	10 321 384	(9 987 446)	333 938
	10 934 580	(10 608 554)	326 026

Traffic fines

	Gross balance	Provision for impairment	Total
Past due: 31 - 60 days	8 250	(4 125)	4 125
Past due: 61 - 90 days	19 150	(9 575)	9 575
Past due: 90+ days	130 350	(113 495)	16 855
	157 750	(127 195)	30 555

2022

Assessment rates

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	857 219	(831 186)	26 033
Past due: 31 - 60 days	34 618	(33 567)	1 051
Past due: 61 - 90 days	629 275	(586 981)	42 294
Past due: 91 + days	33 039 081	(31 761 934)	1 277 147
	34 560 193	(33 213 668)	1 346 525

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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5. Receivables from non-exchange transactions (continued)

Levies

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	312 226	(316 138)	(3 912)
Past due: 31 - 60 days	147 746	(149 577)	(1 831)
Past due: 61 - 90 days	153 224	(155 393)	(2 169)
Past due: 90+ days	10 321 384	(10 475 150)	(153 766)
	10 934 580	(11 096 258)	(161 678)

Traffic fines

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	1 500	(750)	750
Past due: 31 - 60 days	7 400	(3 700)	3 700
Past due: 61 - 90 days	21 450	(10 725)	10 725
Past due 90 + days	5 249 784	(5 237 511)	12 273
	5 280 134	(5 252 686)	27 448

2023

Summary of assessment rates and levy debtors by customer

	Household	Industrial/ Commercial	National and Provincial Government	Total
Current 0 - 30 days	52 345	25 846	778 134	856 325
Past due: 31 - 60 days	200 000	29 874	36 987	266 861
Past due: 61 - 90 days	3 569	4 582	785 241	793 392
Past due: 90+ days	49 166 026	515 140	400 000	50 081 166
Provision for impairment	(34 586 820)	(5 462 130)	(4 400 000)	(44 448 950)
	(34 586 820)	(5 462 130)	(4 400 000)	(44 448 950)

2022

Summary of assessment rates and levy debtors by customer

	Household	Industrial/ Commercial	National and Provincial government	Total
Current 0 - 30 days	752 025	5 745	15 561	773 331
Past due: 31 - 60 days	101 166	16 495	7 752	125 413
Past due: 61 - 90 days	367 091	88 972	63 487	519 550
Past due: 90+ days	21 053 771	19 580 055	3 442 653	44 076 479
Provision for impairment	22 274 053 (22 116 451)	19 691 267 (19 569 082)	3 529 453 (2 624 393)	45 494 773 (44 309 926)
	157 602	122 185	905 060	1 184 847

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

5. Receivables from non-exchange transactions (continued)

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

Other receivables from non-exchange transactions	-	160 156 050
	-	6 720 312
	-	(117 313 750)
	-	49 562 612

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transaction have been pledged as security.

Fair value of receivables from non-exchange transactions

Management is of the opinion that the carrying value of receivables from non-exchange transactions approximate their fair values.

6. VAT receivable

VAT	8 739 106	21 626 486
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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.

Refer to Note 49 for VAT returns not submitted within the legislated time frame.

7. Prepayments

Prepayments made consist of:

Mofomo Consulting	550 749	550 749
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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	9 036 259	1 444 796
Short-term deposits	150 274	148 347
	9 187 713	1 594 323

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.

An amount of R30 022 272 (2022: R28 510 754) is attributable to unspent conditional grants, however only R 9 187 713 is available per the bank balances resulting in unspent conditional grant funding not being cash-backed.

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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.

Cash and cash equivalents pledged as collateral

A pledge of R25 000 in favour of Eskom is held with First National Bank	25 000	25 000
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Current account - 405 265 4478 (Main)	(90 978)	88 191	76 578	4 044 685	416 087	268 815
ABSA Bank - Current account - 2810 000 018 (Traffic)	35 560	17 288	15 342	19 479	17 288	15 342
Standard Bank - Current account - 041 952 776	-	11 351	630 333	64 918	28 039	663 910
FNB Bank - Current account - 5359 3549 308	334 979	894 564	534 279	12 592 609	984 116	571 540
ABSA Call account - 9086 343 532	978	1 062	1 052	1 078	1 062	1 052
FNB Call account - 7235 900 4546	84 126	78 742	76 963	80 717	80 717	80 717
ABSA Call account - 9331 173 012 (WSIG)	987	1 029	1 021	1 037	1 029	1 021
ABSA Call account - 9331 171 638 (MIG)	975	1 018	1 010	1 025	1 018	1 010
FNB Call account - 6289 529 4967	680 543	63 512	3 461 348	9 504 600	63 512	3 461 348
ABSA Call account - 9331 175 276 (RBIG)	966	1 008	1 001	1 016	1 008	1 001
Total	1 048 136	1 157 765	4 798 927	26 311 164	1 593 876	5 065 756

9. Biological assets

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Cattle	108 210	-	108 210	149 280	-	149 280
Horses	8 000	-	8 000	9 000	-	9 000
Total	116 210	-	116 210	158 280	-	158 280

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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9. Biological assets (continued)

Reconciliation of biological assets - 2023

	Opening balance	Additions	Losses during the year	Fair value adjustment	Total
Cattle	149 280	11 880	(42 600)	(10 350)	108 210
Horses	9 000	-	(4 000)	3 000	8 000
	158 280	11 880	(46 600)	(7 350)	116 210

Reconciliation of biological assets - 2022

	Opening balance	Losses during the year	Fair value adjustment	Total
Cattle	158 400	(3 870)	(5 250)	149 280
Horses	15 000	(6 000)	-	9 000
	173 400	(9 870)	(5 250)	158 280

Non-financial information

Quantities of each biological asset

Cattle	14	17
Horses	2	3
	16	20

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

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	54 997 648	-	54 997 648	51 884 574	-	51 884 574

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustment	Total
Investment property	51 884 574	3 113 074	54 997 648

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	51 884 574	51 884 574

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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10. Investment property (continued)

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 municipality.

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 MVDVM 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

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure assets	799 397 012	(488 988 586)	310 408 426	812 771 378	(481 875 070)	330 896 308
Infrastructure - work in progress	295 890 051	-	295 890 051	288 176 692	-	288 176 692
Total infrastructure assets	1 095 287 063	(488 988 586)	606 298 477	1 100 948 070	(481 875 070)	619 073 000
Land	15 524 330	-	15 524 330	15 535 777	-	15 535 777
Buildings	24 701 057	(20 162 262)	4 538 795	25 087 299	(20 216 463)	4 870 836
Community facilities	81 829 021	(60 527 811)	21 301 210	83 503 148	(58 985 162)	24 517 986
Movable assets	14 771 233	(9 145 406)	5 625 827	15 909 521	(9 609 003)	6 300 518
Total	1 232 112 704	(578 824 065)	653 288 639	1 240 983 815	(570 685 698)	670 298 117

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Provision for landfill site	Depreciation	Impairment loss	Total
Infrastructure assets	330 896 308	511 696	(3 151 906)	4 670 855	(21 691 256)	(827 271)	310 408 426
Infrastructure - work in progress	288 176 692	7 713 359	-	-	-	-	295 890 051
Total infrastructure assets	619 073 000	8 067 795	(3 151 906)	4 670 855	(21 691 256)	(827 271)	606 298 477
Land	15 535 777	-	-	-	-	(11 447)	15 524 330
Buildings	4 870 836	-	(17 144)	-	(314 897)	-	4 538 795
Community facilities	24 517 986	-	(54 967)	-	(1 482 287)	(1 679 522)	21 301 210
Movable assets	6 300 518	329 757	(350 157)	-	(650 874)	(3 417)	5 625 827
	670 298 117	8 397 552	(3 574 175)	4 670 855	(24 139 314)	(2 521 655)	653 288 639

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Change in estimates	Depreciation	Impairment loss	Expensed	Total
Infrastructure assets	351 192 244	3 562 996	(3 025 383)	3 449 142	5 218 584	(26 338 173)	(3 163 102)	-	330 896 308
Infrastructure - work in progress	254 440 530	38 970 193	-	(3 449 142)	-	-	-	(1 784 889)	288 176 692
Land	15 535 777	-	-	-	-	-	-	-	15 535 777
Buildings	5 193 757	-	(1 854)	-	-	(320 871)	(196)	-	4 870 836
Community facilities	27 583 248	-	(482 901)	-	-	(1 623 309)	(959 052)	-	24 517 986
Movable assets	6 890 954	350 679	(146 187)	-	-	(652 591)	(142 337)	-	6 300 518
	660 836 510	42 883 868	(3 656 326)	-	5 218 584	(28 934 944)	(4 264 690)	(1 784 889)	670 298 117

Pledged as security

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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		
Upgrading of the Rouxville Water Treatment Works (WTW) Budget short fall on the project for the completion of the mechanical and electrical components. Civil works are complete. Department of Water and Sanitation to notify the municipality once funds have been made available for the completion of the project.	-	61 733 117
Construction of the 27km pipeline from the Orange River to Paisley Dam 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	1 355 469
Upgrading of Rouxville/Releathunya Cemeteries 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.	71 489	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 Municipality over committed on the MIG grant and will only be able to implement the project in the 2023/2024 financial year. Budget maintenance on the project will be required before implementation.	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	-
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	-
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	-
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	-
Smithfield Bulk Water Supply	10 560 054	-

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Property, plant and equipment (continued)		
The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	-	-
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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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11. Property, plant and equipment (continued)

Upgrading of Rouxville Bulk Raw Water Pump Stations	11 146 378	11 146 378
Civil component of the pump station have been completed. Procurement delays affected by COVID 19 regulations for the installation of the raw water storage tank.		
Upgrading of the Mofulatshepe Sport Grounds	168 646	168 646
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.		
	263 089 776	245 936 850

Reconciliation of work-in-progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	288 098 492	2 605 522	290 704 014
Additions/capital expenditure	7 109 310	-	7 109 310
	295 207 802	2 605 522	297 813 324

Reconciliation of work-in-progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	251 835 007	2 605 522	254 440 529
Additions/capital expenditure	39 712 627	-	39 712 627
Transferred to completed items	(3 449 142)	-	(3 449 142)
	288 098 492	2 605 522	290 704 014

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

12. Other financial assets

Designated at fair value

OVK Operations Limited	525 530	459 916
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13 193 ordinary shares valued at R21.00 (2022: R18.00) per share and 13 731 holding shares valued at R18.00 (2022: R16.20) per share.

Non-current assets

Designated at fair value	525 530	459 916
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The fair value of investments was determined after considering the market value of the shares held with OVK.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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13. Payables from exchange transactions

Current liabilities

Trade payables	84 600 489	72 288 034
Payments received in advanced	14 926 542	14 092 374
Staff salaries and third parties	50 230 609	34 177 948
Accrued leave pay	6 800 177	6 173 980
Accrued bonus	1 666 081	1 705 846
Unallocated deposits	3 513 621	3 180 674
Retentions	8 200 693	8 585 271
	169 938 212	140 204 127

Non-Current liabilities

Staff salaries and third parties	94 442 166	74 828 217
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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.

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

Electricity	492 592	390 778
Housing rental	15 126	16 676
Water	299 886	267 185
	807 604	674 639

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

Long service awards liability	5 433 000	5 889 000
Post-retirement health care benefit liability	17 063 000	15 516 000
	22 496 000	21 405 000

Long service awards liability

Balance at the beginning of the year	5 889 000	5 727 204
Service cost	558 000	511 527
Interest cost	602 000	475 931
Expenditure incurred	(472 706)	(313 627)
Actuarial (gains)/ losses	(1 143 294)	(512 038)
	5 433 000	5 888 997

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
15. Employee benefit obligations (continued)		
Post-retirement health care benefit liability		
Balance at the beginning of the year	15 516 000	1 501 965
Interest cost	1 879 000	158 608
Current Service Cost	970 000	-
Benefits paid	(145 855)	(128 100)
Actuarial gains/losses	(1 156 145)	13 983 527
	17 063 000	15 516 000
Non-current liabilities	21 765 000	20 089 000
Current liabilities	731 000	1 316 000
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
National: Water Services Infrastructure Grant (WSIG)	16 745 551	12 244 177
National: Municipal Infrastructure Grant (MIG)	8 418 730	7 198 270
National: Regional Bulk Infrastructure Grant (RBIG)	4 407 000	9 065 986
Provincial: Free State Provincial Treasury (FSPT)	450 991	450 991
	30 022 272	28 959 424
Movement during the year		
Balance at the beginning of the year	28 510 754	17 229 129
Additions during the year	4 794 907	78 798 670
Income recognition during the year	(3 283 389)	(67 068 375)
	30 022 272	28 959 424
Unspent grants included in accounts payable for the 2022/2023 amount to R17 129 970. This consist of R 7 776 207 relating to 2021/2022 and R 9 353 763 relating to 2022/2023.		
See Note 26 for reconciliation of grants from National/Provincial Government.		
17. Other financial liabilities		
At amortised cost		
Centlec payable	76 331 134	64 549 910
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.		
Other loans (Centlec capital loans)	109 966	203 751
Centlec capital loans are repaid over a period of 20 years and at a 10% interest rate. Other loans are secured over assets used to produce electricity.		
	76 441 100	64 753 661

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Other financial liabilities (continued)		
Total other financial liabilities	76 441 100	64 753 661
Non-current liabilities		
At amortised cost	76 441 100	64 753 661

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Change in Estimates	Utilised during the year	Total
Environmental rehabilitation	26 751 924	4 816 456	2 005 118	33 573 498

Reconciliation of provisions - 2022

	Opening Balance	Change in estimates	Utilised during the year	Total
Environmental rehabilitation	16 551 229	8 548 167	1 652 528	26 751 924
Non-current liabilities			20 034 819	15 911 531
Current liabilities			13 538 679	10 840 393
			33 573 498	26 751 924

Environmental rehabilitation provision

In terms of the licensing of the landfill refuses sites, the municipality will incur rehabilitation costs of R54.4 million (2022: R49.1 million) to restore the sites at the end of its useful lives, estimated to be in 2053 for the Rouxville Site, 203 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 EMS Solutions is 30 June 2023.

The valuation was performed by Aiden Bowers (Pr. Eng).

19. Service charges

Sale of electricity	29 207 807	32 950 791
Sale of water	50 658 165	37 572 575
Sewerage and sanitation charges	14 258 531	10 323 554
Refuse removal	7 548 742	6 051 175
Other service charges	10 108	15 075
	101 683 353	86 913 170

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

Premises

Operating lease rental investment property	687 279	665 818
Rental income from buildings	11 528	14 785
	698 807	680 603

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

21. Interest billed on outstanding debtors

Receivables from exchange transactions	41 366 564	22 203 177
Receivables from non-exchange transactions	-	2 918 119
	41 366 564	25 121 296

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

22. Other income

Building plan fees	4 491	4 811
Cemetery fees	58 518	72 775
Rates certificates	15 544	14 134
Sundry income	431 814	513 249
	510 367	604 969

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.

23. Interest received on external investment

Dividend revenue

Unlisted financial assets - Local	19 385	14 000
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Interest revenue

Bank	85 834	229 682
	105 219	243 682

24. Property rates

Rates received

Residential	5 913 047	4 763 099
Commercial	1 172 933	1 139 583
State	331 030	306 812
Municipal	65 944	48 578
Small holdings and farms	5 321 749	5 072 918
Public benefit organisation	287 578	420 612
	13 092 281	11 751 602

Valuations

Residential	458 030 500	458 030 500
Commercial	104 686 000	104 686 000
State	94 609 630	94 609 630
Municipal	282 917 000	282 917 000
Small holdings and farms	4 098 712 198	4 098 712 198
Public benefit organisation	25 507 500	25 507 500
	5 064 462 828	5 064 462 828

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

24. Property rates (continued)

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.

25. Availability charges

Services charges	-	614 661
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Basic services, also called availability charges; are a fixed amount charged to recoup the capital costs of delivering water, electricity and sewer connections to your property.

26. Government grants and subsidies

Operating grants

Equitable Share	86 952 000	76 781 000
National: Expanded Public Works Programme (EPWP)	1 073 000	1 131 000
National: Financial Management Grant (FMG)	3 000 000	2 850 000
Provincial: Free State Provincial Treasury (FSPT) (1)	4 330 435	4 713 598
	95 355 435	85 475 598

Capital grants

National: Integrated National Electrification Programme (INEP)	-	8 562 000
National: Municipal Infrastructure Grant (MIG)	3 020 939	6 842 693
National: Water Services Infrastructure Grant (WSIG)	262 449	18 755 823
National: Regional Bulk Infrastructure Grant (RBIG)	-	10 934 014
	3 283 388	45 094 530
	98 638 823	130 570 128

Equitable Share

Conditional grant roll-over withheld	25 706 000	18 609 000
Current year receipts	61 246 000	58 172 000
	86 952 000	76 781 000

In terms of the Constitution, this grant is used to subsidise 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. R18 609 000 was withheld in the financial period ended 30 June 2022 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R58 172 000 was paid to the municipality during the financial period ended 30 June 2022.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	12 244 177	314 329
Current-year receipts	17 008 000	31 000 000
Conditions met - transferred to revenue	(262 448)	(18 755 823)
WSIG withheld from Equitable Share	(12 244 178)	-
Unspent from 2020/21 not withheld from EQS transferred to trade payables	-	(314 329)
	16 745 551	12 244 177

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

During the 2022/23 and amount of R17 088 000 was allocated to Mohokare LM. R262 449 was spent during the financial year.

Grant allocation in-kind:

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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26. Government grants and subsidies (continued)

During the 2021/22 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.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	7 198 270	-
MIG withheld from Equitable Share	(6 749 600)	-
Current year Receipts	10 991 000	18 788 000
Conditions met - Transferred to capital projects (current year)	(2 115 860)	(6 351 963)
Conditions met - Transferred to operational projects	(905 080)	(939 400)
Conditions met - Transferred to pre-payments (bridging finance) - Relates to prior year	-	(4 747 037)
Prior period correction - Prior period invoice recognised as revenue	-	448 670
	8 418 730	7 198 270

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

During the 2022/23 and amount of R10 991 000 was allocated to Mohokare LM. R 3020940 was spent during the financial year. An amount of R8 418 730 has been reported as unspent for MIG at year-end.

Cooperative Governance and Traditional Affairs

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

An amount of R3 million was allocated to the municipality to assist with the compilation of the Annual Financial Statements as well as the preparation of the fixed asset register for the 2018/19 financial year. During 2019/20 expenditure to the amount of R2 640 550 was incurred. The remaining amount will be utilised in the 2020/21 financial year for the correction of prior period errors relating to the 2018/19 financial year as well as assistance with the compilation of the 2019/20 AFS.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	9 065 986	9 275 809
RBIG withheld from Equitable Share	(9 065 986)	-
RBIG withheld from Equitable Share iro 2020/21	-	(2 001 931)
RBIG withheld from Equitable Share iro 2019/20	-	(16 607 069)
Current year Receipts	4 407 000	20 000 000
Conditions met - Transferred to capital projects (current year)	-	(10 934 014)
Balance unspent at end of the year	-	16 607 069
Amount transferred to trade payables - not yet withheld from EQS in respect of 2019/20	-	(7 273 878)
	4 407 000	9 065 986

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

During the 2022/23 and amount of R4 407 000 was allocated to Mohokare LM. No funds were spent during the financial year and the entire receipt has been reported as unspent for RBIG at year-end.

Financial Management Grant (FMG)

Current-year receipts	3 000 000	2 850 000
Conditions met - transferred to revenue	(3 000 000)	(2 850 000)
	-	-

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

26. Government grants and subsidies (continued)

Expanded Public Works Programme (EPWP) Grant

Current-year receipts	1 073 000	1 131 000
Conditions met - transferred to revenue	(1 073 000)	(1 131 000)
	-	-

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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26. Government grants and subsidies (continued)

Integrated National Electrification Grant (INEP)

Balance unspent at beginning of the year	-	7 188 000
PY Unspent transferred to Trade Payables	-	(7 188 000)
Current year Receipts	-	8 562 000
Conditions met- Transferred to capital projects (current year)	-	(8 562 000)
	-	-

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

During the 2021/22 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.

No INEP was received during 2022/2023

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

Balance unspent at beginning of year	450 991	450 991
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Conditions still to be met - remain liabilities (see note 16).

Assistance to the value of R1 million was granted to the municipality during 2020/21 to assist with the implementation of the installation of pre-paid water meters for consumers. No expenditure was incurred during the 2022/23 financial year.

Free State Provincial Treasury (FSPT): Payment of audit fees on behalf of municipality

Current-year receipts	4 330 435	4 713 598
Conditions met - transferred to revenue	(4 330 435)	(4 713 598)
	-	-

The above amount relates to a payment made in respect of outstanding audit fees owed to the Auditor-General of South Africa on behalf of Mohokare Local Municipality. This payment is made directly to the AGSA and are recognised as a government grant received in the records of Mohokare Local Municipality.

27. Employee related costs

Basic	49 365 301	45 734 679
Bonus	4 859 751	3 827 106
Council contributions: Medical aid contributions	6 186 155	4 775 059
UIF	496 068	483 756
SDL	671 607	654 538
Other payroll levies	32 217	30 261
Leave pay provision charge	410 457	258 824
Defined contribution plans	8 272 772	7 881 330
Travel, motor car, accommodation, subsistence and other allowances	6 103 239	5 546 273
Overtime payments	6 988 493	7 184 360
Housing benefits and allowances	738 542	761 935
Temporary workers	1 630 182	1 659 690
	85 754 784	78 797 811

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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27. Employee related costs (continued)

Remuneration of Municipal Manager MJ Kanwendo (1 October 2022 - 30 June 2023)

Annual Remuneration	607 085	-
Car allowance	165 984	-
Other allowance - acting - and remote allowance	54 115	-
Contributions to UIF, Medical and Pension Funds	1 594	-
Industrial Council and SDL	6 943	-
	835 721	-

Remuneration of Chief Finance Officer

Annual Remuneration	770 907	770 907
Acting allowance	126 707	259 549
Car Allowance	180 000	180 000
Other allowances - remote allowance	66 564	66 564
Contributions to UIF, Medical and Pension Funds	2 125	2 012
Industrial Council and SDL	11 314	12 980
	1 157 617	1 292 012

Remuneration of acting Director: Corporate Services - NS Buyeye

Annual Remuneration	536 077	514 036
Car allowance	127 017	121 084
Acting allowance	296 207	107 560
Annual bonus	44 673	42 586
Contributions to UIF, Medical and Pension Funds	143 309	134 739
Bargaining council and SDL	9 752	7 573
	1 157 035	927 578

Remuneration Municipal Manager -SM Selepe

Annual Remuneration	85 589	1 027 066
Car Allowance	20 000	240 000
Other allowances - acting - and remote allowance	7 391	88 695
Contributions to UIF, Medical and Pension funds	177	2 012
Industrial council and SDL	1 207	13 366
	114 364	1 371 139

Remuneration of Director: Technical Services - SE Thejane

Annual Remuneration	846 307	846 307
Remote allowance	59 241	59 241
Contributions to UIF, Medical and Pension Funds	2 125	2 012
Bargaining council and SDL contributions	9 194	9 193
	916 867	916 753

Remuneration of Manager: Community Services

Annual Remuneration	365 445	655 866
Acting allowance	29 851	104 161
Annual bonus	8 678	51 480
Car Allowance	87 284	121 084
Bargaining council and SDL contributions	5 021	9 272

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	122 684	186 721
	618 963	1 128 584
TA Lekwala is the Manager: Community Services and thus acting Director: Community Services as he is the highest ranking official in the department.		
28. Remuneration of councillors		
Mayor (July 2021 - October 2021)	-	299 190
Mayor (November 2021 - June 2022)	906 050	533 865
Speaker (October 2021 - June 2022)	708 735	433 873
Chief Whip (July 2021 - October 2021)	-	126 870
Chief Whip (November 2021 - June 2022)	-	237 907
Councillors	3 199 976	2 685 337
Medical aid contributions	54 578	108 792
Motor vehicle allowance	84 153	120 848
Cell phone and other allowances	433 200	341 311
Council contribution: UIF and SDL	57 948	44 494
	5 444 640	4 932 487
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. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
29. Depreciation and amortisation		
Property, plant and equipment	24 139 314	28 966 691
30. Finance costs		
Centlec SOC Limited	20 375	210 281
Employee benefits obligations	2 481 000	670 135
Provisions (Rehabilitation of landfill sites)	2 005 118	1 390 031
Trade and other payables	13 326 276	15 564 019
	17 832 769	17 834 466
Trade and other payables include interest for Eskom (R 149 130.11), Sala/Samwu (R9 846 757.52), SARS (R 1 868 243.03) and Auditor general (R 20 375.06) .		
31. Lease rentals on operating lease		
Equipment		
Contractual amounts	189 027	223 821
32. Debt impairment		
Bad debts written off	22 916 304	80 393 089
33. Bulk purchases		
Electricity - Eskom	35 426 407	35 264 338

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Bulk purchases (continued)		
34. Contracted services		
Consultants and Professional Services		
Financial consulting (AFS and FAR)	7 377 965	9 537 334
Legal cost	827 658	1 191 573
Contractors		
Transport services	96 359	20 000
Security services	214 768	334 885
	8 516 750	11 083 792
35. General expenses		
Advertising	306 925	142 590
Auditors remuneration	2 492 018	5 983 222
Bank charges	283 838	301 016
Chemicals	7 416 672	6 935 043
Cleaning	81 974	90 705
Commission paid	689 911	658 312
Computer expenses	152 395	168 292
Conferences and seminars	3 100	-
Consumables	212 823	1 417 837
Electricity	6 973 123	8 059 255
Employee wellness	26 327	79 220
Entertainment	63 153	83 753
Fuel and oil	1 526 045	2 280 482
Motor vehicle expenses	112 501	234 745
Postage and courier	2 670	4 700
Printing and stationery	354 659	417 253
Protective clothing	902 664	349 831
Rental of machinery and equipment	8 567 822	5 955 619
Rental of mayoral vehicle	-	603 651
Repairs and maintenance	2 343 124	3 301 254
Special programs	182 890	68 244
Subscriptions and membership fees	1 893 873	998 216
Telephone and fax	2 437 314	2 287 522
Title deed search fees	1 170	-
Training	-	6 136
Travel - local	1 777 577	1 840 513
	38 804 568	42 267 411

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
36. Fair value adjustments		
Investment property (Fair value model)	3 113 074	-
Biological assets	(7 350)	(5 250)
Other financial assets	65 614	48 678
	3 171 338	43 428

37. Impairment loss

Impairments

Property, plant and equipment	2 521 655	4 264 686
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38. Cash generated from operations

Surplus (deficit)	12 060 622	(71 072 734)
Adjustments for:		
Depreciation and amortisation	24 139 314	28 966 691
Gain on sale of assets and liabilities	3 097 199	4 408 630
Impairment loss	2 521 655	4 264 686
Fair value adjustments	(3 171 338)	(43 428)
Finance costs	20 375	210 281
Provisions	(4 816 456)	(8 548 167)
Changes in working capital:		
Inventories	(414 425)	14 071
Receivables from exchange transactions	(94 620 409)	638 959
Receivables from non-exchange transactions	(6 336 498)	1 694 712
Prepayments	-	4 747 037
Prepayment	-	2 664
Payables from exchange transactions	49 348 034	-
Payables from exchange transactions	-	15 544 877
VAT	12 887 380	955 840
Unspent conditional grants and receipts	1 062 848	11 730 295
Consumer deposits	132 965	56 527
Employee benefit obligation - current portion	(585 000)	521 777
Employee benefit obligation - non-current portion	1 676 000	13 654 054
Provisions	6 821 574	10 200 697
	3 823 840	17 947 469

39. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	At cost	Total
Receivables from exchange transactions - Electricity	1 960 835	-	1 960 835
Receivables from exchange transactions - Water	7 292 280	-	7 292 280
Receivables from exchange transactions - Sewerage	5 737 813	-	5 737 813
Receivables from exchange transactions - Refuse	3 177 606	-	3 177 606
Receivables from exchange transactions - Housing rental	9 542 637	-	9 542 637
Other receivables from non-exchange transactions	88 114	-	88 114
Consumer debtors	731 000	-	731 000
Cash and cash equivalents	-	9 187 713	9 187 713
	28 530 285	9 187 713	37 717 998

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

39. Financial instruments disclosure (continued)

Financial liabilities

	At fair value	At amortised cost	Total
Centlec Payable	-	76 331 134	76 331 134
Other loans	109 966	-	109 966
Payables from exchange transactions	264 380 378	-	264 380 378
Consumer deposits	674 639	-	674 639
Unspent conditional grants and receipts	-	30 022 272	30 022 272
	265 164 983	106 353 406	371 518 389

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	114 165 958	121 014 666
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Total capital commitments

Already contracted for but not provided for	114 165 958	121 014 666
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This committed expenditure relates to property and will be financed through infrastructure conditional grants (WSIG, RBIG, INEP and MIG), existing cash resources, funds internally generated, etc.

41. Contingencies

KJ Makhube: KJ Makhube claimed R1 909 543 from the Municipality due to arrear payments of salaries. Case is awaiting trial date from Labour Court.	150 000	150 000
Master Maize Drilling: Civil matter – contractual dispute against the Municipality	200 000	-
Malherbe, Saayman & Smith: Malherbe, Saayman & Smith claimed R 30 000 from the Municipality due to a dispute for professional services rendered to the Municipality.	30 000	-
Frans Lategan (Traacha Servitude) The Municipality has a servitude to access the pump stations in the Caledon River. To access these pump stations a road that goes through the farm of involved party has to be used. He has locked the gate and is denying the Municipality access to our assets and furthermore they are requesting for among other the removal of a controlled gate, etc. to be given by the Municipality otherwise he threatens to cancel the servitude. There is no financial impact associated with this case.	100 000	-
EMS Solutions Civil matter – dispute about professional services rendered to the Municipality (VAT Returns). Matter is enrolled for the 24 October 2023	500 000	250 000
Auditor General South Africa (6060/2021) Claim against the Municipality in the amount of R229 797.43 for audit activities.	150 000	-

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
41. Contingencies (continued)		
Auditor General South Africa (6061/2021) Claim against the Municipality in the amount of R6 730 255.09 for audit activities.	150 000	-
Mamkoto Construction/Sibonisiwe Ndlela : The Applicant brought an eviction application against the First Respondent. The Municipality is the Second Respondent. The Municipality has to provide a report to the court indicating whether it has alternative accommodation for the First Respondent should the court evict her from the current premises.	10 000	-
Tsela Tsweu Consulting Engineers (Pty) Ltd The Municipality was unable to defend the matter on time as the order was granted in its absentia and further were not able to bring a reconsideration application on time. The Municipality is of the view that there was an overpayment but same cannot be proven. Therefore an application to rescind the judgement would not be good. The Municipality has acknowledged that it does owe the Applicant. However the only dispute is whether there is an over payment or not, proof of the overpayment is currently unavailable.	621 661	-
Employees of Mohokare Local Municipality (Zastron) engaged in unprotected protest action Interdict against employees of Mohokare Local Municipality (Zastron) engaged in unprotected protest action.	106 052	-
	2 017 713	400 000

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. (l) of NEMWA stipulates that A person convicted of an offence referred to in section 67(l)(a), (g) or (li) 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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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 2023

	Less than 1 year	Between 1 - 2 years	Between 2-5 years	Over 5 years
Payables from exchange transactions	78 273 186	-	-	-
Key management 2	76 331 134	-	-	-
	154 604 320	-	-	-

As at 30 June 2022

	Less than 1 year	Between 1 - 2 years	Between 2-5 years	Over 5 years
Payables from exchange transactions	72 288 034	-	-	-
Centlec payable	64 549 910	-	-	-
	136 837 944	-	-	-

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

43. Related parties

Relationships Council

Z.N Mgawuli	K2017221628 (South Africa) (Deregistration Process) Ore Works Bhelle Creations Sethuka Agricultural Primary Co-Operative Limited Mohokare Funeral Services (Deregistered) Vuka Sizwe Women Construction (Deregistered) Punthaba Construction (Deregistration Process) Mahapane Metal Manufacture Letlaka Funeral Services Mahapane Funeral Services None Satshethe Security Services (Deregistration process) None Matlakeng Charcoal Project TT and MK General Trading (Deregistered) TMDS Construction (Deregistration Process) Bakwena Namaqwatho Primary Co-Operative Limited None Al-Huda Muslim School None Matlakeng Building Contractors (Deregistered) Nafuma Building and Construction (Deregistered)
R.J Thuhlo P.P Mahapane	Vuboketha Civil Construction Trading (Deregistration Process) Bois Tuck Shop (Deregistration Process) Re A Bona Construction (Deregistered) Rekaofela Ditshepe Mohomeng
N.A Adoons T.J November D.Job T.E Nai T.D Mochehepa	
M.A Letele J. Swart I.S Riddle N.M Mkenda	
B.J Lobi	
Director S.E Thejane	Tshele Civil Works (Deregistered) Rekaofela Ditshepe Mohomeng New Daw Construction And Plumbing (Deregistration Process) Mohokare Community Development Solutions Cross Point Trading 314 (Deregistered) None Chaos Music Entertainment (Deregistered) True Worth Business Consulting (Deregistered) Appaks Holdings SA
N.S Buyeye	
T.A Lekwala PM Dyonase	

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.

44. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2022.

45. Unauthorised expenditure

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
45. Unauthorised expenditure (continued)		
Opening balance as previously reported	322 309 815	505 005 423
Add: Unauthorised expenditure - current	47 176 408	138 725 706
Less: Amount recovered - current	-	(321 421 314)
Closing balance	369 486 223	322 309 815

Amounts written off by Council after MPAC investigations

Transport	-	52 923 223
Safety and security	-	263 273 020
Electricity	-	298 982
Water	-	4 926 089
	-	321 421 314

46. Fruitless and wasteful expenditure

Opening balance as previously reported	27 970 989	55 662 151
Add: Fruitless and wasteful expenditure identified - current	12 731 016	15 567 475
Less: Amount recovered - prior period	-	(43 258 637)
Closing balance	40 702 005	27 970 989

Fruitless and wasteful expenditure is presented inclusive of VAT.

Details of fruitless and wasteful expenditure

Interest on overdue creditors	12 731 016	15 567 475
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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.

47. Irregular expenditure

Opening balance as previously reported	250 814 349	231 158 524
Add: Irregular expenditure - current	4 395 793	7 875 490
Add: Irregular expenditure - prior period	-	11 780 335
Closing balance	255 210 142	250 814 349

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

Incorrect points awarded to winning bidders	-	80 020
Three written quotations not invited	3 111 526	135 457
Non - compliance: Minimum threshold for local content not stated in the rFW's	-	11 700 315
SCM process not followed	1 284 267	124 300
BAC composition	-	7 317 731
	4 395 793	19 357 823

Disciplinary steps taken/criminal proceedings

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

47. Irregular expenditure (continued)

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.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	5 288 557	4 321 905
Current year subscription / fee	1 892 373	966 652
	7 180 930	5 288 557

Audit fees

Opening balance	11 092 965	9 837 278
Current year subscription / fee	2 855 182	6 880 704
Amount paid - current year	(1 000 000)	(900 000)
Amount paid - previous years	(4 980 000)	(5 420 637)
Interest charge	1 134 666	695 620
	9 102 813	11 092 965

PAYE, UIF and SDL

Opening balance	3 517 803	9 519 444
Current year tax employee	12 589 005	12 105 458
Amount paid - current year	(2 712 301)	(10 361 783)
Amount paid - previous years	(4 453 327)	(9 199 332)
Interest and penalties	1 868 243	1 454 016
	10 809 423	3 517 803

Pension and medical aid deductions

Opening balance	96 030 645	87 697 557
Deduction of medical aid	21 721 574	20 594 014
Amount paid - current year	(8 659 916)	(25 117 316)
Interest and penalties	9 846 757	12 856 390
	118 939 060	96 030 645

Medical aid fund:

Opening balance	1 544 180	1 381 707
Current year payroll deductions	9 278 157	8 772 194
Amount paid current year	(8 448 250)	(8 609 721)
	2 374 087	1 544 180

Pension fund:

Opening balance	94 486 465	86 315 850
Current year payroll deductions	12 443 416	11 821 820
Amount paid - current year	(211 665)	(16 507 595)
Interest and penalties	9 846 757	12 856 390
	116 564 973	94 486 465

*Adjustments have been made to the prior year disclosure.

VAT

VAT receivable	8 739 106	21 626 486
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All VAT returns have been submitted.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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

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

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.

Incident

Emergency	615 116	522 193
Impractical	1 075 949	735 406
	1 691 065	1 257 599

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding as at 30 June 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Z.N Mgawuli	2 490	64 263	66 753
R.J Thuhlo	871	592	1 463
P.P Mahapane	2 031	50 442	52 473
T.D Mochechepa	1 466	26 309	27 775
T.J November	1 115	27 304	28 419
M.A Letele	2 755	80 473	83 228
D Jon	3 254	49 732	52 986
T.E Nai	2 806	113 093	115 899
N.A Adoons	1 705	40 838	42 543
J Swart	1 983	45 153	47 136
B.J Lobi	1 041	7 210	8 251
N.M Mkendani	1 451	26 491	27 942
I.S Riddle	5 056	4 737	9 793
	28 024	536 637	564 661

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Z.N Mgawuli	3 245	46 279	49 524
N.A Adoons	2 590	35 572	38 162
P.P Mahapane	3 433	35 339	38 772
T.J November	1 160	22 148	23 308
D. Job	4 396	35 837	40 233
R.J Thuhlo	1 013	5 191	6 204
T.E Nai	15 697	84 641	100 338
B.J Lobi	3 380	13 658	17 038
N.M Mkendani	4 621	17 968	22 589
M.A Letele	3 396	69 072	72 468
J. Swart	2 755	32 163	34 918
T.D Mochechepa	2 337	19 456	21 793
I.S Riddle	4 968	8 493	13 461
	52 991	425 817	478 808

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

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. VAT returns were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation as per the requirements of the VAT Act, 1991 (Act No. 89 of 1991).
4. The municipality incurred irregular expenditure as a result of non-compliance with the MFMA section 112 and Supply Chain Management Regulations.
5. 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 losses	Purchased during the year (kWh)	Sold during the year (kWh)	Unaccounted losses (kWh)	Unit rate per kWh lost	Loss (R)
2023	17 226 560	(12 479 985)	4 746 575	2,06	9 761 328
2022	19 741 266	(14 650 759)	5 090 507	1,79	9 244 929

Electricity losses occur due to inter alias, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered and illegal connections is an ongoing process. The current reported electricity losses percentage are 27.55% (2022: 25.79%). The unaccounted losses as reported above can be divided between Technical Losses and Non-technical losses and are summarised in the tables below:

2023	kWh	R
Technical losses	1 378 125	2 822 755
Non-technical losses	3 368 450	6 899 456
	4 746 575	9 722 211

2022	kWh	R
Technical losses	1 579 301	2 868 187
Non-technical losses	3 511 206	6 376 742
	5 090 507	9 244 929

Water losses	Units (kL)	Value per unit	Value of loss (R)
2023	182 771	4,97	909 158
2022	182 491	6,62	1 172 413

Water losses occur due to inter alias leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. Current year water losses are reported at 4.97% (2022: 6.4%) which falls within the norms as set out in the National Treasury Guidelines (MFMA Circular 71). The problem with tampered meters and illegal connections is an ongoing process which has an impact on the water losses as reported above.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

49. Prior period errors

2022

	As previously reported	Correction of error	Re-classification	Restated
Property, plant and equipment	668 839 509	1 458 608	-	670 298 117
Employee benefit obligation	(1 205 626)	60 495	(170 869)	(1 316 000)
Unspent conditional grants and receipts	(28 510 754)	(448 670)	-	(28 959 424)
Provision - Current liability	-	-	(10 840 393)	(10 840 393)
Employee benefit obligation	(7 562 024)	(12 697 845)	170 869	(20 089 000)
Provision - Non current liability	(22 631 434)	(4 120 490)	10 840 393	(15 911 531)
Accumulated Surplus / (Deficit)	(465 393 393)	(5 028 550)	-	(470 421 943)
	143 536 278	(20 776 452)	-	122 759 826

Statement of Financial Performance

	As previously reported	Correction of error	Re-classification	Restated
Licenses and permits	(97)	-	97	-
Other income	(604 872)	-	(97)	(604 969)
Government grants and subsidies	(131 018 798)	448 670	-	(130 570 128)
Employee related costs	84 057 139	376 738	-	84 433 877
Depreciation and amortisation	22 997 335	5 969 356	-	28 966 691
Finance cost	18 508 279	(673 813)	-	17 834 466
Contracted services	9 298 904	1 784 888	-	11 083 792
Loss on disposal of assets and liabilities	3 753 163	645 597	-	4 398 760
Actuarial losses	1 246 473	12 225 016	-	13 471 489
Surplus for the year	8 237 526	20 776 452	-	29 013 978

Correction of COAF 151

Management expert used the incorrect useful live figure, therefor the following correction were made.

The effect of the correction is as follows:

Statement of Financial Position	
Increase (decrease) in Property Plant and Equipment	(8 037)
(Increase) decrease in Accumulated surplus	26 379
	-
Statement of financial performance	-
Increase (decrease) in depreciation	31 848
Increase (decrease) in Finance cost	(50 190)
	-

Correction of COAF 157

The landfill site for Matlakeng does not have a license therefor the remaining useful live should be nil and the provision should be current.

The effect of the correction is as follows:

Statement of financial position	-
Increase (decrease) in Property Plant and Equipment	5 226 621
(Increase) decrease in Accumulated surplus	(446 912)
(Increase) decrease in Landfill site provision	(4 120 490)
Statement of financial performance	-

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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49. Prior period errors (continued)

Increase (decrease) in Debt Impairment	(659 219)
	-

Reclassification of Feasibility studies

During the 2022 year, the capitalization of feasibility study expenses was done in error. This decision was made at a point in time when the municipality's certainty regarding the project's continuation was not established. Consequently, it is imperative to reclassify these expenses as operational expenditure.

The effect of the correction is as follows:

Statement of Financial position	-
(Increase) decrease in WIP additions	(1 784 888)
Statement of Financial performance	-
Increase (decrease) in Contracted services	1 784 888
	-

Correction of COAF 221

Based on the audit finding a prior year invoice was paid out of the MIG funds and recognised as revenue, however this should have been paid out of own funds.

The effect of the correction is as follows:

Statement of Financial Position	-
(Increase) decrease in Grant revenue	(448 670)
Statement of Financial Performance	-
(Increase) decrease in Grant revenue	448 670
	-

Employee benefit obligations

Reclassification from Professional fees to repairs and maintenance and general expenses.

The effect of the correction is as follows:

Statement of financial position	-
Current liability	-
(Increase) decrease in Employee benefit obligation	60 495
Non current liability	-
(Increase) decrease in Employee benefit obligation	(12 697 845)
Statement of financial performance	-
Increase (decrease) in Employee related cost	376 738
Increase (decrease) in Finance cost	35 596
(Increase) decrease in Accumulated surplus	12 225 016
	-

Property, plant and equipment

Correction of opening balances as well as prior year expenditure relating to property, plant and equipment.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
49. Prior period errors (continued)		
The effect of the correction is as follows:		
Statement of Financial Position		-
(Increase) decrease in Property plant and equipment	(1 975 089)	
(Increase) decrease in accumulated surplus	(4 608 017)	
Statement of Financial Performance		-
Increase (decrease) in Depreciation	5 937 508	
Increase (decrease) in Loss on disposal of assets	645 598	
		-

50. Change in estimate

Landfill site:

The change in estimate reported in 2023 is related to the significant increase in the inflation outlook (7.14% in 2023 against 7.4% in 2022), which when compounded over the remaining useful life significantly increases the forecast costs at closure and in turn the discounted costs reported (Net Present Value or "NPV"). This together with the increased airspace consumption contributed to the change in estimate reported.

Property, plant and equipment:

During the current financial year a physical verification and condition assessment was undertaken. This resulted in changes in the conditions of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

- Decrease in infrastructure depreciation expense amounting to R2 412 529.86
- Decrease in buildings assets depreciation expense amounting to R 254 146.25
- Decrease in movable assets depreciation expense amounting to R 189 414.29

51. Accounting by principals and agents

The entity 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% (2022: 2.5% and 5%) er deduction from employees salary performed.

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

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

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

51. Accounting by principals and agents (continued)

- 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 (2021: 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.

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 160 731 (2022: 170 61).

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 custodianship of the agent.

Fees paid

Opening balance	-	219 750
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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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

52. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five functional directorates.

The directorates are:

- Council and executive;
- Finance;
- Corporate services;
- Community services, and;
- Technical services.

Only the community services and technical services directorates have been identified as reportable segments. Management monitors results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditures relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The executive, finance and corporate services directorates are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:

- Community services, which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and
- Technical services, which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Governance and administration	Community and social services	Technical Services	Total
Revenue				
External revenue from non-exchange transactions	5 721 750	8 307 016	94 353 924	108 382 690
External revenue from exchange transactions	112 083 150	103 650	3 283 389	115 470 189
Interest revenue	41 452 398	-	-	41 452 398
Total segment revenue	159 257 298	8 410 666	97 637 313	265 305 277
Entity's revenue				265 305 277
Expenditure				
Employee related costs	(81 901 409)	(7 415 611)	(1 238 332)	(90 555 352)
Remuneration of councillors	(5 444 659)	-	-	(5 444 659)
Interest expense	(15 827 651)	(2 005 118)	-	(17 832 769)
Bulk purchases	(27 674 425)	(1 614 971)	(35 426 407)	(64 715 803)
Other operational expenses	(36 702 386)	(604 908)	(19 622 533)	(56 929 827)
Depreciation and amortisation	(24 139 314)	-	-	(24 139 314)
Debt impairment	(22 916 304)	-	-	(22 916 304)
Total segment expenditure	(214 606 148)	(11 640 608)	(56 287 272)	(282 534 028)
Total segmental surplus/(deficit)	(27 674 425)	(1 614 971)	41 350 041	12 060 645

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

2022

	Governance and administration	Community and social services	Technical Services	Total
Revenue				
External revenue from non-exchange transactions	384 243	6 804 650	81 067 278	88 256 171
External revenue from exchange transactions	111 693 994	86 150	34 160 516	145 940 660
Interest revenue	22 432 859	-	-	22 432 859
Total segment revenue	134 511 096	6 890 800	115 227 794	256 629 690
Entity's revenue				256 629 690
Expenditure				
Employee related costs	(75 859 571)	(6 822 336)	(1 751 969)	(84 433 876)
Remuneration of councillors	(4 932 486)	-	-	(4 932 486)
Interest expense	(16 444 436)	(1 390 031)	-	(17 834 467)
Bulk purchases	-	-	(35 264 338)	(35 264 338)
Other operational expenses	(59 759 833)	(509 361)	(15 608 283)	(75 877 477)
Depreciation and amortisation	(28 966 692)	-	-	(28 966 692)
Debt impairment	(80 393 089)	-	-	(80 393 089)
Total segment expenditure	(266 356 107)	(8 721 728)	(52 624 590)	(327 702 425)
Total segmental surplus/(deficit)	(131 845 011)	(1 830 928)	62 603 204	(71 072 735)

Following a change in reportable figures, please refer to Note 49 for details, the figures for prior period has also bene restated..

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

53. Budget differences

Material differences between budget and actual amounts

Material differences are deemed material where the differences differ with 15% or more of the final budget.

Statement of Financial Performance:

Service charge: The budget includes billing for new established areas that not yet included in the billing system, therefore the budget is higher than the actual.

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 main reason for the significant variance are due to the refund of VAT Returns budgeted for which were not paid out to the Municipality due to the fact that the amounts were offset against outstanding employee taxes owed to the South African Revenue Services (SARS)..

Interest on external investment: Usually the municipality earns interest on grant income, however in the current year we did not receive grants as anticipated.

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: Due to availability charges that was allocated to revenue from non-exchange transactions, the actual amounts was more than budgeted for.

Fines, penalties and forfeits: The contract with the traffic service provider came to an end in January 2021. This resulted in operations being wound down with no fines issued from February 2021 - June 2022 except for hand written fines. We expected that a new contracted will be appointed but no appointment was made in the current year.

Administration: The municipality did was not aware that Centlec charge an administrative fee and therefore did not budget for administrative fees.

Finance cost: The municipality did not budget for interest on the outstanding SALA account.

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

Inventory consumer: The actual amounts are included in general expenditure

Bulk purchases: 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..

Contracted services: The municipality anticipated to appoint more contractors and consultants but due to cash flow constrains less contractors were appointed than what was budgeted for.

Other 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 maintenance purposes. The budget was also cut due to being in a deficit.

Statement of Financial Position:

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

53. Budget differences (continued)

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.

VAT receivable: The municipality did not budget for VAT receivables, although VAT materialised

Prepayment: The municipality did not budget for any prepayments due to cashflow constrains, the prepayment on the face of the financial statement relate to a payment made in 2020.

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 municipality did not budget for Investment property, although Investment property is materialised

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 therefore

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

VAT payable: History indicated that SARS equalizes VAT receivable to the amount payable for PAYE, UIF and SDL

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 framed to estimate the future liability, which resulted in an actual amount to be provided for in the current financial year.

Cash flow statement:

C.1: Cash flow statement: All cashflow movements are informed by the movement in the Statement of Financial Position and Statement of Financial Performance.

54. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 411 409 836 and that the municipality's total assets exceed its liabilities by R 411 409 836.

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

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

54. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The DoRA allocation for grants to be received in the 2022/23 financial totals R84 251 754

As at June 2023 the municipality's current liability exceeded its current assets by R 84 835 105

The municipality has experienced the following significant challenges during the year which indicate that a material uncertainty exist which may cast significant doubt on the municipality's ability to continue as a going concern:

- The municipality has been deducting Pension and Provident fund contributions from employees' salaries, but has not been able to pay the amounts over to the third parties;
- The municipality has long outstanding creditors and has not been able to comply with section 65 of the MFMA which requires that the creditors be paid within 30 days;
- The municipality has unspent conditional grants to the value of R30 million at 30 June 2023, however the bank balances of the municipality at year end is less than the amount reported for unspent conditional grants; and
- The municipality has been collecting less than 10% of its revenue billed on services and taxes from its consumers given the fact that it is a rural area and many of its customers are unemployed.

Management further considered the following matters relating to the going concern:

- On 30 June 2023 the Council adopted the 2023/2024 budget. This 3 year medium term revenue and expenditure framework to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the 3 year period.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by Council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors payment terms will be closely monitored and the necessary corrective actions instituted. For the 2022/2023 financial year an increase in the creditors balances, creditors payment period and creditors as a percentage of cash and cash equivalents were identified. This may indicate the potential challenge that the municipality will not be able to make payments to suppliers and service providers within the normal 30 day timeframe.
- The municipality's cash management was under pressure during the 2022/2023 financial period due to an amount of R25 million being withheld from Equitable Share. The funds were withheld due to Municipal Water Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the municipality, they still managed to have a positive bank balance at the end of 2022/2023. The amount however, relates to unspent conditional grant funding which were paid to the Municipality.
- The following key positions are vacant in the municipality:
Head of Supply Chain Management
Chief Information Officer
Director: Corporate Services
Director: Community Services.
- There were strikes by the employees of the municipality the non-payment of salaries indicating labour unrest.

Mohokare Local Municipality

(Registration number FS163)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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54. Going concern (continued)

- Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy. Due to the fact that the financial impact of it cannot be measured with sufficient reliability, the municipality cannot determine if they can pay it or not.

Further matters to which we would like to draw the attention of the user of the annual financial statements includes:

- We draw attention to the deficit and surplus of the municipality R 18 462 186 and R (66 099 349) in the prior year.
- The municipality has shown a deficit for the 2022/2023 financial year. This was however due to the decrease in conditional grant funding received and the increase in finance costs and debt impairment due to financial constraints.
- The municipality entered into payment arrangements with both the pension and provident funds in respect of long outstanding amounts owed to the funds as per the disclosure of Contingencies under note 41.
- The significant increase in the amount raised as a provision for impairment of consumer debtors raises a further concern. This was brought on by the poor collection rate. The debt collection policy will be revised by Council and currently processes are underway to appoint a service provider to assist with revenue collection.
- Material electricity losses are disclosed in Note 48 of the annual financial statements. The amounts attributed to these unaccounted losses continues to rise and has reached 27.55% for the 2022/23 financial year (2021/22: 25.79%). These losses are under more due to tampering, illegal connections and faulty meters. As the electricity supply of the Municipality is run by Centlec SOC Limited, this amount directly impacts the losses attributed to the municipality and disclosed as a non-current liability under the Centlec loan in note 15 - Centlec payable.

These are factors that may impair the likelihood of the municipality to continue as a going concern, but the accounting officer will continue to source funding from Treasury and other spheres of government to ensure that its challenges are addressed.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the going concern basis.