Mohokare Local Municipality

Annual Financial Statements
for the year ended 30 June 2024

General Information

Country of incorporation and domicile	South Africa
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	ZN Mgawuli
Councillors	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)	V Litabe (Appointed 15 July 2024)
	T Mdluli (End May 2024)
Accounting Officer	M Mohale (Acting)
Registered office	Civic Centre
	Hoofd Street
	Zastron
	9950
Postal address	PO Box 20
	Zastron
	9950
Bankers	ABSA Bank
Auditors	External - Auditor-General of South Africa (AGSA) Internal Auditor - Meiki Kumalo
Attorneys	Peyper Attoneys

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

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Abbreviations used:

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Accounting Officer has reviewed the entity’s cash flow forecast for the 12 months to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the entity 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 annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2024 and were signed by:

M Mohale (Acting)
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	3	3 118 786	1 234 654
Receivables from exchange transactions	4	59 846 148	46 926 048
Receivables from non-exchange transactions	5	3 242 677	2 681 878
VAT receivable	6	12 005 734	9 066 577
Prepayments	7	550 749	550 749
Cash and cash equivalents	8	34 073 582	9 187 713
		112 837 676	**69 647 619**
Non-Current Assets			
Biological assets	9	210 695	116 210
Investment property	10	52 309 306	56 170 039
Property, plant and equipment	11	656 947 632	658 296 812
Other financial assets	12	601 416	525 530
		710 069 049	**715 108 591**
Total Assets		**822 906 725**	**784 756 210**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	275 293 402	172 448 823
Consumer deposits	14	370 223	807 604
Employee benefit obligation	15	688 000	613 000
Unspent conditional grants and receipts	16	45 135 797	27 511 659
Provisions	18	14 170 097	13 538 679
		335 657 519	**214 919 765**
Non-Current Liabilities			
Other financial liabilities	17	81 637 457	76 441 100
Employee benefit obligation	15	20 830 000	18 568 000
Provisions	18	19 908 422	20 034 819
Payables from exchange transactions	13	74 828 217	94 442 167
		197 204 096	**209 486 086**
Total Liabilities		**532 861 615**	**424 405 851**
Net Assets		**290 045 110**	**360 350 359**
Accumulated surplus		290 045 110	360 350 359
Total Net Assets		**290 045 110**	**360 350 359**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	94 269 966	84 604 030
Rental of facilities and equipment	20	741 311	699 717
Interest received on outstanding debtors	21	37 949 261	36 328 886
Other income	22	267 105	339 681
Interest received on external investments	23	391 278	85 834
Dividends received	23	20 462	19 385
Total revenue from exchange transactions		**133 639 383**	**122 077 533**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	14 806 613	12 114 016
Interest received on outstanding debtors	21	4 503 158	4 009 884
Transfer revenue			
Government grants and subsidies	26	91 977 374	101 149 436
Fines, penalties and forfeits		-	103 650
Total revenue from non-exchange transactions		**111 287 145**	**117 376 986**
Total revenue		**244 926 528**	**239 454 519**
Expenditure			
Employee related costs	27	(91 743 953)	(89 857 914)
Remuneration of councillors	28	(5 568 897)	(5 444 658)
Administration		(481 167)	(165 216)
Depreciation and amortisation	29	(20 212 102)	(24 159 782)
Finance costs	30	(9 972 671)	(17 832 769)
Lease rentals on operating lease	31	(170 048)	(189 027)
Debt Impairment	32	(38 499 597)	(42 621 525)
Bad debts written-off	32	(41 238 738)	-
Bulk purchases	33	(44 290 363)	(35 426 407)
Contracted services	34	(17 758 573)	(8 516 750)
General expenses	35	(31 043 803)	(38 804 568)
Total expenditure		**(300 979 912)**	**(263 018 616)**
Operating (deficit)/surplus		**(56 053 384)**	**(23 564 097)**
Loss on disposal of assets and liabilities		(2 947 080)	(3 034 093)
Fair value adjustments	36	463 407	3 117 227
Actuarial gains/losses	15	738 000	4 917 001
Gain (loss) on biological assets		(34 080)	(34 720)
Impairment loss	37	(6 372 854)	(2 521 655)
		(8 152 607)	**2 443 760**
(Deficit)/surplus for the year		**(64 205 991)**	**(21 120 337)**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	**399 349 217**	**399 349 217**
Changes in net assets		
Surplus/(deficit) for the year*	(21 120 337)	(21 120 337)
Total changes	(21 120 337)	(21 120 337)
Balance at 01 July 2023	**378 228 880**	**378 228 880**
Restated balance at 01 July 2023*	**-**	**-**
Changes in net assets		
Surplus/(deficit) for the year	(64 205 991)	(64 205 991)
Total changes	(64 205 991)	(64 205 991)
Balance at 30 June 2024	**290 045 110**	**290 045 110**

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		15 012 175	47 354 846
Grants		109 601 512	103 337 105
Interest income		42 843 697	41 452 398
Dividends received		-	19 385
		167 457 384	192 163 734
Payments			
Employee costs		(42 083 229)	(96 000 011)
Suppliers		(34 735 552)	(107 198 692)
Finance costs		(5 313 056)	(13 346 651)
		(82 131 837)	(216 545 354)
Net cash flows from operating activities	38	**85 325 547**	**(24 381 620)**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(25 906 759)	(42 883 868)
Net cash flows from investing activities		**(25 886 297)**	**(42 883 868)**
Cash flows from financing activities			
Other financial assets		5 196 357	11 667 064
Net increase/(decrease) in cash and cash equivalents		**64 635 607**	**(55 598 424)**
Cash and cash equivalents at the beginning of the year		9 187 713	1 594 323
Cash and cash equivalents at the end of the year	8	**34 073 582**	**9 187 713**

The accounting policies on pages 14 to 48 and the notes on pages 48 to 108 form an integral part of the annual financial statements.

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange						
Service charges	114 244 797	(33 624 055)	**80 620 742**	94 269 966	**13 649 224**	Note 53
Rendering of services	267 014	(155 273)	**111 741**	-	**(111 741)**	
Rental of facilities and equipment	734 840	6 670	**741 510**	741 311	**(199)**	Note 53
Interest received - debtors	23 657 665	(23 637 665)	**20 000**	37 949 261	**37 929 261**	Note 53
Divende received	13 000	(13 000)	**-**	-	**-**	
Other income	183 645	(47 428)	**136 217**	267 105	**130 888**	Note 53
Interest received - investments	-	-	**-**	391 278	**391 278**	Note 53
Dividends received	-	-	**-**	20 462	**20 462**	Note 53
Total revenue from exchange transactions	**139 100 961**	**(57 470 751)**	**81 630 210**	**133 639 383**	**52 009 173**	
Revenue from non-exchange						
Taxation revenue						
Property rates	11 662 190	4 725 402	**16 387 592**	14 806 613	**(1 580 979)**	Note 53
Surcharges and Taxes	12 720 000	-	**12 720 000**	-	**(12 720 000)**	
Interest received - debtors	3 072 779	36 927 221	**40 000 000**	4 503 158	**(35 496 842)**	A.3
Transfer revenue						
Government grants and subsidies	146 336 000	(2 419 000)	**143 917 000**	91 977 374	**(51 939 626)**	Note 53
Fines, penalties and forfeits	14 045 000	(11 236 000)	**2 809 000**	-	**(2 809 000)**	Note 53
Total revenue from non-exchange transactions	**187 835 969**	**27 997 623**	**215 833 592**	**111 287 145**	**(104 546 447)**	
Total revenue	**326 936 930**	**(29 473 128)**	**297 463 802**	**244 926 528**	**(52 537 274)**	
Expenditure						
Employee related cost	(88 588 089)	(227 924)	**(88 816 013)**	(91 743 953)	**(2 927 940)**	Note 53
Remuneration of councillors	(5 326 732)	(192 934)	**(5 519 666)**	(5 568 897)	**(49 231)**	Note 53
Administration	-	-	**-**	(481 167)	**(481 167)**	Note 53
Depreciation and amortisation	(23 059 670)	(760 773)	**(23 820 443)**	(20 212 102)	**3 608 341**	Note 53
Inventory Consumed	-	-	**-**	(6 372 854)	**(6 372 854)**	Note 53
Finance costs	(19 489 218)	3 489 218	**(16 000 000)**	(9 972 671)	**6 027 329**	Note 53
Lease rentals on operating lease	(379 080)	279 080	**(100 000)**	(170 048)	**(70 048)**	
Debt Impairment	(38 715 749)	(15 264 276)	**(53 980 025)**	(38 499 597)	**15 480 428**	Note 53
Bad debts written off	(19 489 218)	-	**(19 489 218)**	-	**19 489 218**	Note 53
Collection costs	-	-	**-**	(41 238 738)	**(41 238 738)**	
Bulk purchases	(42 089 015)	(6 310 768)	**(48 399 783)**	(44 290 363)	**4 109 420**	Note 53
Contracted services	(12 950 521)	(4 045 479)	**(16 996 000)**	(17 758 573)	**(762 573)**	Note 53
General expenses	(32 464 623)	(5 235 009)	**(37 699 632)**	(31 043 803)	**6 655 829**	Note 53
Total expenditure	**(282 551 915)**	**(28 268 865)**	**(310 820 780)**	**(307 352 766)**	**3 468 014**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating deficit	**44 385 015**	**(57 741 993)**	**(13 356 978)**	**(62 426 238)**	**(49 069 260)**	
Loss on disposal of assets	-	-	-	(2 947 080)	**(2 947 080)**	
Fair value adjustments	-	-	-	463 407	**463 407**	Note 53
Actuarial gains/(losses)	-	-	-	738 000	**738 000**	Note 53
Loss on biological assets	-	-	-	(34 080)	**(34 080)**	Note 53
	-	**-**	**-**	**(1 779 753)**	**(1 779 753)**	
(Deficit)/surplus for the year	**44 385 015**	**(57 741 993)**	**(13 356 978)**	**(64 205 991)**	**(50 849 013)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(14 217 613)	3 902 210	**(10 315 403)**	3 118 786	**13 434 189**	Note 53
Receivables from exchange transactions	30 070 156	(20 534 084)	**9 536 072**	59 846 148	**50 310 076**	Note 53
Receivables from non-exchange transactions	10 632 610	(16 720 000)	**(6 087 390)**	3 242 677	**9 330 067**	Note 53
VAT receivable	21 626 486	-	**21 626 486**	12 005 734	**(9 620 752)**	Note 53
Prepayments	1 010 665	-	**1 010 665**	550 749	**(459 916)**	
Cash and cash equivalents	7 573 125	(33 851 445)	**(26 278 320)**	34 073 582	**60 351 902**	Note 53
	56 695 429	**(67 203 319)**	**(10 507 890)**	**112 837 676**	**123 345 566**	
Non-Current Assets						
Biological assets	158 280	-	**158 280**	210 695	**52 415**	Note 53
Investment property	51 884 574	-	**51 884 574**	52 309 306	**424 732**	Note 53
Property, plant and equipment	695 932 000	(830 000)	**695 102 000**	656 947 632	**(38 154 368)**	
Other financial assets	-	-	**-**	601 416	**601 416**	Note 53
	747 974 854	**(830 000)**	**747 144 854**	**710 069 049**	**(37 075 805)**	
Total Assets	**804 670 283**	**(68 033 319)**	**736 636 964**	**822 906 725**	**86 269 761**	
Liabilities						
Current Liabilities						
Trade and Other Payables Non-exchange Transactions	28 510 754	-	**28 510 754**	-	**(28 510 754)**	
Payables from exchange transactions	144 655 292	2 694 710	**147 350 002**	275 293 400	**127 943 398**	Note 53
Consumer deposits	674 639	-	**674 639**	370 223	**(304 416)**	Note 53
Employee benefit obligation	1 205 626	-	**1 205 626**	688 000	**(517 626)**	Note 53
Unspent conditional grants and receipts	-	-	**-**	45 135 797	**45 135 797**	Note 53
Provisions	-	-	**-**	14 170 097	**14 170 097**	Note 53
	175 046 311	**2 694 710**	**177 741 021**	**335 657 517**	**157 916 496**	
Non-Current Liabilities						
Other financial liabilities	139 581 878	-	**139 581 878**	81 637 457	**(57 944 421)**	Note 53
Employee benefit obligation	7 562 024	-	**7 562 024**	20 830 000	**13 267 976**	Note 53
Provisions	22 631 435	-	**22 631 435**	19 908 422	**(2 723 013)**	Note 53
Payables from exchange transactions	-	-	**-**	74 828 217	**74 828 217**	Note 53
	169 775 337	**-**	**169 775 337**	**197 204 096**	**27 428 759**	
Total Liabilities	**344 821 648**	**2 694 710**	**347 516 358**	**532 861 613**	**185 345 255**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**459 848 635**	**(70 728 029)**	**389 120 606**	**290 045 112**	**(99 075 494)**	
Net Assets						
Accumulated surplus	459 848 635	(70 728 029)	**389 120 606**	290 045 112	**(99 075 494)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	110 242 000	(57 222 000)	**53 020 000**	15 012 175	**(38 007 825)**	
Grants	146 336 000	(2 419 000)	**143 917 000**	109 601 512	**(34 315 488)**	
Interest Income	265 000	(245 000)	**20 000**	42 843 697	**42 823 697**	
	256 843 000	**(59 886 000)**	**196 957 000**	**167 457 384**	**(29 499 616)**	
Payments						
Suppliers and employees	(181 418 000)	(15 871 000)	**(197 289 000)**	(76 818 781)	**120 470 219**	
Finance costs	(19 489 000)	35 489 000	**16 000 000**	(5 313 056)	**(21 313 056)**	C6
	(200 907 000)	**19 618 000**	**(181 289 000)**	**(82 131 837)**	**99 157 163**	
Net cash flows from operating activities	**55 936 000**	**(40 268 000)**	**15 668 000**	**85 325 547**	**69 657 547**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(50 153 000)	(1 280 000)	**(51 433 000)**	(25 906 759)	**25 526 241**	
Cash flows from financing activities						
Other Financial assets	-	-	**-**	5 196 357	**5 196 357**	
Net cash flows from financing activities	**-**	**-**	**-**	**5 196 357**	**5 196 357**	
Net increase/(decrease) in cash and cash equivalents	5 783 000	(41 548 000)	**(35 765 000)**	64 615 145	**100 380 145**	C.1
Cash and cash equivalents at the beginning of the year	1 594 000	-	**1 594 000**	9 187 713	**7 593 713**	
Cash and cash equivalents at the end of the year	**7 377 000**	**(41 548 000)**	**(34 171 000)**	**73 802 858**	**107 973 858**	

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgments and sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Financial assets and liabilities

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

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

Impairment testing

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

1.3 Significant judgments and sources of estimation uncertainty (continued)

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

Provisions

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

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

If the related asset is measured using the cost model:

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

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

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

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

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

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 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 stes.

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 reate. The provision was arrived at after taking the following main factors into account, location, macro- and micro environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by EMS Solutions is 30 June 2024.

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	Total
Long term treasury bond rate	- %	10.11 %	10.11 %	12.25 %	32
Adjusted for:					-

Accounting Policies

1.3 Significant judgments and sources of estimation uncertainty (continued)

Landfill site not fenced	0.15 %	0.15 %	0.15 %	0.15 %R	1
No record was available	0.30 %	0.30 %	0.30 %	0.30 %R	1
No inspections	0.15 %	0.15 %	0.15 %	0.15 %	1
No end-use plan	0.30 %	0.30 %	0.30 %	0.30 %	1
	0.90 %	11.01 %	11.01 %	13.15 %R	36

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.

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 entity; and
- the fair value or cost of the asset can be measured reliably.

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

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

1.5 Investment property

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

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

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

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

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Subsequent measurement

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

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

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

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

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

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	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

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Derecognition of property, plant and equipment

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

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

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

1.7 Site restoration and dismantling cost

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

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

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

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

1.8 Financial instruments

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

Initial recognition

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

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

Fair value model and assumptions

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

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

Amortised cost

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

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

Financial assets - classification

A financial asset is:

Ÿ cash;
Ÿ a residual interest of another entity; or
Ÿ 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.

Accounting Policies

1.8 Financial instruments (continued)

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:
Ÿ deliver cash or another financial asset to another entity; or
Ÿ exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

- Financial liabilities measured at fair value; or

- Financial liabilities measured at amortised cost; or

- Financial liabilities measured at cost

Classification

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

Initial and subsequent measurement

Financial assets

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

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

Financial liabilities

Financial liabilities measured at fair value:

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

Financial liabilities measured at amortised cost:

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

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

Prepayments are carried at cost less any accumulated impairment losses.

Accounting Policies

1.8 Financial instruments (continued)

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.

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.

Accounting Policies

1.8 Financial instruments (continued)

Accounting Policies

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Impairment losses

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

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

1.9 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.10 Leases

Lease classification

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

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

Determining whether an arrangement contains a lease

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

Accounting Policies

1.10 Leases (continued)

Finance leases - lessor

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

Finance leases - lessee

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

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

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

Operating leases - lessor

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

Operating leases - lessee

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

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

Accounting Policies

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.

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

Designation

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

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

1.12 Impairment of cash-generating assets (continued)

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

1.12 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

Accounting Policies

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

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

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

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

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

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

Redesignation

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

1.14 Employee benefits

Short-term employee benefits

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

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

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

Post-employment benefits

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

Defined contribution plans

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

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

Defined benefit plans

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

1.14 Employee benefits (continued)

Post-retirement health care benefits:

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

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

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

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

Long-service allowance

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

Provincially-administered defined benefit plans

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

Defined benefit pension plans

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

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

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

Accounting Policies

1.15 Provisions and contingencies

Provisions

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

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

Decommissioning, restoration and similar liability

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

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

1.15 Provisions and contingencies (continued)

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

If the related asset is measured using the revaluation model:

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

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

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

1.16 Commitments

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

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

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

1.17 Revenue from exchange transactions

General

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

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

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

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

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

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

Rendering of services

Service charges

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

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

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

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

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

Pre-paid electricity

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

Tariff charges

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

Income from agency services

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

Sale of goods (including houses)

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

Finance income

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

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

Rentals

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

Dividends

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

Interest, royalties and dividends

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

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Rates and taxes

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

Traffic fines

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

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

Public contributions

1.18 Revenue from non-exchange transactions (continued)

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

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

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

Government grants and receipts

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

Conditional grants and receipts

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

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

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

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

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

1.19 Borrowing costs

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

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

Accounting Policies

1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

Details of the arrangement is as follows:

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

Mohokare local municipality is the principle. The assumptions made in this regard are as follows:

- Mohokare local municipality is responsible for the supply, installation and maintenance of digital speed and static red light violation cameras and back office services

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

1.20 Accounting by principals and agents (continued)

The municipality shall pay over an amount of R96.90 (2020: R96.90) per fine paid to the agent in respect of services rendered.

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

Entity as principal

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

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

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.

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.

Accounting Policies

1.25 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

1.26 Related parties

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

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

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

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

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

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

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

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

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

1.27 Events after reporting date

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

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

Accounting Policies

1.27 Events after reporting date (continued)

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

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

1.28 Accumulated surplus

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

1.29 Grants-in-aid

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

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

1.30 Value added tax

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

1.31 Treatment of administration and other overhead expenses

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

1.32 Changes in accounting policy, estimates and errors

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

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

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

1.33 Operating expenditure

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

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

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

Accounting Policies

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Ÿ GRAP 1 Presentation of Financial Statements	30 June 2025	Unlikely there will be a material impact
Ÿ GRAP 103 Heritage Assets	30 June 2025	Unlikely there will be a material impact
Ÿ Amendments: Improvements to Standards of GRAP	30 June 2025	Unlikely there will be a material impact
Ÿ GRAP 106 Transfer of functions Between Entities Not Under Common Control	30 June 2025	Unlikely there will be a material impact
Ÿ GRAP 107 Mergers	30 June 2025	Unlikely there will be a material impact
Ÿ GRAP 105 Transfer of Functions Between Entities Under Common Control	30 June 2025	Unlikely there will be a material impact
Ÿ GRAP 104 Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

Consumable stores and spare parts	2 833 022	729 519
Unsold properties held-for-resale	196 650	196 650
Water for distribution	89 114	308 485
	3 118 786	**1 234 654**

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 - Sewerage	101 881 790	85 719 204
Consumer debtors - Water	320 475 618	279 220 066
Consumer debtors - Refuse	57 216 773	46 247 162
Consumer debtors - Electricity	2 357 836	4 493 265
Consumer debtors - Housing rental	4 559 951	4 111 538
Consumer debtors - Other	1 498 985	19 456 231
	487 990 953	**439 247 466**

Less: Allowance for impairment		
Consumer debtors - Electricity	(1 356 134)	(1 546 321)
Consumer debtors - Water	(279 012 036)	(251 372 444)
Consumer debtors - Sewerage	(89 519 741)	(75 774 978)
Consumer debtors - Refuse	(52 482 470)	(42 625 726)
Consumer debtors - Housing rental	(4 434 508)	(3 133 207)
Consumer debtors - Other	(1 339 916)	(17 868 742)
	(428 144 805)	**(392 321 418)**

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

Net balances	-	-
Consumer debtors - Electricity	1 001 702	2 946 944
Consumer debtors - Water	41 463 582	27 847 622
Consumer debtors - Sewerage	12 362 049	9 944 226
Consumer debtors - Refuse	4 734 303	3 621 436
Consumer debtors - Housing rental	125 443	978 331
Consumer debtors - Other	159 069	1 587 489
	59 846 148	**46 926 048**

Non-current assets	-	-
Current assets	59 846 148	46 926 048
	59 846 148	**46 926 048**

2024

Water

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	12 177 428	(10 206 065)	1 971 363
Past due: 30 - 60 days	4 759 382	(4 028 792)	730 590
Past due: 61 - 90 days	4 064 982	(3 450 314)	614 668
Past due: 91+ days	299 473 826	(261 326 864)	38 146 962
	320 475 618	**(279 012 035)**	**41 463 583**

Sewerage

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	3 649 226	(2 936 147)	713 079
Past due: 30 - 60 days	1 776 021	(1 450 911)	325 110
Past due: 61 - 90 days	1 734 228	(1 429 961)	304 267
Past due: 91+ days	94 722 315	(83 702 722)	11 019 593
	101 881 790	**(89 519 741)**	**12 362 049**

Refuse

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	183 315	(158 580)	24 735
Past due: 31 - 60 days	88 975	(78 462)	10 513
Past due: 61 - 90 days	85 691	(78 042)	7 649
Past due: 90+ days	4 201 970	(4 119 424)	82 546
	4 559 951	**(4 434 508)**	**125 443**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

Electricity

	Gross Balances	Provision for Impairment	Total
Current 0 - 30 days	331 076	(190 422)	140 654
Past due: 31 - 60 days	331 076	(190 422)	140 654
Past due: 61 - 90 days	331 076	(190 422)	140 654
Past due: 90+ days	1 364 607	(784 868)	579 739
	2 357 835	**(1 356 134)**	**1 001 701**

Other

	Gross Balances	Provision for Impairement	Total
Current 0 - 30 days	5 934	(848)	5 086
Past due: 31- 60 days	7 203	(7 203)	-
Past due: 61- 90 days	848	(848)	-
Past due: 90+ days	1 485 000	(1 331 018)	153 982
	1 498 985	**(1 339 917)**	**159 068**

Housing Rentals

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	183 315	(158 580)	24 735
Past due: 31 - 60 days	88 975	(78 462)	10 513
Past due: 61 - 90 days	85 691	(78 042)	7 649
Past due: 90+ days	4 201 970	(4 119 424)	82 546
	4 559 951	**(4 434 508)**	**125 443**

2023

Water

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	10 974 178	(8 860 813)	2 113 365
Past due: 31 - 60 days	6 249 629	(5 258 068)	991 561
Past due: 61 - 90 days	6 971 553	(5 811 515)	1 160 038
Past due: 90+ days	255 024 706	(231 442 047)	23 582 659
	279 220 066	**(251 372 443)**	**27 847 623**

Electricity

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	816 203	(280 890)	535 313
Past due: 31 - 60 days	370 838	(127 621)	243 217
Past due: 61 - 90 days	337 949	(116 303)	221 646
Past due: 90+ days	2 968 275	(1 021 508)	1 946 767
	4 493 265	**(1 546 322)**	**2 946 943**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

Sewerage

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	3 556 430	(2 984 968)	571 462
Past due: 31 - 60 days	1 799 834	(1 494 973)	304 861
Past due: 61 - 90 days	1 752 628	(1 472 355)	280 273
Past due: 90 + days	78 610 312	(69 822 682)	8 787 630
	85 719 204	**(75 774 978)**	**9 944 226**

Refuse

	Gross balance	Provision for impairment	Total
Current 0 - 30 days	2 070 020	(1 920 108)	149 912
Past due: 31 - 60 days	1 062 143	(961 170)	100 973
Past due: 61 - 90 days	1 040 427	(946 382)	94 045
Past due: 90 + days	42 074 572	(38 798 065)	3 276 507
	46 247 162	**(42 625 725)**	**3 621 437**

Other

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	1 344	(1 234)	110
Past due: 30 - 60 days	962	(883)	79
Past due: 61 - 90 days	1 549	(1 422)	127
Past due: 91+ days	19 452 375	(17 865 202)	1 587 173
	19 456 230	**(17 868 741)**	**1 587 489**

2024

Summary of consumer debtors by customer classification

	Households	Commercial	Nationa and Provincial Government	Total
Current 0 - 30 days	14 659 281	848 314	2 947 431	18 455 026
Past due: 31 - 60 days	6 214 506	763 361	1 017 684	7 995 551
Past due: 61 - 90 days	5 622 044	657 821	949 256	7 229 121
Past due: 90+ days	380 481 218	20 283 878	53 546 158	454 311 254
	406 977 049	22 553 374	58 460 529	487 990 952
Less: Provision for impairment	(357 066 271)	(19 787 477)	(51 291 058)	(428 144 806)
Net	49 910 778	2 765 897	7 169 472	59 846 147

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

4. Receivables from exchange transactions (continued)

2023

Summary of consumer debtors by customer classification

	Households	Industrial/ commercial	National and Provincial Government	Total
Current 0 - 30 days	8 328 031	502 589	8 760 637	17 591 257
Past due: 31 - 60 days	7 624 048	534 496	1 406 048	9 564 592
Past due: 61 - 90 days	7 781 588	954 308	1 448 703	10 184 599
Past due: 90+ days	329 967 799	36 408 624	35 530 596	401 907 019
	353 701 466	38 400 017	47 145 985	439 247 468
Less: Provision for impairment	(315 914 537)	(34 297 634)	(42 109 246)	(392 321 417)
Net	37 786 929	4 102 383	5 036 739	46 926 051

Reconciliation of provision for impairment

Reconciliation of provision for impairment of trade and other receivables

	2024	2023
Opening balance	(275 674 425)	(275 674 425)

5. Receivables from non-exchange transactions

	2024	2023
Gross balances		
Traffic fines	104 503	157 750
Other sundry debtors	88 114	88 114
Consumer debtors - Rates	50 256 991	44 026 089
	50 449 608	**44 271 953**
Provision for impairment		
Traffic fines	(44 607)	(127 195)
Consumer debtors - Rates	(47 162 324)	(41 462 880)
	(47 206 931)	**(41 590 075)**
Net balance		
Traffic fines	59 896	30 555
Other sundry debtors	88 114	88 114
Consumer debtors - Rates	3 094 667	2 563 209
	3 242 677	**2 681 878**
	-	-
Current assets	3 242 677	2 681 878
	3 242 677	**2 681 878**

Statutory receivables general information

Transactions arising from statute

5. Receivables from non-exchange transactions (continued)

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. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.

2024
Assessment rates

	Gross Balance	Provision for Impairment	Total
Current 0-30 days	1 184 886	(982 649)	202 237
Past due: 31 - 60 days	599 805	(476 224)	123 581
Past due: 61- 90 days	1 173 557	(774 323)	399 234
Past due: 90+ days	47 298 744	(44 929 129)	2 369 615
	50 256 992	**(47 162 325)**	**3 094 667**

Other Sundry debtors

	Gross Balance	Total
Past due: 90+ days	88 113	88 113

Traffic fines

	Gross balance	Provision for Impairment	Total
Past due: 90+ days	104 503	(44 607)	59 896

2023

Assessment rates

	Gross balances	Provision for impairment	Total
Current 0 - 30 days	110 161	(103 748)	6 413
Past due: 31 -60 days	584 821	(550 772)	34 049
Past due: 61 - 90 days	1 478 902	(1 392 800)	86 102
Past due: 91 + days	41 852 205	(39 415 560)	2 436 645
	44 026 089	**(41 462 880)**	**2 563 209**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

Other Sundry debtors

	Gross balances	Total
Past due: 31 - 60 days	4 608	4 608
Past due: 61 - 90 days	10 697	10 697
Past due: 90+ days	72 809	72 809
	88 114	**88 114**

Traffic fines

	Gross balances	Provision for impairment	Total
Past due: 31 - 60 days	8 250	(6 652)	1 598
Past due: 61 - 90 days	19 150	(15 441)	3 709
Past due 90 + days	130 350	(105 102)	25 248
	157 750	**(127 195)**	**30 555**

2024

Summary of assessment rates and levy debtors by customer

	Household	Commercial	Government	Total
Current 0 - 30 days	685 804	426 420	72 662	1 184 886
Past due: 31 - 60 days	356 473	207 896	35 436	599 805
Past due: 61 - 90 days	662 763	289 991	220 803	1 173 557
Past due: 90+ days	24 354 471	20 373 801	2 570 472	47 298 744
	26 059 511	21 298 107	2 899 373	50 256 991
Impairment	(24 476 650)	(20 004 455)	(2 681 219)	(47 162 324)
	1 582 861	**1 293 652**	**218 154**	**3 094 667**

2023

Summary of assessment rates and levy debtors by customer

	Household	Industrial/ Commercial	National and Provincial Government	Total
Current 0 - 30 days	54 690	3 300	52 171	110 161
Past due: 31 - 60 days	484 971	34 000	65 850	584 821
Past due: 61 - 90 days	1 168 743	143 331	166 828	1 478 902
Past due: 90+ days	33 379 775	4 108 032	4 364 397	41 852 204
	35 088 179	4 288 663	4 649 246	44 026 088
Less: Provision for impairment	(33 045 337)	(4 038 976)	(4 378 566)	(41 462 879)
Net	2 042 842	249 687	270 680	2 563 209

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Receivables from non-exchange transactions (continued)

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

Determination of transaction amount

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.

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

Opening balance	(154 045 960)	(154 045 960)

6. VAT receivable

VAT	12 005 734	9 066 577

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

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	104 888 553	9 036 259
Short-term deposits	(70 816 151)	150 274
	34 073 582	**9 187 713**

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 R66 615 294 (2023: R30 022 2727) is attributable to unspent conditional grants, however only R 852 555 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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - Current account - 405 265 4478 (Main)	46 126	(90 978)	88 191	5 047 352	4 044 685	416 087
ABSA Bank - Current account - 2810 000 018 (Traffic)	913 470	35 560	17 288	7 327 902	19 479	17 288
Standard Bank - Current account - 041 952 776	-	-	11 351	64 185	64 918	28 039
FNB Bank - Current account - 5359 3549 308	313 809	334 979	894 564	92 449 113	12 592 609	984 116
ABSA Call account - 9086 343532	978	978	1 062	1 078	1 078	1 062
FNB Call account - 7235 9004546	91 355	84 126	78 742	80 717	80 717	80 717
ABSA Call account - 9331 173012 (WSIG)	987	987	1 029	1 037	1 037	1 029
ABSA Call account - 9331 171638 (MIG)	975	975	1 018	1 025	1 025	1 018
FNB Call account - 6289 5294967	19 403	680 543	63 512	(70 900 009)	9 504 600	63 512
ABSA Call account - 9331 175276 (RBIG)	966	966	1 008	-	1 016	1 008
Total	**1 388 069**	**1 048 136**	**1 157 765**	**34 072 400**	**26 311 164**	**1 593 876**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Biological assets

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Cattle and horses	202 695	-	202 695	108 210	-	108 210
Horses	8 000	-	8 000	8 000	-	8 000
Total	**210 695**	**-**	**210 695**	**116 210**	**-**	**116 210**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Biological assets (continued)

Reconciliation of biological assets - 2024

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

Reconciliation of biological assets - 2023

	Opening balance	Additions	Losses during the year	Fair value Adjustment - Gains/(loss)	Total
Cattles and Horses	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**

Non-financial information

Quantities of each biological asset

	2024	2023
Cattle	11	14
Horses	1	2
	12	**16**

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

	2024			2023		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	52 309 306	-	52 309 306	56 170 039	-	56 170 039

Reconciliation of investment property - 2024

	Opening balance	Impairments	Fair value adjustments	Total
Investment property	56 170 039	(4 119 690)	258 957	52 309 306

Reconciliation of investment property - 2023

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Investment property (continued)

	Opening balance	Donations	Fair value adjustments	Total
Investment property	53 062 448	48 628	3 058 963	56 170 039

Pledged as security

None of the investment property have been pledged as security.

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

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

There are no contractual obligations on investment property.

Details of valuation

Investment property fair value

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

Impairment of Investment property

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

11. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure assets	789 494 400	(505 827 048)	283 667 352	809 616 342	(498 723 055)	310 893 287
Infrastructure - work in progress	321 557 090	-	321 557 090	297 999 225	-	297 999 225
Total infrastructure assets	-	-	-	1 107 615 567	(498 723 055)	608 892 512
Land	17 893 539	(116 736)	17 776 803	17 893 539	(11 447)	17 882 092
Buildings	24 661 873	(20 359 479)	4 302 394	24 835 354	(20 296 559)	4 538 795
Community facilities	81 384 380	(58 870 757)	22 513 623	81 873 591	(60 562 791)	21 310 800
Movable assets	16 745 800	(9 615 430)	7 130 370	14 879 167	(9 206 554)	5 672 613
Total	**1 251 737 082**	**(594 789 450)**	**656 947 632**	**1 247 097 218**	**(588 800 406)**	**658 296 812**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Infrastructure assets	308 050 334	(1 843 594)	(2 781 937)	(18 019 896)	(1 737 555)	283 667 352
Infrastructure - work in progress	297 999 225	23 557 865	-	-	-	321 557 090
Land	17 882 092	-	-	-	(105 289)	17 776 803
Buildings	4 538 795	-	(1 718)	(287 210)	52 527	4 302 394
Community facilities	24 153 753	-	(108 558)	(1 376 007)	(155 565)	22 513 623
Movable assets	5 672 613	2 348 894	(54 866)	(528 989)	(307 282)	7 130 370
	658 296 812	**24 063 165**	**(2 947 079)**	**(20 212 102)**	**(2 253 164)**	**656 947 632**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Infrastructure assets	331 405 686	5 170 891	(3 151 821)	(21 704 198)	(827 271)	310 893 287
Infrastructure - work in progress	288 176 695	9 822 530	-	-	-	297 999 225
Land	17 893 539	-	-	-	(11 447)	17 882 092
Buildings	4 870 836	-	(17 144)	(314 897)	-	4 538 795
Community facilities	24 532 030	-	(54 968)	(1 486 740)	(1 679 522)	21 310 800
Movable assets	6 323 570	329 758	(321 856)	(655 442)	(3 417)	5 672 613
	673 202 356	**15 323 179**	**(3 545 789)**	**(24 161 277)**	**(2 521 657)**	**658 296 812**

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

11. Property, plant and equipment (continued)

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

	2024	2023
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Project 2 or Class 2 or Asset 2 Civil component of the pump stations have been completed. Procurement delays affected by COVID 19 regulations for the installation of the raw water storage tank.	162 968 296	162 968 296
Integrated National Electrification Project Late appointment of the contractor by Centlec and delays in receiving material on site due to Covid 19 pandemic.	2 623 951	2 623 951
Water meter Project implementation delayed due to municipal cashflow challenges	3 497 114	3 497 114
Upgrading of Zastron/Matlakeng Cemeteries Project were place on hold by CoHGTA with the instruction for the municipality to focus on water and sanitation related projects as a priority due to the COVID 19 pandemic	1 355 469	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	4 086 957
Rouxville: Electrification of 186 Households (Phase 3) The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	3 097 391	3 097 391
Smithfield: Pre-Engineering for electrification of 281 Households (Phase 1) The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges	260 870	260 870
Upgrading of Rouxville/Roleleathunya water treatment works The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges .	60 880 771	60 880 771
Smithfield Bulk Water Supply .	10 560 054	10 560 054
Zastron/Matlakeng: Installation of Water and Sanitation services in Ext 10 The project completion has been delayed. The municipality placed the project on suspension due to cash flow challenges .	596 740	596 740
Upgrading of Rouxville Bulk Raw Water Pump Stations Civil component of the pump station have been completed. Procurement delays	11 146 378	11 146 738

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
11. Property, plant and equipment (continued)		
Project 4 or Class 4 or Asset 4 The project was placed on hold as a result of litigation between the contractor and the municipality. New MIG 1 application will have to be submitted to CoHGTA for the completion of the project.	168 646	168 646
	263 089 776	**263 090 136**

Reconciliation of work-in-progress 2024

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

Reconciliation of work-in-progress 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	285 571 172	2 605 523	288 176 695
Additions/capital expenditure	9 822 530	-	9 822 530
	295 393 702	**2 605 523**	**297 999 225**

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

12. Other financial assets

	2024	2023
Designated at fair value		
OVK Operations Limited	601 416	525 530
13 193 ordinary shares valued at R22.62 (2023: R24.25) per share and 13 731 holding shares valued at R20.50 (2023: R18.00) per share.		
Non-current assets		
Designated at fair value	601 416	525 530

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

13. Payables from exchange transactions

Current liabilities

Trade payables	185 491 324	143 779 731
Payments received in advanced	15 246 186	14 926 542
Staff salaries and third parties	95 872 748	40 863 608
Other payables	(44 170 377)	(47 301 630)
Accrued leave pay	6 179 425	6 800 177
Accrued bonus	1 743 314	1 666 081
Unallocated deposits	4 897 972	3 513 621
Retentions	10 032 810	8 200 693
	275 293 402	**172 448 823**

Non-Current liabilities

Staff salaries and third parties	74 828 217	94 442 166

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
Housing rental	18 771	15 126
Water	351 452	299 886
	370 223	**807 604**

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

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

Carrying value		
Opening Balance	(19 181 000)	(21 405 000)
Current-service cost	(1 377 000)	(1 528 000)
Interest cost	(2 311 000)	(2 481 000)
Benefits vesting	613 000	1 316 000
Actuarial gains	738 000	4 917 000
	(21 518 000)	**(19 181 000)**

Non-current liabilities	(20 830 000)	(18 568 000)
Current liabilities	(688 000)	(613 000)
	(21 518 000)	**(19 181 000)**

Net expense recognised in the statement of financial performance:

Net expense recognised in the statement of financial performance	(2 337 000)	2 224 000

Net expense recognised in the statement of financial performance

Current service cost	(1 377 000)	(1 528 000)
Interest cost	(2 311 000)	(2 481 000)
Expected Benefit Vesting	613 000	1 316 000
Actuarial gains/(losses)	738 000	4 917 000
	(2 337 000)	**2 224 000**

Long service award

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

Discount rates used	10.89 %	11.20 %
CPI inflation rate	5.00 %	5.52 %
General earnings inflation	6.00 %	6.52 %
Net discount rate	4.62 %	4.39 %
Average retirement age	62	62
Pre-retirement mortality	SA85-90	SA85-90

Long service award

The members of the long service award are made up as follows:
There are 241 (247 in 2023) employees that are currently entitled to Long Service Awards. The liability is unfunded.

Movements in the present value of the defined benefit obligations were as follows:		
Current service cost	(501 000)	(558 000)
Interest cost	(534 000)	(602 000)
Expected subsidy payments	404 000	1 104 000
Actuarial loss/ (gain)	(29 000)	978 000
	(660 000)	**922 000**

15. Employee benefit obligations (continued)

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

	2024	2023	2022	2021	2020
Defined benefit obligation (millions)	5.627	4.967	5.889	5.727	unknown
Fair value of plan asset	0	0	0	0	0
Net def. benefit liability	5.627	4.967	5.889	5.727	unknown
DBO: (Gain)/ loss	88 000	(463 000)	uknown	unknown	unknown-
Plan asset: Gain/(loss)	0	0	0	0	0

Financial Assumptions

Discount rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the DBO. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.Consequently, a discount rate of 10.89% per annum has been used. The correspondingindex-linked yield is 5.13%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2024

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

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

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

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

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

Promotional earnings scale

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

Withdrawal from Service

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

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

Age	**Rate**
20 – 24	9%
25 – 29	8%
30 – 34	6%
35 – 39	5%
40 – 44	5%
45 – 49	4%
50 – 54	3%
55+	0%

Plan assets

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

LSA Arrangement Assumptions

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

Sensitivity analysis
The assumptions which tend to have the greatest impact on the results are:
(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:
(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Unfunded Accrued Liability as at 30 June 2024

Assumption	Change	Liability	% Change
Central assumptions		5,627,000	
General earnings inflation rate	+1%	5,926,000	5%
	-1%	5,353,000	-5%
Discount rate	+1%	5,346,000	-5%
	-1%	5,938,000	6%
Average retirement age	+2 yrs	6,119,000	9%
	-2 yrs	5,195,000	-8%
Withdrawal rates	x2	4,612,000	-18%
	x0.5	6,293,000	12%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current service Cost	Interest Cost	Total	% Change
Central assumptions		501,000	534,000	1,035,000	
General earnings inflation rate	+1%	534,000	566,000	1,100,000	6%
	-1%	471,000	505,000	976,000	-6%
Discount rate	+1%	474,000	549,000	1,023,000	-1%
	-1%	531,000	517,000	1,048,000	1%
Average retirement age	+2 yrs	534,000	583,000	1,117,000	8%
	-2 yrs	471,000	491,000	962,000	-7%
Withdrawal rates	x2	378,000	425,000	803,000	-22%
	x0.5	587,000	607,000	1,194,000	15%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		504,000	587,000	1,091,000	
General earnings inflation rate	+1%	536,000	620,000	1,156,000	6%
	-1%	476,000	558,000	1,034,000	-5%
Discount rate	+1%	480,000	608,000	1,088,000	0%
	-1%	532,000	564,000	1,096,000	0%

15. Employee benefit obligations (continued)

Average retirement age	+2 yrs	538,000	641,000	1,179,000	8%
	-2 yrs	473,000	542,000	1,015,000	-7%
Withdrawal rates	x2	390,000	477,000	867,000	-21%
	x0.5	583,000	660,000	1,243,000	14%

Other

The valuation of employee benefit obligation was done by Arch Actuarial Consulting.

Post employed medical aid

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

	2024	**2023**
Discount rate	12,35%	12,59%
CPI Inflation rate	6,31%	6,69%
Medical aid contribution inflation rate	8,06%	8,44%
Net discount rate (medical aid contributions)	3,97%	3,83%
Maximum subsidy inflation rate	5,48%	5,77%
Net discount rate (maximum subsidy)	6,51%	6,45%
Average retirement age	62	62
Mortality during employment	SA 85-90	SA 85-90

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

	2024	**2023**	**2022**	**2021**	**2020**
Defined benefit obligation (R millions)	15.891	14.214	15.516	1.502	unknown
Fair value of plan assets	0.000	0.000	0.000	0.000	0.000
Net def. benefity liabilty	15.891	14.214	15.516	1.502	unknown
DBO:(gain)/loss	(0.460)	(2.437)	unknown	unknown	unknown
Plan asset: gain/(loss)	0.000	0.000	0.000	0.000	0.000

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

Assumptions	Change	Eligible employees	Continuation Members	Total DBO	% change
Central assumptions		14.501	1.390	15.891	
Medical aid contribution inflation rate	+1%	15.958	1.417	17.375	9%
	-1%	12.735	1.356	14.091	-11%
Discount rate	+1%	12.294	1.286	13.580	-15%
	-1%	17.286	1.510	18.796	18%
Post-employment mortality	+1 yrs	14.188	1.358	15.546	-2%
	-1 yrs	14.808	1.422	16.230	2%
Average retirement	-1yr	16.129	1.390	17.519	10%
Membership continuation	-10%	12.568	1.390	13.958	-12%

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		876 000	1 777 000	2 653 000	
Medical aid contribution inflation rate	+1%	973 000	1 946 000	2 919 000	10%
	-1%	755 000	1 572 000	2 327 000	-12%

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

15. Employee benefit obligations (continued)

Discount rate	+1%	732 000	1 635 000	2 367 000	-11%
	-1%	1 057 000	1 939 000	2 996 000	13%
Post-employment mortality	+1yr	856 000	1 737 000	2 593 000	-2%
	-1yr	894 000	1 816 000	2 710 000	2%
Average retirement age	-1yr	955 000	1 957 000	2 912 000	10%
	-10%	759 000	1 572 000	2 331 000	-12%
		7 857 000	**15 951 000**	**23 808 000**	

Central assumptions	0	939 000	1 950 000	2 889 000	
Medical aid contribution inflation rate	+1%	1 038 000	2 133 000	3 171 000	10%
	-1%	1 129 000	2 122 000	3 251 000	13%
Post-employment mortality	+1yr	918 000	1 908 000	2 856 000	-2%
	-1yr	958 000	1 992 000	2 950 000	2%
Average retirement age	-1yr	1 035 000	2 151 000	3 186 000	10%
Membership continuation	-10%	813 000	1 712 000	2 525 000	-13%
		8 434 000	**17 496 000**	**25 960 000**	

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2025

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: Water Services Infrastructure Grant (WSIG)	21 234 938	14 234 938
National: Municipal Infrastructure Grant (MIG)	10 857 110	8 418 730
National: Regional Bulk Infrastructure Grant (RBIG)	12 592 758	4 407 000
Provincial: Free State Provincial Treasury (FSPT)	450 991	450 991
	45 135 797	**27 511 659**

Movement during the year

Balance at the beginning of the year	27 511 659	28 510 754
Additions during the year	109 601 512	100 150 341
Income recognition during the year	(91 977 374)	(101 149 436)
	45 135 797	**27 511 659**

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	81 637 457	76 331 134

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Employee benefit obligations (continued)

Other loans (Centlec capital loans)	-	109 966

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.

	81 637 457	**76 441 100**
Total other financial liabilities	**81 637 457**	**76 441 100**
Non-current liabilities		
At amortised cost	81 637 457	76 441 100

18. Provisions

Reconciliation of provisions - 2024

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

Reconciliation of provisions - 2023

	Opening Balance	Interest movement	Change in discount factor	Total
Environmental rehabilitation	26 751 924	2 005 118	4 816 456	33 573 498

	2024	2023
Non-current liabilities	19 908 422	20 034 819
Current liabilities	14 170 097	13 538 679
	34 078 519	**33 573 498**

Environmental rehabilitation provision

In terms of the licensing of the landfill refuses sites, the municipality will incur rehabilitation costs of R65.5 million (2023: R54.4 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 2024.

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

19. Service charges

	2024	2023
Sale of electricity	39 613 421	29 427 120
Sale of water	35 201 748	34 214 727
Sewerage and sanitation charges	12 167 875	13 026 669
Refuse removal	7 286 922	7 935 514
	94 269 966	**84 604 030**

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

	2024	2023
Premises		
Operating lease rental investment property	734 643	688 189
Rental income from buildings	6 668	11 528
	741 311	**699 717**

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

21. Interest billed on outstanding debtors

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Interest billed on outstanding debtors (continued)

Heading		
Receivables from exchange transactions	37 949 261	36 328 886
Receivables from non-exchange transactions	4 503 158	4 009 884
	42 452 419	**40 338 770**

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

22. Other income

Building plan fees	6 379	5 440
Cemetery fees	65 461	58 518
Rates certificates	20 161	15 544
Sundry income	175 104	211 551
Donations received	-	48 628
	267 105	**339 681**

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	20 462	19 385
Interest revenue		
Bank	391 278	85 834
	411 740	**105 219**

24. Property rates

Rates received

Residential	4 734 832	4 827 195
Commercial	1 369 427	1 112 850
State	3 120 816	793 432
Small holdings and farms	5 581 538	5 380 539
	14 806 613	**12 114 016**

Valuations

Residential	499 638 500	469 392 500
Commercial	118 820 500	180 070 000
State	146 632 146	157 053 453
Municipal	183 447 000	254 372 797
Small holdings and farms	4 115 902 367	4 017 094 247
Public benefit organisation	8 817 984	8 327 000
	5 073 258 497	**5 086 309 997**

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.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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

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

	2024	2023
Operating grants		
Equitable Share	70 379 000	86 952 000
National: Expanded Public Works Programme (EPWP)	-	1 073 000
National: Financial Management Grant (FMG)	3 000 000	3 000 000
Provincial: Free State Provincial Treasury (FSPT) (1)	-	4 330 435
	73 379 000	**95 355 435**
Capital grants		
National: Municipal Infrastructure Grant (MIG)	17 888 132	3 020 939
National: Water Services Infrastructure Grant (WSIG)	-	2 773 062
National: Regional Bulk Infrastructure Grant (RBIG)	710 242	-
	18 598 374	**5 794 001**
	91 977 374	**101 149 436**

Equitable Share

	2024	2023
Conditional grant roll-over withheld	-	25 706 000
Current year receipts	70 379 000	61 246 000
	70 379 000	**86 952 000**

In terms of the Constitution, this grant is used to subsidies the provision of basic services to community members. In terms of the allocation made by National Treasury, the funds are also utilised to enable the municipality to execute its functions as the local authority. R25 706 000 was withheld in the financial period ended 30 June 2023 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R70 339 000 (R61 246 000 in year 2023) was paid to the municipality during the financial period ended 30 June 2024.

Water Services Infrastructure Grant (WSIG)

	2024	2023
Balance unspent at beginning of year	14 234 938	12 244 177
Current-year receipts	7 000 000	17 008 000
Conditions met - transferred to revenue	-	(2 773 062)
WSIG withheld from Equitable Share	-	(12 244 177)
	21 234 938	**14 234 938**

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

During the 2024/24 and amount of R7000 000 was allocated to Mohokare LM. No funds were spent during the financial year and the entire receipt has been reported as unspent for WSIG at year end.

Municipal Infrastructure Grant (MIG)

	2024	2023
Balance unspent at beginning of year	8 418 730	7 198 270
MIG withheld from Equitable Share	-	(6 749 600)

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Government grants and subsidies (continued)

Current year receipts	20 326 512	10 991 000
Conditions met-Transferred to capital projects (current year)	(16 919 215)	(2 115 860)
Conditions met-Transferred to operational projects	(968 917)	(905 080)
	10 857 110	**8 418 730**

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

During the 2023/24 and amount of R20 326 512 was allocated to Mohokare LM. R17 888 132 was spent during the financial year. An amount of R10 857 110 has been reported as unspent for MIG at year-end.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	4 407 000	9 065 986
RBIG withheld from Equitable Share	-	(9 065 986)
Current year receipts	8 896 000	4 407 000
Conditions met - transferred to revenue	(710 242)	-
	12 592 758	**4 407 000**

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

During the 2023/24 and amount of R8 896 000 was allocated to Mohokare LM. An amount of R710 242 has been reported as unspent for RBIG at year-end.

Financial Management Grant (FMG)

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

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

Expanded Public Works Programme (EPWP) Grant

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

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

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

Balance unspent at beginning of year	450 991	450 991

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

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
Conditions met - transferred to revenue	-	(4 330 435)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Government grants and subsidies (continued)

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	53 527 446	48 667 862
Bonus	4 270 755	4 859 751
Medical aid contributions	5 664 689	6 186 155
UIF	495 349	496 068
SDL	748 265	671 607
Other payroll levies	208 622	32 217
Leave pay provision charge	(452 452)	410 457
Defined contribution plans	8 887 862	8 272 772
Travel, motor car, accommodation, subsistence and other allowances	6 678 024	6 103 239
Overtime payments	6 936 378	6 988 493
Housing benefits and allowances	753 312	738 542
Temporary workers	111 567	1 630 182
	87 829 817	**85 057 345**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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-Thamsanqa Venon Mdluli

Annual Remuneration	706 665	770 907
Acting allowance	211 547	126 707
Car allowance	-	180 000
Travel llowance	165 000	-
Other allowances-remote allowance	236 569	65 564
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Bargaining council and SDL	119	11 314
	1 322 025	**1 156 617**

Remuneration of acting Director: Corporate Services - NS Buyeye

Annual Remuneration	38 890	536 077
Acting allowance	198 557	296 207
Other allowances-remote allowance	2 722	-
Car allowance	-	44 673
Annual bonus	-	127 018
Contributions to UIF, Medical and Pension Funds	177	143 309
Bargaining council and SDL	11	9 752
	240 357	**1 157 036**

Remuneration Municipal Manager -SM Selepe

Annual Remuneration	1 446 989	85 589
Car Allowance	248 976	20 000
Other allowances - acting - and remote allowance	296 921	7 391
Contributions to UIF, Medical and Pension Funds	3 365	177
Industrial council and SDL	140	1 207
	1 996 391	**114 364**

Remuneration of Director: Technical Services - SE Thejane

Annual Remuneration	-	846 307
Remote allowance	-	59 241
Contributions to UIF, Medical and Pension Funds	-	2 125
Bargain council and SDL contributions	-	9 194
	-	**916 867**

Remuneration of the Acting Director Community Services-Tabiso Alexis Lekwala

Annual Remuneration	885 197	365 445
Acting allowance	-	8 678
Other allowances-remote allowance	62 915	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Employee related costs (continued)

Annual bonus	-	29 851
Car allowance	-	87 284
Contributions to UIF, Medical and Pension Funds	2 303	122 684
Industrial Council and SDL	140	5 021
	950 555	**618 963**

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

Executive Mayor	954 082	906 050
Speaker	745 255	708 735
Councillors	3 216 656	3 199 976
Medical aid contributions	57 550	54 578
Motor vehicle allowance	84 153	84 153
Cell phone and other allowances	433 200	433 200
Council contribution: UIF and SDL	78 002	57 948
	5 568 898	**5 444 640**

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	20 212 102	24 159 782

30. Finance costs

Centlec SOC Limited	7 331	20 375
Employee benefits obligations	2 311 000	2 481 000
Provisions (Rehabilitation of landfill sites)	2 348 615	2 005 118
Trade and other payables	5 305 725	13 326 276
	9 972 671	**17 832 769**

Trade and other payables include interest for Eskom (R 394 817.29), Telkom (R 23 365.83), SARS (R 2 540 218.05) and Auditor general (R 339 401.30) .

31. Lease rentals on operating lease

Equipment

Contractual amounts	170 048	189 027

32. Bad debts Written off and Debt impaiment

Bad debts written-off	41 238 738	-
Debt impairrment	38 499 597	42 621 525
	79 738 335	**42 621 525**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

33. Bulk purchases

Electricity - Eskom	44 290 363	35 426 407

34. Contracted services

Consultants and Professional Services		
Financial consulting	7 607 709	7 377 965
Legal cost	1 498 774	827 658
Contractors		
Competency Assessments	43 667	-
Electrical-Repairs and maintenance	8 608 423	-
Transport services	-	96 359
Security services	-	214 768
	17 758 573	**8 516 750**

35. General expenses

Advertising	194 233	306 925
Auditors remuneration	5 662 926	2 492 018
Bank charges	144 462	283 838
Chemicals	4 793 878	7 416 672
Cleaning	-	81 974
Commission paid	604 054	689 911
Computer expenses	289 053	152 395
Conferences and seminars	1 500	3 100
Consumables	111 065	212 823
Electricity	3 141 090	6 973 123
Employee wellness	65 136	26 327
Entertainment	51 112	63 153
Fuel and oil	836 760	1 526 045
Insurance	509 494	-
Motor vehicle expenses	99 934	112 501
Postage and courier	-	2 670
Printing and stationery	84 622	354 659
Protective clothing	282 408	902 664
Rental of machinery and equipment	6 662 278	8 567 822
Repairs and maintenance	1 921 175	2 343 124
Special programs	137 720	182 890
Subscriptions and membership fees	941 450	1 893 873
Telephone and fax	2 598 672	2 437 314
Title deed search fees	2 522	1 170
Transport and freight	315 984	-
Travel - local	1 592 275	1 777 577
	31 043 803	**38 804 568**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Fair value adjustments

Investment property (Fair value model)	258 957	3 113 074
Biological assets	128 565	(61 461)
Other financial assets	75 885	65 614
	463 407	**3 117 227**

37. Impairment loss

Impairments		
Property, plant and equipment	6 372 854	2 521 655

38. Cash generated from (used in) operations

Deficit	(64 205 991)	(21 120 337)
Adjustments for:		
Depreciation and amortisation	26 584 956	24 159 782
Gain on sale of assets and liabilities	1 101 871	3 097 199
Other non cash items	(7 942 853)	-
Impairment loss	-	2 521 655
Other non cash items	505 021	-
Fair value adjustments	(463 407)	(3 171 338)
Finance costs	-	20 375
Debt impairment	41 440 243	-
Bad debts written off	38 499 497	-
Acturial loss/gain	(738 000)	-
Annual charge for deferred tax	1 843 594	-
Provisions	-	(4 816 456)
Loss on disposal assets	2 981 160	-
Changes in working capital:		
Inventories	(1 884 132)	(414 425)
Receivables from exchange transactions	(87 243 084)	(94 620 409)
Consumer debtors	437 381	-
Receivables from non-exchange transactions	(6 177 655)	(1 381 468)
Unspent grants	36 793 022	-
Payables from exchange transactions	83 230 629	49 348 034
VAT	2 939 157	12 887 380
Unspent conditional grants and receipts	-	1 062 849
Consumer deposits	17 624 138	132 965
Employee benefit obligation - current portion	-	(585 000)
Employee benefit obligation - non-current portion	-	1 676 000
Provisions	-	6 821 574
	85 325 547	**(24 381 620)**

39. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	Total
Receivables from exchange transactions	59 846 148	59 846 148
Receivables from non-exchange transactions (Sundry debtors	88 114	88 114
Consumer deposits	370 223	370 223
Cash and cash equivalents	34 073 582	34 073 582
Unspent Conditional Grants	45 135 797	45 135 797

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

39. Financial instruments disclosure (continued)

	139 513 864	**139 513 864**

Financial liabilities

	At fair value	Total
Payables from exchange transactions	350 121 619	350 121 619
Consumer deposits	370 223	370 223
	350 491 842	**350 491 842**

2023

Financial assets

	At fair value	Total
Receivables from exchange transactions	141 368 215	141 368 215
Receivables from non-exchange transactions (Sundry debtors)	88 114	88 114
Consumer deposits	807 604	807 604
Cash and cash equivalents	9 187 713	9 187 713
Unspent Conditional Grants	27 511 659	27 511 659
	178 963 305	**178 963 305**

Financial liabilities

	At fair value	Total
Payables from exchange transactions	172 448 823	172 448 823
Consumer deposits	807 604	807 604
	173 256 427	**173 256 427**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Ÿ Property, plant and equipment	10 444 612	114 165 958
Total capital commitments		
Already contracted for but not provided for	10 444 612	114 165 958

Total commitments

Total commitments		
Authorised capital expenditure	10 444 612	114 165 958

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

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

Incident

Figures in Rand	2024	2023
41. Contingencies (continued)		
KJ Makhube: KJ Makhube claimed R1 909 543 from the Municipality due to arrear payments of salaries. Case is awaiting trail date from Labour Court.	150 000	150 000
Master Maize Drilling: Civil matter – contractual dispute against the Municipality	200 000	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	30 000
Frans Lategan (Traacha Servitude) The Municipality has a servitude to access the pump stations in the Caledon River. To acess 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 concel the servitude. There is no financial impact assosiated 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	500 000
Auditor General South Africa (6060/2021) Claim against the Municipality in the amount of R229 797.43 for audit activities.	150 000	150 000
Auditor General South Africa (6061/2021) Claim against the Municipality in the amount of R6 730 255.09 for audit activities.	150 000	150 000
Auditor General South Africa (3355/2023) Claim against the Municipality in the amount of R2 371 975.85 for audit activities.	150 000	-
Auditor General South Africa (6730/2023) Claim against the Municipality in the amount of R1 056 720.08 for audit activities.	150 000	-
Auditor General South Africa (2664/2023) Claim against the Municipality in the amount of R2 656 803.93 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
	1 630 000	**2 017 713**

Contingent liabilities

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

41. Contingencies (continued)

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

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

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

42. Risk management

Financial risk management

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

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

Liquidity risk

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

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

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

As at 30 June 2024	**Less than 1 year**	**Over 5 years**		
Payables from exchange transactions	350 121 619	-	-	-
Other Financial Liabilities	81 637 457	-	-	-
	431 759 076	**-**	**-**	**-**

As at 30 June 2023	**Less than 1 year**	**Over 5 years**		
Payables from exchange transactions	266 890 990	-	-	-
Other financial liabilities	76 441 100	-	-	-
	343 332 090	**-**	**-**	**-**

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.

Notes to the Annual Financial Statements

42. Risk management (continued)

Investments / bank, cash and cash equivalents

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

Trade and other receivables

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

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

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

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

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

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

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

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

42. Risk management (continued)

Market risk

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

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

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

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

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

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

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

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

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

Price risk

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

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.

43. Related parties

Relationships

Council	
Z.N Mgawuli	K2017221628 (South Africa) (Deregistration Process)
	Ore Works
	Bhelle Creations
R.J Thuhlo	Sethuka Agricultural Primary Co-Operative Limited

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Related parties (continued)

P.P Mahapane	Mohokare Funeral Services (Deregistered)
	Vuka Sizwe Women Construction (Deregistered)
	Punthaba Construction (Deregistration Process)
	Mahapane Metal Manufacture
	Letlaka Funeral Services
	Mahapane Funeral Services
N.A Adoons	None
T.J November	Satshethe Security Services (Deregistration process)
D.Job	None
T.E Nai	Matlakeng Charcoal Project
T.D Mochechepa	TT and MK General Trading (Deregistered)
	TMDS Construction (Deregistration Process)
	Bakwena Namaqwatho Primary Co-Operative Limited
M.A Letele	None
J. Swart	Al-Huda Muslim School
I.S Riddle	None
N.M Mkenda	Matlakeng Building Contractors (Deregistered)
	Nafuma Building and Construction (Deregistered)
	Vuboketha Civil Construction Trading (Deregistration Process)
	Bois Tuck Shop (Deregistration Process)
B.J Lobi	Re A Bona Construction (Deregistered)
	Rekaofela Ditshepe Mohomeng
S.E Thejane	Tshele Civil Works (Deregistered)
	Rekaofela Ditshepe Mohomeng
N.S Buyeye	New Daw Construction And Plumbing (Deregistration Process)
	Cross Point Trading 314 (Deregistered)
T.A Lekwala	None
PM Dyonase	Chaos Music Entertainment (Deregistered)
	True Worth Business Consulting (Deregistered)
	Appaks Holdings SA
Senior managers remuneration	Refer to note 27
Councillos remuneration	Refer to note 28

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

43. Related parties (continued)

Remuneration of management

Councillors

2024

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

43. Related parties (continued)

2023

Name	Basic Salary	Back-pay	Travel Allowance	Cellphone Allowance	RM-100	Unemployment Insurance Fund	Skills development levy	Medical aid	Other benefits received	Total
ZN Mgawuli (Mayor)	806 066	17 702	-	40 800	-	2 125	8 748	30 608	-	906 049
RJ Thuhlo (Speaker)	644 853	14 162	-	40 800	-	2 125	6 794	-	-	708 734
IS Riddle	152 547	7 015	47 601	40 800	10 460	2 119	2 264	-	-	262 806
B Lobi	339 688	29 602	-	40 800	32 036	-	3 802	-	-	445 928
T Mochechepa	236 237	5 168	36 552	25 200	69 667	2 125	3 936	54 578	-	433 463
D Job	327 366	7 189	-	40 800	4 527	2 125	3 586	-	-	385 593
J Swart	255 091	5 602	-	40 800	13 367	2 125	2 918	-	-	319 903
NM Mkendani	255 091	5 602	-	40 800	25 257	2 125	3 013	-	796	332 684
MA Letele	255 091	5 602	-	40 800	3 829	2 125	2 842	-	-	310 289
TN November	327 367	7 189	-	40 800	8 736	2 125	3 616	-	-	389 833
NA Adoons	255 091	5 602	-	40 800	-	2 125	2 811	-	-	306 429
TE Nai	345 711	7 189	-	40 800	12 279	2 125	3 831	-	-	411 935
PP Mahapane (Chief Wip)	327 367	7 189	-	40 800	28 068	2 125	3 774	-	-	409 323
I Mehlomakhulu	-	8 619	-	-	-	-	86	-	-	8 705
BM Valashiya	-	3 500	-	-	-	-	35	-	-	3 535
TI Phatsoane	-	3 500	-	-	-	-	35	-	-	3 535
LJ Lipholo	-	2 728	-	-	-	-	27	-	-	2 755
PP Mpongoshe	-	2 728	-	-	-	-	27	-	-	2 755
N Jali	-	3 500	-	-	-	-	35	-	-	3 535
	4 527 566	**149 388**	**84 153**	**514 800**	**208 226**	**25 494**	**52 180**	**85 186**	**796**	**5 647 789**

Management class: Executive management

2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

43. Related parties (continued)

Name	Fees for services as a member of management	Total
MJ Kanwendo	32 429	32 429
MS Mohale	12 803	12 803
SE Thejane	28 462	28 462
MS Mohale	12 803	12 803
ME Thejane	28 462	28 462
	114 959	**114 959**

2023

Name	Re-imbursive travel allowance	Subsistence allowance	Total
MJ Kanwendo	18 618	-	18 618
SE Thejane	59 241	304	59 545
MP Dyonase	21 057	-	21 057
	98 916	**304**	**99 220**

44. Events after the reporting date

No events having financial implications requiring disclosure occured subsequent to 30 June 2024.

45. Unauthorised expenditure

	2024	2023
Opening balance as previously reported	369 486 223	322 309 815
Add: Unauthorised expenditure - current	-	47 176 408

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

45. Unauthorised expenditure (continued)

Closing balance	**369 486 223**	**369 486 223**

Details of unauthorised expenditure

Non-cash	30 180 328	55
Cash	83 626 638	55
	113 806 966	**110**

Non-cash unauthorised expenditure

Employee related costs (Current service costs and expected benefits vesting)	764 000	55
Depreciation, amortisation and impairment	2 764 956	-
Finance costs (i.e. Interest on other financial liabilities and outstanding creditors)	4 659 615	-
Loss on disposal of municipal assets	2 947 080	-
Loss on biological assets	34 080	-
Bad debts written-off	19 010 597	-
	30 180 328	**55**

Cash unauthorised expenditure

Employee related costs	82 163 953	-
Remuneration of councillors	48 897	55
Lease rentals on operating lease	170 048	-
Contract services	762 573	-
Administration	481 167	-
	83 626 638	**55**

46. Fruitless and wasteful expenditure

Opening balance as previously reported	41 085 940	27 970 989
Add: Fruitless and wasteful expenditure identified - current	5 176 908	12 731 016
Add: Fruitless and wasteful expenditure identified - prior period	-	383 935
Closing balance	**46 262 848**	**41 085 940**

Fruitless and wasteful expenditure is presented inclusive of VAT.

Disciplinary steps taken/criminal proceedings

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

47. Irregular expenditure

Opening balance as previously reported	256 396 884	250 814 349
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	5 569 718	4 395 793
Add: Irregular expenditure - (Non-compliance with laws and regulations) - prior period	-	1 186 742
Closing balance	**261 966 602**	**256 396 884**

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

Three written quotations not invited	1 574 382	2 586 269
SCM process not followed	3 995 336	2 996 266
	5 569 718	**5 582 535**

Disciplinary steps taken/criminal proceedings

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	6 219 484	5 212 424
Current year subscription / fee	949 700	1 007 060
Amount paid - current year	(154 098)	-
	7 015 086	**6 219 484**

Audit fees

Opening balance	9 102 813	11 092 965
Current year subscription / fee	5 564 860	2 855 182
Amount paid - current year	(1 750 000)	(1 000 000)
Amount paid - previous years	-	(4 980 000)
Interest charged	98 066	1 134 666
	13 015 739	**9 102 813**

PAYE, UIF and SDL

Opening balance	10 809 423	3 517 803
Current year subscription / fee	13 202 469	12 589 005
Amount paid - current year	(4 727 848)	(2 712 301)
Amount paid - previous years	(10 809 423)	(4 453 327)
Penalties and Interest	1 614 505	1 868 243
	10 089 126	**10 809 423**

Pension and medical aid deductions

Opening balance	118 939 060	96 030 645
Current year subscription / fee	23 765 315	21 721 574
Amount paid - current year	(10 613 870)	(8 659 916)
Amount paid - previous years	-	9 846 757
	132 090 505	**118 939 060**

Medical aid fund:		
Opening balance	2 374 087	1 544 180
Current year payroll deductions	9 711 665	9 278 157
Amount paid current year	(10 366 016)	(8 448 250)
	1 719 736	**2 374 087**

Pension fund:		
Opening balance	116 564 973	94 486 465
Current year payroll deductions	14 053 650	12 443 416
Amount paid - current year	(247 854)	(211 665)
Interest and pealties	-	9 846 757
	130 370 769	**116 564 973**

Deviations from supply chain management regulations

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

Figures in Rand	2024	2023

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

Incident		
Impractical	43 236	615 116
Emergency	4 993 555	1 075 949
Prior period adjustment - Emergency	-	574 323
Prior period adjustment - Impractical	-	(426 532)
	5 036 791	**1 838 856**

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding as at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
NA Adoons	1 918	48 782	50 700
D Job	3 227	63 530	66 757
MA Letele	1 984	44 937	46 921
BJ Lobi	1 206	11 999	13 205
PP Mahapane	2 160	59 067	61 227
ZN Mgawuli	5 863	95 464	101 327
TD Mochechepa	1 581	32 668	34 249
TE Nai	5 042	158 248	163 290
TJ November	1 453	31 997	33 450
IS Riddle	564	-	564
J Swart	1 582	28 519	30 101
RJ Thuhlo	901	-	901
	27 481	**575 211**	**602 692**

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**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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.

6. The Municipality did not submit the Annual Financial Statements to the Auditor General by the legislated prescribed by MFMA Section 126.

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

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:

2024	kWh	R
Technical losses	1	1

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**

Water losses	Units (kL)	Value per unit	Value of loss (R)
2023	182 771	4.97	909 158

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.

49. Prior period errors

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	3	1 234 654	-	-	1 234 654	
Receivables from exchange transactions	4	102 853 532	(55 927 484)	-	46 926 048 [1]	
Receivables from non-exchange transactions	5	7 636 908	(4 955 030)	-	2 681 878 [2]	
VAT receivable	6	8 739 106	327 471	-	9 066 577 [10]	
Prepayments	7	550 749	-	-	550 749	
Cash and cash equivalents	8	9 187 713	-	-	9 187 713	
		130 202 662	**(60 555 043)**	**-**	**69 647 619**	
Non-Current Assets						
Biological assets	9	116 210	-	-	116 210	
Investment property	10	54 997 648	1 172 391	-	56 170 039 [3]	
Property, plant and equipment	11	653 288 639	5 008 173	-	658 296 812 [4]	
Other financial assets	12	525 530	-	-	525 530	
		708 928 027	**6 180 564**	**-**	**715 108 591**	
Total Assets		**839 130 689**	**(54 374 479)**	**-**	**784 756 210**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	13	169 938 210	2 510 613	-	172 448 823 [12]	
Consumer deposits	14	807 604	-	-	807 604	
Employee benefit obligation	15	731 000	(118 000)	-	613 000 [5]	
Unspent conditional grants and receipts	16	30 022 272	(2 510 613)	-	27 511 659 [10]	
Provisions	18	13 538 679	-	-	13 538 679	
		215 037 765	**(118 000)**	**-**	**214 919 765**	
Non-Current Liabilities						
Other financial liabilities	17	76 441 100	-	-	76 441 100	
Employee benefit obligation	15	21 765 000	(3 197 000)	-	18 568 000 [5]	
Provisions	18	20 034 819	-	-	20 034 819	
Payables from exchange transactions	13	94 442 167	-	-	94 442 167	
		212 683 086	**(3 197 000)**	**-**	**209 486 086**	
Total Liabilities		**427 720 851**	**(3 315 000)**	**-**	**424 405 851**	
Net Assets		**411 409 838**	**(51 059 479)**	**-**	**360 350 359**	
Accumulated surplus		411 409 836	(51 059 477)	-	360 350 359 [11]	

49. Prior period errors (continued)

* See Note 49

49. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated		Re
Revenue							
Revenue from exchange transactions							
Service charges	19	101 683 353	(17 079 323)	-	84 604 030	[6]	
Rental of facilities and equipment	20	698 807	910	-	699 717		
Interest on outstanding receivables		41 366 564	36 328 886	(41 366 564)	36 328 886	[7]	
Other income	22	510 367	(170 686)	-	339 681	[8]	
Interest on Investments	23	85 834	-	-	85 834		
Dividends received	23	19 385	-	-	19 385		
Total revenue from exchange transactions		**144 364 310**	**19 079 787**	**(41 366 564)**	**122 077 533**		
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	24	13 092 281	(978 265)	-	12 114 016	[9]	
Interest on outstanding receivables		-	(37 356 680)	41 366 564	4 009 884	[7]	
Transfer revenue							
Government grants & subsidies	26	98 638 823	2 510 613	-	101 149 436	[10]	
Fines, Penalties and Forfeits		103 650	-	-	103 650		
Total revenue from non-exchange transactions		**111 834 754**	**(35 824 332)**	**41 366 564**	**117 376 986**		
Total revenue		**256 199 064**	**(16 744 545)**	**-**	**239 454 519**		
Expenditure							
Employee related costs	27	(90 555 353)	697 439	-	(89 857 914)		
Remuneration of councillors	28	(5 444 658)	-	-	(5 444 658)		
Administration		(165 216)	-	-	(165 216)		
Depreciation and amortisation	29	(24 139 314)	(20 468)	-	(24 159 782)	[4]	
Impaiment loss/ Reversal of Impairment	37	(2 521 655)	-	-	(2 521 655)		
Finance costs	30	(17 832 769)	-	-	(17 832 769)		
Lease rentals on operating lease	31	(189 027)	-	-	(189 027)		
Debt Impairment	32	(22 916 304)	(19 705 221)	-	(42 621 525)		
		-	-	-	-		
Bulk purchases	33	(35 426 407)	-	-	(35 426 407)		
Contracted services	34	(8 516 750)	-	-	(8 516 750)		
General Expenses	35	(38 804 568)	-	-	(38 804 568)		
Operating deficit		**9 687 043**	**(35 772 795)**	**-**	**(26 085 752)**		
Loss on disposal of assets and liabilities		(3 062 479)	28 386	-	(3 034 093)	[4]	
Fair value adjustments	36	3 171 338	(54 111)	-	3 117 227	[3]	
Actuarial losses	15	2 299 440	2 617 561	-	4 917 001	[5]	
Loss on biological assets		(34 720)	-	-	(34 720)		
		2 373 579	**2 591 836**	**-**	**4 965 415**		
Deficit for the year		**12 060 622**	**(33 180 959)**	**-**	**(21 120 337)**		

Amounts included in disclosures

49. Prior period errors (continued)

Deviation from Supply Chain management	1 691 065	147 790	-	1 838 855
Fruitless and wasteful expenditure	40 702 005	383 935	-	41 085 940
Unauthorized expenditure	369 486 223	-	-	-
Irregular expenditure	255 210 142	1 186 742	-	256 396 884
	667 089 435	**1 718 467**	**-**	**299 321 679**

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

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

[3] Investment property was restated as a result of the correction of errors in fair values of the properties.

[4] Property plant and equipment was restated as a result of the changes in estimated useful life of the asset, allowing it to generate greater economic benefits over time..

[5] Employee benefit obligation was restated to align with actuarial reports with employee benefit obligation values as a result of errors on net effective discount rates.

[6] Service charges were restated as a result of errors on billing. In the previous financial year, impairment on receivables was incorrectly adjusted for under revenue instead of being adjusted for under receivables. This error was also corrected for in the current year as part of Service charges restatement

Service charges was also adjusted for as a result of a reclassification from Other income. Electricity connection fees was reclassified from Other income (Sundry income) to service charges

[7] Interest on outstanding debtors has been adjusted to separately classify interest from debtors on exchange transactions and non-exchange transactions. In the prior year, interest on outstanding debtors from non-exchange transactions was recorded under interest from outstanding debtors from exchange transactions

Interest on non-exchange transactions has been restated to reclassify it from interest on outstanding debtors from exchange transactions. Additionally, an adjustment was made to correct billing errors.

[[8] Other income has been adjusted to reclassify electricity connection fees which were previously recorded under sundry income

[9] Property rates were restated as a result of errors on billing. In the previous financial year, impairment on receivables was incorrectly adjusted for under revenue instead of being adjusted for under receivables. This error was also corrected for in the current year as part of Property rates restatement..

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

Unspent government grants liability was restated as a result of errors on Water services infrastructure grant revenue that was not accounted for in the prior year.

VAT was restated as a result of errors that were corrected on expenditure and revenue.

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

49. Prior period errors (continued)

[11] Accumulated surplus was restated as a result of the net adjustments on the Statement of Financial Performance and Statement of Financial Position.

[12] Payables from exchange transactions were restated as a result of amounts that were owed by the municipality that were not accounted for in the prior year

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

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

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

50. Change in estimate

Property, plant and equipment		
Other property,plant and equipment	542 893	189 414
Infrastructure assets	6 279 354	2 412 530
Land, buildings and community assets	522 545	254 146
	7 344 792	**2 856 090**

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

51. Accounting by principals and agents

The 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% (2023: 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 is responsible for the supply, installation and maintenance of the digital speed and static red light violation cameras and back office services.

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*

51. Accounting by principals and agents (continued)

- The municipality has the power to determine the significant terms and conditions of the transaction as per the agreement.

The service provider is responsible for:

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

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

The contract term ended at 30 June 2021.

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

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 R31 647 586.88 (2023:R29 427 119.51).

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.

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

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

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

51. Accounting by principals and agents (continued)

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

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

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

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

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

[Provide additional info as appropriate]

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

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

[Provide additional info as appropriate]

52. Segment information

General information

Identification of segments

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Primary education services
Segment 2	Secondary education services
Segment 3	Tertiary education services
Segment 4	Goods and/or services 1
Segment 5	Goods and/or services 2
Segment 6	Goods and/or services 3
Segment 7	Goods and/or services 4
Segment 8	Goods and/or services 5
Segment 9	Goods and/or services 6
Segment 10	Goods and/or services 7

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Council and Executive	Finance and Administration	Corporate services	Community and social services	Technical Services	Total
Revenue						
Service changes	-	-	-	-	94 269 966	94 269 966
Rental of facilities and equipment	-	-	-	741 311	-	741 311
Interest received on outstanding debtors-exchange	-	690 408	-	-	37 670 593	38 361 001
Sale of Goods and rendering of services	-	65 621	5 032	65 461	-	136 114
Operational revenue	-	129 645	-	-	-	129 645
Dividend received	-	20 462	-	-	-	20 462
Property rates	-	14 806 613	-	-	-	14 806 613
Government grants	3 153 000	61 769 786	17 888 132	-	9 166 457	91 977 375
Licences or Permits	-	-	-	1 347	-	1 347
Interest received on outstanding debtors - non-exchange	-	4 503 158	-	-	-	4 503 158
Total segment revenue	**3 153 000**	**81 985 693**	**17 893 164**	**808 119**	**141 107 016**	**244 946 992**
Fair value adjustments						463 407
Actuarial gains/(losses)						738 000
Total revenue reconciling items						**1 201 407**
Entity's revenue						**246 148 399**
Expenditure						
Employee related costs	(7 239 302)	(26 318 373)	(11 288 060)	(12 562 185)	(32 552 700)	(89 960 620)
Remuneration of councillors	(5 568 897)	-	-	-	-	(5 568 897)
Administration	-	(481 167)	-	-	-	(481 167)
Depreciation and amortisation	-	(26 584 956)	-	-	-	(26 584 956)
Finance costs	-	(7 624 056)	-	(2 348 615)	-	(9 972 671)
Lease rental on operating lease	-	(170 048)	-	-	-	(170 048)

Notes to the Annual Financial Statements

Figures in Rand

	Council and Executive	Finance and Administration	Corporate services	Community and social services	Technical Services	Total
52. Segment information (continued)						
Bad debt written-off	2 698 321	-	(36 652 787)	(4 545 131)	-	(38 499 597)
Debt impairment	-	(41 238 738)	-	-	-	(41 238 738)
Bulk purchases	-	-	-	-	(44 290 363)	(44 290 363)
Contracted services	(125 444)	(10 229 152)	(380)	(335 857)	(9 663 159)	(20 353 992)
Total segment expenditure	**(10 235 322)**	**(112 646 490)**	**(47 941 227)**	**(19 791 788)**	**(86 506 222)**	**(277 121 049)**
Total segmental surplus/(deficit)			**-**	**-**	**-**	**12 060 645**
Loss on disposal						(2 947 080)
Impairment loss						(34 080)
Total revenue reconciling items						1 201 407
Entity's surplus (deficit) for the period						**14 075 319**
Assets						
Inventories	-	1 209 711	-	-	1 909 075	3 118 786
Receivables from exchange transactions	-	347 704 550	(25 280)	2 590 989	405 028 336	755 298 595
Receivables from non-exchange transactions	-	3 882 263	(176 950)	176 950	-	3 882 263
VAT Receivables	339 391	10 686 941	20 313	8 201 802	(6 977 328)	12 271 119
Prepayments	-	550 749	-	-	-	550 749
Cash and cash equivalents	6 581 977	246 092 007	7 111 717	(31 533 440)	(194 178 679)	34 073 582
Biological assets	-	-	-	210 695	-	210 695
Investment property	-	52 309 306	-	-	-	52 309 306
Property,plant and equipment	-	334 032 830	1 152 773	61 467 384	311 490 536	708 143 523
Total segment assets	**6 921 368**	**996 468 357**	**8 082 573**	**41 114 380**	**517 271 940**	**1 569 858 618**
Total assets as per Statement of financial Position						**1 569 858 618**
Liabilities						
Payables from exchange transactions	(2 805 850)	(155 226 912)	83 720	(23 714 495)	(84 571 528)	(266 235 065)
Consumer deposits	-	(355 817)	-	(14 428)	(23)	(370 268)

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

	Council and Executive	Finance and Administration	Corporate services	Community and social services	Technical Services	Total
52. Segment information (continued)						
Defined benefit obligation - current portion	-	(688 000)	-	-	-	(688 000)
Unspent conditional grants and receipts	-	(47 646 410)	-	-	(2 510 613)	(50 157 023)
Provisions - current portion	-	(14 170 097)	-	-	-	(14 170 097)
Other financial liabilities non-current portion	-	(81 637 457)	-	-	-	(81 637 457)
Provisions - non-current portion	-	(19 908 422)	-	-	-	(19 908 422)
Employee benefit obligation - non-current portion	-	(20 830 000)	-	-	-	(20 830 000)
Total segment liabilities	**(2 805 850)**	**(340 463 115)**	**83 720**	**(23 728 923)**	**(87 082 164)**	**(453 996 332)**
Total liabilities as per Statement of financial Position						**(453 996 332)**

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

2023

	Council and Executive	Finance and Administration	Corporate Services	Community services	Technical Services	Total
Revenue						
Service charges	-	-	-	-	84 604 030	84 604 030
Rental of facilities and equipment	-	-	-	699 717	-	699 717
Interest received on outstanding debtors	-	389 084	-	-	36 045 022	36 434 106
Other income	-	339 681	-	-	-	339 681
Interest received on external investments	-	389 084	-	-	36 045 022	36 434 106
Dividends received	-	19 385	-	-	-	19 385
Property rates	-	12 114 016	-	-	-	12 114 016
Interest on outstanding debtors non- exchange	-	4 009 884	-	-	-	4 009 884
Government grants and subsidies	-	95 404 063	3 020 939	-	2 773 062	101 198 064
Fines, penalties and forfeits	-	-	103 650	-	-	103 650
Total segment revenue	**-**	**112 665 197**	**3 124 589**	**699 717**	**159 467 136**	**275 956 639**
Fair value adjustment						3 117 227
Actuarial gains						4 917 001
Total revenue reconciling items						**8 034 228**
Entity's revenue						**283 990 867**
Expenditure						
Employee related costs	(5 351 510)	(23 347 609)	(11 027 692)	(12 423 696)	(31 811 051)	(83 961 558)
Remuneration of councillors	(5 444 658)	-	-	-	-	(5 444 658)
Administration	-	(165 216)	-	-	-	(165 216)
Depreciation and amortisation	-	(26 837 554)	-	-	-	(26 837 554)
Finance costs	-	(13 346 651)	-	-	-	(13 346 651)
Lease rentals on operating lease	-	(189 027)	-	-	-	(189 027)
Debt impairment	-	(42 295 498)	-	-	(807 909)	(43 103 407)
Bulk purchases	-	-	-	-	(35 426 407)	(35 426 407)

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

	Council and Executive	Finance and Administration	Corporate Services	Community services	Technical Services	Total
Contracted services	(1 693 984)	(10 318 413)	(3 925)	(1 447 306)	(7 389 977)	(20 853 605)
General expenses	(4 591 581)	(12 766 096)	(116 056)	10 552 724	(6 478 075)	(13 399 084)
Total segment expenditure	**(17 081 733)**	**(129 266 064)**	**(11 147 673)**	**(3 318 278)**	**(81 913 419)**	**(242 727 167)**
Total segmental surplus/(deficit)			**-**	**-**	**-**	**(71 072 735)**
Total revenue reconciling items						8 034 228
Loss on disposal of assets and liabilities						(3 034 093)
Loss on biological assets						(34 720)
Impairment loss						(2 521 655)
Entity's surplus (deficit) for the period						**2 443 760**
Assets						
Inventory	-	1 209 711	-	-	24 942	1 234 653
Receivables from exchange transactions	-	315 123 423	25 280	2 400 693	360 460 049	678 009 445
Receivables from non-exchange transactions	-	3 431 496	176 950	-	-	3 608 446
VAT receivables	-	315 123 423	24 901	721 937	360 460 049	676 330 310
Cash and cash equivalents	5 323 827	230 252 668	7 118 985	43 759 602	189 662 806	476 117 888
Biological assets	-	-	-	116 210	-	116 210
Investment property	-	56 170 039	-	-	-	56 170 039
Property,plant and equipment	-	302 557 985	440 372	54 567 649	301 602 798	659 168 804
Other financial assets	-	525 530	-	-	-	525 530
Total segment assets	**5 323 827**	**1 224 394 275**	**7 786 488**	**101 566 091**	**1 212 210 644**	**2 551 281 325**
Total assets as per Statement of financial Position						**2 551 281 325**

* See Note 49