



THABO MOFUTSANYANA DISTRICT MUNICIPALITY  
Annual Financial Statements  
for the year ended 30 June 2025

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

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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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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
Agri SETA	Agricultural Sector Education Training Authority
SANBI	South African National Biodiversity Institute

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## General Information

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### Nature of business and principal activities

Local Government: Municipal Finance Management Act (Act no.56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Constitution of the Republic of south Africa (Act 108 of 1998)  
Division of Revenue Act (Act 1 of 2007)

### Mayoral committee

Executive Mayor

AC Msibi

Cllr. TJ Mokoena (Speaker)

Cllr. LU Makhalema (Chief Whip)

Cllr. ES Chabeli (MPAC Chairperson)

Cllr. TN Masiteng (MMC - Corporate Services)

Cllr. A Fume (MMC - IDP & PMS Services)

Cllr. TJ Mahlambi (MMC - Infrastructural Services)

Cllr. MJ Vilakazi (MMC - Community Services & Acting MMC LED & Tourism)

Cllr. SM Mosia (MMC - LED & Tourism)

Cllr. TJ Motaung (MMC - Financial Services)

Councillors

Cllr. MD Marais

Cllr. MJ Lebesa

Cllr. AM Oates (Resigned)

Cllr. MS Mkhwanazi

Cllr. HD Dlamini

Cllr. TE Mokoena

Cllr. TJ Motsoane

Cllr. T Mosia

Cllr. LG Mokoakoe (Resigned)

Cllr. BAS Campbell-Cloete (Resigned)

Cllr. PA Mothijoa

Cllr. VB Makhanya

Cllr. LF Miya

Cllr. TP Motsoane

Cllr. MJ Mphafi

Cllr. LE Mohanoe

Cllr. SL Rakoloti

Cllr. MV Molwelwe

Cllr. AM Nhlapo

Cllr. MB Bohlale

Cllr. J Twala

Cllr. ML Nchocho

Cllr. C Kalamer

Cllr. TA Motaung

Cllr. L Kleynhans

Cllr. K Tsimatsima

Cllr. E Motloung

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## General Information

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<b>Grading of local authority</b>	11
<b>Accounting Officer</b>	Ms. TPM Lebenya (Appointed 08 February 2023)
<b>Chief Financial Officer</b>	Mr. MD Mhlahlo (Appointed 1 August 2023)
<b>Registered office</b>	1 Mampoi Street Old Parliament Building Witsieshoek South Africa 9870
<b>Postal address</b>	Private Bag X810 Witsieshoek South Africa 9870
<b>Bankers</b>	ABSA NEDBANK
<b>Auditors</b>	Auditor General of South Africa (AGSA)
<b>Attorneys</b>	Sibeko Attorneys Peyper Attorneys Nyapotse Incorporated
<b>Website</b>	<a href="http://www.tmdm.gov.za">www.tmdm.gov.za</a>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Responsibilities and Approval

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

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

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

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

accounting officer is 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.

accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 7 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025.

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TPM Lebenya

**Municipal Manager**

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# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Audit Committee Report

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We are pleased to present our report for the year ended 30 June 2025. We submit this report in line with the provision of section 166(2) of the Municipal Finance Management Act for Council's consideration.

### Audit committee members and attendance

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

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

### Audit committee responsibility

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

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

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

### Evaluation of annual financial statements

The audit committee has:

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

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

### Internal audit

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

### Auditor-General of South Africa

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

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_



## **Report of the Auditor General**

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

**Auditor General of South Africa (AGSA)**

**30 November 2025**

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2025.

### 1. Review of activities

#### Main business and operations

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

### 2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had a deficit of R 8 946 917 and that the municipality's total assets exceed its total liabilities by R 31 769 532. These conditions and events do not cast doubt on the municipality's ability to continue as a going concern.

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

### 3. Subsequent events

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

### 4. Accounting policies

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

### 5. Accounting Officer

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

**Name**  
TPM Lebenya

**Appointed**  
08 February 2023

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Assets</b>			
Current Assets			
Receivables from exchange transactions	4	443 109	434 860
Receivables from non-exchange transactions	5	388 131	434 206
VAT receivable	40	4 327 778	4 532 896
Cash and cash equivalents	6	36 574 879	43 262 426
		<b>41 733 897</b>	<b>48 664 388</b>
Non-Current Assets			
Property, plant and equipment	7	18 733 726	20 206 413
Intangible assets	8	76 246	129 565
		<b>18 809 972</b>	<b>20 335 978</b>
<b>Total Assets</b>		<b>60 543 869</b>	<b>69 000 366</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	9	5 147 007	6 967 105
Unspent conditional grants and receipts	10	36 607	889 882
Employee benefit obligation	11	12 713 723	11 515 927
		<b>17 897 337</b>	<b>19 372 914</b>
Non-Current Liabilities			
Employee benefit obligation	11	10 877 000	8 911 000
<b>Total Liabilities</b>		<b>28 774 337</b>	<b>28 283 914</b>
<b>Net Assets</b>		<b>31 769 532</b>	<b>40 716 452</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sundry income	16	461 843	275 126
Interest received - investments	14	5 111 160	5 528 654
<b>Total revenue from exchange transactions</b>		<b>5 573 003</b>	<b>5 803 780</b>
<b>Revenue from non-exchange transactions</b>			
<b>Donations, bequests and in-kind revenue</b>			
Service in kind revenue	15	7 342 944	6 767 690
<b>Transfer revenue</b>			
Government grants and subsidies	12	154 382 199	146 992 118
Donations received (Property, Plant and Equipment)	7	115 479	-
Other transfer revenue	13	1 052 769	880 000
<b>Total revenue from non-exchange transactions</b>		<b>162 893 391</b>	<b>154 639 808</b>
<b>Total revenue</b>	34	<b>168 466 394</b>	<b>160 443 588</b>
<b>Expenditure</b>			
Employee related costs	20	(109 568 513)	(107 619 629)
Remuneration of councillors	20	(9 622 719)	(9 520 786)
Depreciation and amortisation	17	(2 601 830)	(2 585 613)
Debt impairment	4	-	(577 731)
Finance costs	18	(1 051 000)	(1 269 000)
Contracted services	33	(5 747 660)	(4 490 434)
Loss on disposal of assets	7	(148 778)	(185 522)
Operational Expenses	19	(47 478 811)	(42 067 916)
<b>Total expenditure</b>		<b>(176 219 311)</b>	<b>(168 316 631)</b>
<b>Deficit for the year from continuing operations</b>		<b>(7 752 917)</b>	<b>(7 873 043)</b>
Actuarial gains/(losses)		(1 194 000)	572 968
<b>Deficit for the year</b>		<b>(8 946 917)</b>	<b>(7 300 075)</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2023 as restated</b>	<b>48 016 525</b>	<b>48 016 525</b>
Changes in net assets		
Surplus / (Deficit) for the year	(7 300 075)	(7 300 075)
Total changes	(7 300 075)	(7 300 075)
<b>Restated* Balance at 01 July 2024</b>	<b>40 716 449</b>	<b>40 716 449</b>
Changes in net assets		
Surplus / (Deficit) for the year	(8 946 917)	(8 946 917)
Total changes	(8 946 917)	(8 946 917)
<b>Balance at 30 June 2025</b>	<b>31 769 532</b>	<b>31 769 532</b>
Note(s)		

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		155 471 575	148 424 878
Interest income		5 111 160	5 439 481
Other receipts		461 843	275 126
Cash receipts from receivables		-	397 202
		<u>161 044 578</u>	<u>154 536 687</u>
<b>Payments</b>			
Employee costs		(118 762 430)	(113 919 904)
Suppliers		(47 716 275)	(39 991 404)
		<u>(166 478 705)</u>	<u>(153 911 308)</u>
<b>Net cash flows from operating activities</b>	21	<b><u>(5 434 127)</u></b>	<b><u>625 379</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	<u>(1 253 420)</u>	<u>(1 627 650)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(6 687 547)</u></b>	<b><u>(1 002 271)</u></b>
Cash and cash equivalents at the beginning of the year		43 262 426	44 264 697
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>36 574 879</u></b>	<b><u>43 262 426</u></b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sundry income	10 494	-	10 494	461 843	451 349	37.1
Interest received - investment	4 333 813	1 000 000	5 333 813	5 111 160	(222 653)	
<b>Total revenue from exchange transactions</b>	<b>4 344 307</b>	<b>1 000 000</b>	<b>5 344 307</b>	<b>5 573 003</b>	<b>228 696</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Other revenue</b>						
Cash backed reserves	11 590 000	9 695 379	21 285 379	-	(21 285 379)	37.3
Capital replacement reserve	3 175 965	(301 184)	2 874 781	-	(2 874 781)	37.3
Service in kind revenue	6 098 884	-	6 098 884	7 342 944	1 244 060	37.2
<b>Transfer revenue</b>						
Government grants & subsidies	152 821 100	1 330 199	154 151 299	155 434 968	1 283 669	
Donations received (Property, Plant and Equipment)	-	-	-	115 479	115 479	37.24
<b>Total revenue from non-exchange transactions</b>	<b>173 685 949</b>	<b>10 724 394</b>	<b>184 410 343</b>	<b>162 893 391</b>	<b>(21 516 952)</b>	
<b>Total revenue</b>	<b>178 030 256</b>	<b>11 724 394</b>	<b>189 754 650</b>	<b>168 466 394</b>	<b>(21 288 256)</b>	
<b>Expenditure</b>						
Employee related costs	(104 459 428)	(675 100)	(105 134 528)	(109 568 513)	(4 433 985)	
Remuneration of councillors	(8 795 892)	(288 693)	(9 084 585)	(9 622 719)	(538 134)	
Depreciation and amortisation	(3 175 965)	301 184	(2 874 781)	(2 601 830)	272 951	
Finance costs	-	-	-	(1 051 000)	(1 051 000)	37.9
Contracted Services	(4 859 000)	(1 333 100)	(6 192 100)	(5 747 660)	444 440	37.4
Operational Expenses	(48 636 884)	(8 956 303)	(57 593 187)	(47 478 811)	10 114 376	37.5
<b>Total expenditure</b>	<b>(169 927 169)</b>	<b>(10 952 012)</b>	<b>(180 879 181)</b>	<b>(176 070 533)</b>	<b>4 808 648</b>	
<b>Operating deficit</b>	<b>8 103 087</b>	<b>772 382</b>	<b>8 875 469</b>	<b>(7 604 139)</b>	<b>(16 479 608)</b>	
Gain on disposal of assets	-	-	-	(148 778)	(148 778)	
<b>(Deficit) / Surplus</b>	<b>8 103 087</b>	<b>772 382</b>	<b>8 875 469</b>	<b>(7 752 917)</b>	<b>(16 628 386)</b>	
<b>Deficit for the year from continuing operations</b>	<b>8 103 087</b>	<b>772 382</b>	<b>8 875 469</b>	<b>(7 752 917)</b>	<b>(16 628 386)</b>	
Actuarial gains/(losses)	-	-	-	(1 194 000)	(1 194 000)	
	<b>8 103 087</b>	<b>772 382</b>	<b>8 875 469</b>	<b>(8 946 917)</b>	<b>(17 822 386)</b>	

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from exchange transactions	-	434 860	<b>434 860</b>	443 109	<b>8 249</b>	37.6
Receivables from non-exchange transactions	-	3 608 655	<b>3 608 655</b>	388 131	<b>(3 220 524)</b>	
VAT receivable	4 700 000	60 000	<b>4 760 000</b>	4 327 778	<b>(432 222)</b>	
Cash and cash equivalents	8 399 000	29 480 944	<b>37 879 944</b>	36 574 879	<b>(1 305 065)</b>	
	<b>13 099 000</b>	<b>33 584 459</b>	<b>46 683 459</b>	<b>41 733 897</b>	<b>(4 949 562)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	17 319 000	8 015 000	<b>25 334 000</b>	18 733 726	<b>(6 600 274)</b>	37.7
Intangible assets	190 000	215 000	<b>405 000</b>	76 246	<b>(328 754)</b>	37.8
	<b>17 509 000</b>	<b>8 230 000</b>	<b>25 739 000</b>	<b>18 809 972</b>	<b>(6 929 028)</b>	
<b>Total Assets</b>	<b>30 608 000</b>	<b>41 814 459</b>	<b>72 422 459</b>	<b>60 543 869</b>	<b>(11 878 590)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings	1 751 000	(1 751 000)	-	-	-	
Other financial liabilities	-	1 751 000	<b>1 751 000</b>	-	<b>(1 751 000)</b>	37.9
Payables from exchange transactions	6 176 000	4 698 000	<b>10 874 000</b>	5 147 007	<b>(5 726 993)</b>	37.10
Unspent conditional grants and receipts	-	-	-	36 607	<b>36 607</b>	
Employee benefit obligation	1 751 000	9 765 000	<b>11 516 000</b>	12 713 723	<b>1 197 723</b>	
	<b>9 678 000</b>	<b>14 463 000</b>	<b>24 141 000</b>	<b>17 897 337</b>	<b>(6 243 663)</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	9 657 000	(746 000)	<b>8 911 000</b>	10 877 000	<b>1 966 000</b>	
<b>Total Liabilities</b>	<b>19 335 000</b>	<b>13 717 000</b>	<b>33 052 000</b>	<b>28 774 337</b>	<b>(4 277 663)</b>	
<b>Net Assets</b>	<b>11 273 000</b>	<b>28 097 459</b>	<b>39 370 459</b>	<b>31 769 532</b>	<b>(7 600 927)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	11 273 000	28 097 459	<b>39 370 459</b>	31 769 532	<b>(7 600 927)</b>	

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	152 821 000	2 593 000	<b>155 414 000</b>	155 471 575	<b>57 575</b>	
Interest income	4 334 000	1 000 000	<b>5 334 000</b>	5 111 160	<b>(222 840)</b>	
Other receipts	9 259 000	(9 249 000)	<b>10 000</b>	461 843	<b>451 843</b>	
	<b>166 414 000</b>	<b>(5 656 000)</b>	<b>160 758 000</b>	<b>161 044 578</b>	<b>286 578</b>	
<b>Payments</b>						
Employee costs	(166 414 000)	(13 222 000)	<b>(179 636 000)</b>	(118 762 430)	<b>60 873 570</b>	
Suppliers	-	-	-	(47 716 275)	<b>(47 716 275)</b>	
	<b>(166 414 000)</b>	<b>(13 222 000)</b>	<b>(179 636 000)</b>	<b>(166 478 705)</b>	<b>13 157 295</b>	
<b>Net cash flows from operating activities</b>	<b>-</b>	<b>(18 878 000)</b>	<b>(18 878 000)</b>	<b>(5 434 127)</b>	<b>13 443 873</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	-	8 875 000	<b>8 875 000</b>	(1 253 420)	<b>(10 128 420)</b>	
Net increase/(decrease) in cash and cash equivalents	-	(10 003 000)	<b>(10 003 000)</b>	(6 687 547)	<b>3 315 453</b>	
Cash and cash equivalents at the beginning of the year	26 857 000	9 188 000	<b>36 045 000</b>	43 262 426	<b>7 217 426</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>26 857 000</b>	<b>(815 000)</b>	<b>26 042 000</b>	<b>36 574 879</b>	<b>10 532 879</b>	

The accounting policies on page 16 to 39 and the notes on pages 40 to 75 form an integral part of the annual financial statements.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements include:

#### Receivables

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

#### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

#### Property, plant and equipment

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Provision for long service awards

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligation. In determining the appropriate discount rate, the municipality considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

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

#### Impairment of receivables

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

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

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it is probable that the borrower will enter sequestration or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

### 1.4 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.4 Intangible assets (continued)

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 - 8 years

Intangible assets are derecognised:

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

### 1.5 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.5 Impairment of cash-generating assets (continued)

#### Identification

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

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

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

#### Value in use

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.6 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Recognition and measurement (Individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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

#### Reversal of an impairment loss

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.7 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### Post-employment benefits

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

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

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

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## Accounting Policies

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### 1.7 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.7 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

### Post retirement obligations - medical aid

The municipality provides post-retirement health care benefits upon retirement to some retirees.

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.7 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.8 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.9 Revenue from exchange transactions

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

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

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

#### Measurement

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

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.9 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

#### Interest received

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

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

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

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

### 1.10 Revenue from non-exchange transactions

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

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

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.10 Revenue from non-exchange transactions (continued)

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.10 Revenue from non-exchange transactions (continued)

#### Services in-kind

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

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

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

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

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

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

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

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

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

### 1.11 Investment income

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

### 1.12 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.13 Comparative figures

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

### 1.14 Unauthorised expenditure

Unauthorised expenditure means:

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.15 Fruitless and wasteful expenditure

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

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

### 1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, in relation to a municipality or municipal entity, means-

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

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

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

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

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.17 Use of estimates

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

Estimates in the financial statements include but are not limited to the following:

- Depreciation
- Bad debts,
- Long service awards
- Post retirement health care subsidy

### 1.18 Segment information

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

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

Segmental information on property, plant and equipment, as well as income and expenditure, based on the International Government Financial Statistics classifications and the budget formats

The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board. The jurisdiction of Thabo Mofutsanyana District Municipality comprises of the following local municipalities:

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

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

### 1.19 Offsetting

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.20 Budget information

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30. The financial statements are prepared on the accrual basis of accounting, and the budget is prepared on the accrual basis. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

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

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

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

### 1.21 Related parties

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

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

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

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

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

### 1.22 Events after reporting date

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.23 Conditional grants and receipts

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

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

#### Recognition

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

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

#### Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.24 Commitments

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Derecognition

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.25 Statutory receivables (continued)

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.

### 1.26 Going concern assumption

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

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

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

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

2025

2024

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

##### GRAP 104 (amended): Financial Instruments

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

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

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

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

##### GRAP 103 (as amended 2016): Heritage Assets

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

The most significant changes to the Standard are:

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

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

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>3. Financial assets by category</b>		
The accounting policies for financial instruments have been applied to the line items below:		
<b>June 2025</b>		
	Financial assets at	Total
	amortised cost	
Receivables	7 752 566	7 752 566
Cash and cash equivalents	36 574 897	36 574 897
	<b>44 327 463</b>	<b>44 327 463</b>
<b>June 2024</b>		
	Financial assets at	Total
	amortised cost	
Receivables	4 932 131	4 932 131
Cash and cash equivalents	43 262 426	43 262 426
	<b>48 194 557</b>	<b>48 194 557</b>
<b>4. Receivables from exchange transactions</b>		
Sundry debtors	1 410 385	1 402 136
Suspense account - unidentified payment	304 143	304 143
Impairment provision	(1 271 419)	(1 271 419)
	<b>443 109</b>	<b>434 860</b>
<b>Credit quality of trade and other receivables</b>		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
<b>Receivables from exchange and non-exchange transactions impaired</b>		
Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:		
- The impairment of receivables is based on the continuous reassessment debtor accounts to identify doubtful accounts on basis of persistent default on payment of the accounts and the probability of payment.		
As of 30 June 2025, R 3, 746, 877 (2024: R 3, 746, 877) receivables from exchange and non-exchange transactions were impaired and provided for.		
The ageing of these receivables from exchange and non-exchange transactions is as follows:		
<b>Gross receivables</b>		
0 to 3 months	234 647	434 860
Over 6 months	4 343 470	4 181 082
	<b>4 578 117</b>	<b>4 615 942</b>
<b>Reconciliation of impairment of receivables from exchange and non-exchange transactions</b>		
Opening balance	3 746 877	3 169 146
Provision for impairment adjustments	-	577 731
	<b>3 746 877</b>	<b>3 746 877</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>4. Receivables from exchange transactions (continued)</b>		
<b>5. Receivables from non-exchange transactions</b>		
Unsolicited debit orders	3 000	3 000
Overpayment to Municipal Officials	107 142	117 217
Seconded councillors salaries over payment	1 784 288	1 784 288
Councillors over payment	691 170	691 170
Municipal Manager overpayment	277 989	313 989
Impairment	(2 475 458)	(2 475 458)
	<b>388 131</b>	<b>434 206</b>
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	5 720 581	2 813 980
Short-term deposits	30 854 298	40 448 446
	<b>36 574 879</b>	<b>43 262 426</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA BANK - Cheque Account - 770-150-841	5 720 581	2 813 980	12 655 110	5 720 581	2 813 980	12 655 110
ABSA BANK - Liquidity Plus - 932-530-0160	4 974 224	5 307 060	63	4 974 224	5 307 060	63
ABSA BANK - Fixed Deposit - 409-474-0923- Account Type	3 888 668	3 596 684	3 313 049	3 888 668	3 596 684	3 313 049
ABSA BANK - Fixed Deposit - 935-501-3452	8 531 709	10 044 895	18 339 570	8 531 709	10 044 895	18 339 570
ABSA BANK - Fixed Deposit - 935-762-5891	5 640 447	14 266 237	3 292 446	5 640 447	14 266 237	3 292 446
NEDBANK - FIXED DEPOSIT - 3788-1151-676/000002	7 819 250	7 233 571	6 664 459	7 819 250	7 233 571	6 664 459
<b>Total</b>	<b>36 574 879</b>	<b>43 262 427</b>	<b>44 264 697</b>	<b>36 574 879</b>	<b>43 262 427</b>	<b>44 264 697</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	14 340 768	(1 880 399)	12 460 369	14 340 768	(1 418 857)	12 921 911
Machinery and Equipment	2 192 545	(970 400)	1 222 145	1 967 893	(755 940)	1 211 953
Furniture and fixtures	4 799 694	(3 903 669)	896 025	4 720 489	(3 646 856)	1 073 633
Motor vehicles	4 720 195	(3 035 160)	1 685 035	5 809 321	(3 509 160)	2 300 161
IT equipment	13 631 942	(11 679 360)	1 952 582	13 809 741	(11 110 986)	2 698 755
Infrastructure - Work in progress	517 570	-	517 570	-	-	-
<b>Total</b>	<b>40 202 714</b>	<b>(21 468 988)</b>	<b>18 733 726</b>	<b>40 648 212</b>	<b>(20 441 799)</b>	<b>20 206 413</b>

### Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	12 921 911	-	-	(461 542)	12 460 369
Machinery and Equipment	1 211 954	224 652	-	(214 461)	1 222 145
Furniture and fixtures	1 073 632	79 205	-	(256 812)	896 025
Motor vehicles	2 300 161	-	(104 346)	(510 780)	1 685 035
IT equipment	2 698 754	431 993	(44 432)	(1 104 917)	1 952 582
Infrastructure - Work in progress	-	517 570	-	-	517 570
	<b>20 206 412</b>	<b>1 253 420</b>	<b>(148 778)</b>	<b>(2 548 512)</b>	<b>18 733 726</b>

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2024

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

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Motor Vehicles	911 187	300 248
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# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 041 208	(4 964 962)	76 246	5 041 208	(4 911 643)	129 565

#### Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	129 565	(53 319)	76 246

#### Reconciliation of intangible assets - 2024

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

#### Pledged as security

None of the assets were pledged as security:

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

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>9. Payables from exchange transactions</b>		
Trade payables	4 946 874	6 766 972
UIF over deducted from employees	193 496	193 496
Councillors salaries under payments	6 637	6 637
	<b>5 147 007</b>	<b>6 967 105</b>
<b>10. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Rural Roads Assets Management System Grant	-	843 380
Energy Efficiency Demand-Side Management Grant	36 607	46 502
	<b>36 607</b>	<b>889 882</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	889 882	337 122
Additions during the year	14 683 768	12 267 000
Income recognition during the year	(15 529 943)	(11 377 118)
Deducted from equitable share grant	(7 100)	(337 122)
	<b>36 607</b>	<b>889 882</b>

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

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

## 11. Employee benefit obligation

### Reconciliation of employee benefit obligation - 2025

	Opening Balance	Additions	Reversed during the year	Total
Employee benefit obligation - current	688 000	-	(8 000)	680 000
Accrued leave provision	8 807 062	1 082 600	-	9 889 662
Accrued bonus provision	2 020 865	123 196	-	2 144 061
Employee benefit obligation - non-current	8 911 000	1 966 000	-	10 877 000
	<b>20 426 927</b>	<b>3 171 796</b>	<b>(8 000)</b>	<b>23 590 723</b>

### Reconciliation of employee benefit obligation - 2024

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 11. Employee benefit obligation (continued)

#### Long service awards

Valuation method

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

The defined benefit obligation

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

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

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

Long service award

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

#### The amount recognised in the statement of financial position are as follows for 2025:

	Long-service leave benefits	Post-retirement health care benefits	Total
Balance as at 30 June 2024	(4 566 000)	(5 033 000)	(9 599 000)
Current service cost	(530 000)	(41 000)	(571 000)
Interest cost	(459 000)	(592 000)	(1 051 000)
Actuarial (loss) - experience variance	(166 000)	804 000	638 000
Benefits payments	366 000	395 000	761 000
	<b>(5 355 000)</b>	<b>(4 467 000)</b>	<b>(9 822 000)</b>

#### The amount recognised in the statement of financial position are as follows for 30 June 2024:

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 11. Employee benefit obligation (continued)

#### Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

The nominal and real zero curves as at 30 June 2025 supplied by the JSE were used to determine our discount rates and CPI assumptions at each relevant time period. For example a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

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

#### Membership Data

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

	2025	2024
<b>Current employees</b>		
- Number of current employees		
Males	2	3
Females	1	1
- Average age of employees		
Males	63,7	64,2
Females	59,0	58,0
- Average years of past service		
Male	29,40	28,80
Female	26,70	25,70
- Average total monthly premium of Principal members (R)		
Male	R 4, 520	R 5, 160
Female	R 3, 850	R 2, 120
- Average total monthly premium of Adult dependants (R)		
Male	R -	R -
Female	R -	R -
<b>Continuation members</b>		
- Number of continuation members		
Male	5	4
-Average age of continuation members		
Male	72,3	74,1
- Actual percentage married		
Male	100%	100%
Female	0%	0%
- Average total monthly premium of Principal members (R)		
Male	R 5, 510	R 6,170
Female	N/A	N/A
- Average total monthly premium of Adult dependants (R)		
Male	R -	R -
Female	R -	R -

#### Breakdown of Defined Benefit Obligation

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 11. Employee benefit obligation (continued)

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

<b>Breakdown of defined benefit obligation (R'000)</b>	30 June 2025	30 June 2024	30 June 2023
Active members	1 741	2 804	3 225
Continuation members	2 726	2 229	1 851
	<b>4 467</b>	<b>5 033</b>	<b>5 076</b>

### Post-retirement healthcare subsidy sensitivities

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

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

<b>Healthcare cost inflation sensitivity (R'000)</b>	1% decrease	Base	1% increase
Defined benefit obligation	(4 362)	(4 467)	(4 547)
Service cost (next financial year)	(438)	(449)	(457)
Interest cost (next financial year)	(12)	(13)	(13)
	<b>(4 812)</b>	<b>(4 929)</b>	<b>(5 017)</b>

### Assumptions used

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

<b>Long service awards sensitivities (R'000)</b>	1% decrease	Base	1% increase
Total accrued liability	(5 043)	(5 355)	(5 697)
Current service cost	(560)	(597)	(637)
Interest cost	(489)	(520)	(555)
	<b>(6 092)</b>	<b>(6 472)</b>	<b>(6 889)</b>

### Discount rate

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

\*Statement of Financial Position (herein referred to as the "balance sheet").

We use the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

2025	2024 Restated*
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### 11. Employee benefit obligation (continued)

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

#### Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2024 of 5.1%. The next salary increase was assumed to take place on 01 July 2025.

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

#### Promotional Salary Increase Rates

Age Band	2025 Promotional Increase %	2024 Promotional Increase %
20 - 24	5	5
25 - 29	4	4
30 - 34	3	3
35 - 39	2	2
40 - 44	1	1
	-	-

#### Healthcare cost inflation

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

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

#### Demographic assumptions

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

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

#### Summary of key demographic assumptions

Pre-retirement mortality

30 June 2024 & 2025  
SA85-90 mortality tables used. No explicit assumption was made about additional mortality or health care costs due to AIDS.

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>11. Employee benefit obligation (continued)</b>		
Post-retirement mortality		PA(90) mortality tables used. No explicit assumption was made about additional mortality or health care costs due to AIDS.
Withdrawal		See rationale for demographic assumption below
Expected retirement age		65 years for males and females
Percentage married for in-service members		See rationale for demographic assumption below
Spouse and principal member age difference		Males 5 years older than females
Employees' continuation percentage at retirement		90.00%
Percentage of widows continuing membership		10.00%

### Rationale for demographic assumptions

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

### Pre-retirement mortality

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

### Post-retirement mortality

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

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

### Withdrawal assumption

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

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

Withdrawal assumption age	Males	Females
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\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>11. Employee benefit obligation (continued)</b>		
20 - 24	16,00%	24,00%
25 - 29	12,00%	18,00%
30 - 34	10,00%	15,00%
35 - 39	8,00%	10,00%
40 - 44	6,00%	6,00%
45 - 49	4,00%	4,00%
50 - 54	2,00%	2,00%
55 - 59	1,00%	1,00%
60+	0,00%	0,00%

### **Assumed retirement age**

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

### **Spouse and principal member age difference**

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

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

### **Child dependants**

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

### **Percentage married assumption**

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

## **12. Government grants and subsidies**

### **Operating grants**

Equitable share	139 749 100	135 615 000
Financial Management Grant	2 300 000	2 300 000
Expanded Public Works Programme Integrated Grant	2 513 000	3 384 000
Rural Roads Assets Management System Grant	4 161 380	1 739 620
Local Government Sector Education and Training Authority Grant	155 924	-
Energy Efficiency and Demand Side Management Grant	5 502 795	3 953 498
	<b>154 382 199</b>	<b>146 992 118</b>

### **Conditional and Unconditional**

Included in above are the following grants and subsidies received:

Conditional grants received	14 683 768	11 377 118
Unconditional grants received	139 742 000	135 615 000
	<b>154 425 768</b>	<b>146 992 118</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>12. Government grants and subsidies (continued)</b>		
<b>Equitable Share</b>		
Current-year receipts	139 749 100	135 615 000
Conditions met - transferred to revenue	(139 742 000)	(135 278 000)
Other	(7 100)	(337 000)
	<u>-</u>	<u>-</u>

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

### Rural Roads Assets Management System Grant

Balance unspent at beginning of year	843 380	337 122
Current-year receipts	3 318 000	2 583 000
Conditions met - transferred to revenue	(4 161 380)	(1 739 620)
Other	-	(337 122)
	<u>-</u>	<u>843 380</u>

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

### Expanded Public Works Programme Integrated Grant

Current-year receipts	2 513 000	3 384 000
Conditions met - transferred to revenue	(2 513 000)	(3 384 000)
	<u>-</u>	<u>-</u>

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

### Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	46 502	-
Current-year receipts	5 500 000	4 000 000
Conditions met - transferred to revenue	(5 502 795)	(3 953 498)
Other	(7 100)	-
	<u>36 607</u>	<u>46 502</u>

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

### Local Government Sector Education and Training Authority Grant

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

### Financial Management Grant (FMG)

Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	<u>-</u>	<u>-</u>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>12. Government grants and subsidies (continued)</b>		
The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA		
<b>13. Other Transfer revenue</b>		
South African National Biodiveristy (SANBI) Grant	-	550 000
Agricultural Sector Education Training Authority (AgriSETA) Grant	1 052 769	330 000
	<b>1 052 769</b>	<b>880 000</b>
<b>14. Interest received - investments</b>		
<b>Interest revenue</b>		
Bank	5 111 160	5 528 654
<b>15. Service in Kind revenue</b>		
The building that TMDM operates in is owned but the Department of Public Works and the department leases the building to the municipality at no charge. The services in kind are as follows;		
	7 342 944	6 767 690
Basis on which the fair value has been measured has considered fact that the service in kind is received from Department of Public Works and the department does not have to comply with GRAP they are on Cash payments basis and have only valued the buildings in 2013 financial period with the inclusion that yearly escalations are between 7,5% to 8,5		
<b>16. Sundry income</b>		
Tender documents	160 026	50 000
Other income	301 817	225 126
	<b>461 843</b>	<b>275 126</b>
<b>17. Depreciation and amortisation</b>		
Property, plant and equipment	2 548 511	2 532 948
Intangible assets	53 319	52 665
	<b>2 601 830</b>	<b>2 585 613</b>
<b>18. Finance costs</b>		
Actuarial interest costs	1 051 000	1 269 000

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>19. Operational expenses</b>		
Advertising	483 881	1 020 404
Auditors remuneration	4 503 917	4 253 003
Bank charges	120 639	114 723
Bursary fund	915 687	698 490
Cleaning and consumables	106 189	214 705
Catering	1 830 120	2 325 913
Disaster intervention	-	265 560
Disaster recovery services	1 105 000	733 853
District audit committee	366 628	368 866
District Development Model	-	200 175
Donations	-	717 101
Electricity	187 139	2 400
Events management,PA system hire & event decorations	1 365 008	1 853 792
Internet services	1 833 157	1 194 476
Installation of energy efficient lights	2 987 227	2 120 955
Insurance	2 160 361	1 225 425
IT infrastructure support & maintenance	510 255	237 551
Legal Fees	3 119 758	744 664
Magazines, books and periodicals	164 550	221 300
Motor vehicle expenses	1 901 836	1 691 195
Operating lease (Equipment rental)	932 598	940 236
Printing and stationery	382 494	605 061
Repairs and maintenance	2 072 608	1 154 980
Rural community support	59 852	767 348
RRAMS Programme - Disbursement expenses	1 768 289	269 250
Sampling of food and water	253 141	144 434
Service in kind expenditure (Rental expense)	7 342 944	6 767 690
Software and licenses	2 259 333	2 238 017
Subscriptions and membership fees	1 249 581	1 287 613
SMME Development	12 750	-
Sports development programme	234 860	149 376
Telecommunication expenses	1 972 400	1 719 175
Training	781 392	607 743
Transport	993 285	1 196 671
Travel and subsistence	1 796 203	2 115 524
Uniform and protective clothing	328 632	1 873 247
Vetting of employees	26 783	-
AgriSETA & SANBI Learnership	1 350 314	-
Youth development programme - Entrepreneur support	-	27 000
	<b>47 478 811</b>	<b>42 067 916</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>20. Remuneration related cost</b>		
Acting allowances	268 040	185 878
Basic	63 551 760	60 644 445
Bargaining council levies	19 219	253 076
Bonus	4 728 650	4 393 919
Car allowance	14 111 818	13 697 766
Cell phone allowance	1 196 858	1 122 800
Current service costs	571 000	561 000
EPWP Wages	4 815 999	4 781 159
Housing benefits and allowances	571 216	517 643
Leave redemption and provision	2 459 226	2 682 989
Medical aid - company contributions	5 316 868	4 862 484
Overtime payments	54 089	72 522
Pension fund contributions	9 494 345	12 107 742
SDL	875 717	844 285
UIF	321 534	308 899
Shift allowance	1 895 172	1 661 790
Long-service awards	175 002	601 264
Less: Post Retirement Healthcare Subsidy and Long service benefits	(858 000)	(1 680 032)
	<b>109 568 513</b>	<b>107 619 629</b>

### Remuneration of Accounting Officer - Ms. TPM Lebenya

Annual Remuneration	1 227 514	1 226 887
Car allowance	265 998	258 188
Contributions to UIF, Medical and Pension Funds	15 462	14 936
Travel, motor car, accommodation, subsistence and other allowance	60 695	62 660
Cell phone allowance	30 000	30 000
Backpay on upper limits	68 179	-
	<b>1 667 848</b>	<b>1 592 671</b>

Ms. Lebenya's was appointed from 9 February 2023.

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 20. Remuneration related cost (continued)

#### Remuneration of Director Community Services - Mr. SM Lengobala

##### Mr. SM Lengoabala

Annual Remuneration	73 795	961 817
Car allowance	19 933	239 198
Housing allowance	5 000	60 000
Contributions to UIF, Medical and Pension Funds	1 145	14 924
Travel, motor car, accommodation, subsistence and other allowance	-	62 511
Cell phone allowance	2 000	24 000
Leave paid out	386 051	-
Acting allowance	-	15 057
	<b>487 924</b>	<b>1 377 507</b>

Mr. SM Lengoabala was appointed as the Director Community Services from 01 March 2020 and resigned on the 31 July 2024

##### Mr. LW Moshwaliba

Annual Remuneration	474 094	-
Car allowance	142 228	-
Annual bonus	67 314	-
Contributions to UIF, Medical and Pension Funds	113 625	-
Travel, motor car, accommodation, subsistence and other allowance	15 977	-
Cell phone allowance	10 500	-
Acting allowance	127 873	-
	<b>951 611</b>	<b>-</b>

Mr. LW Moshwaliba was appointed as the acting Director Community Services from 01 Aug 2024 to 28 February 2025 and the remuneration paid to him for acting amounts to R127 872.78.

##### Mr. TP Mpele

Annual Remuneration	225 018	-
Car allowance	51 000	-
Contributions to UIF, Medical and Pension Funds	3 550	-
Cell phone allowance	6 000	-
Housing allowance	30 000	-
	<b>315 568</b>	<b>-</b>

Mr. TP Mpele was appointed as the Director Community Services from 01 April 2025 to 30 June 2025.

#### Remuneration of Executive Manager Corporate Service - Mr. RS Mokoena

Annual Remuneration	912 329	811 746
Car allowance	246 681	219 485
Travel, motor car, accommodation, subsistence and other allowance	45 429	68 841
Contributions to UIF, Medical and Pension Funds	12 729	11 043
Housing allowance	61 815	55 000
Cell phone allowance	24 000	20 000
Backpay on upper limits	54 491	-
	<b>1 357 474</b>	<b>1 186 115</b>

Mr. RS Mokoena was appointed on the 01 August 2023.

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>20. Remuneration related cost (continued)</b>		
<b>Remuneration of Chief Financial Officer - Mr. MD Mhlahlo</b>		
Annual Remuneration	853 804	759 673
Car allowance	305 206	271 558
Contributions to UIF, Medical and Pension Funds	14 527	14 148
Travel, motor car, accommodation, subsistence and other allowance	17 871	14 387
Cell phone allowance	24 000	22 000
Housing allowance	61 815	55 000
Acting allowance	-	9 287
Leave paid out	-	164 565
Backpay on upper limits	54 491	-
	<b>1 331 714</b>	<b>1 310 618</b>

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

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

### Remuneration of Director Technical Services - Mrs. MM Nkomo

Annual remuneration	939 261	738 999
Car allowance	219 748	198 494
Housing allowance	61 815	50 000
Cellphone allowance	24 000	20 000
Travel, motor car, accommodation, subsistence and other allowance	109 378	96 516
Contributions to UIF, Medical and Pension Funds	13 140	10 298
Backpay on upper limits	49 537	-
	<b>1 416 879</b>	<b>1 114 307</b>

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 20. Remuneration related cost (continued)

#### Remuneration of councillors

Executive Mayor - Cllr. AC Msibi	1 091 986	995 566
Chief Whip - Cllr. L Makhalema	100 499	113 993
Speaker - Cllr. TJ Mokoena	879 438	804 146
Chairperson MPAC - Cllr. ES Chabeli	861 892	739 372
Mayoral Committee Members	3 803 866	3 114 025
Councillors	2 885 038	3 588 268
	<b>9 622 719</b>	<b>9 355 370</b>

<b>Exec. Mayor, Speaker, Chief Whip and MPAC Chairperson</b>	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Pension and medical aid	Skills development levy	Total
Cllr. AC Msibi	791 911	246 766	43 200	-	10 109	1 091 986
Cllr. LU Makhalema	99 365	139	-	-	994	100 498
Cllr. TJ Mokoena	631 540	197 417	43 200	-	7 282	879 439
Cllr. ES Chabeli	589 649	222 196	43 200	-	6 848	861 893
Subtotal	2 112 465	666 518	129 600	-	25 233	2 933 816
	<b>2 112 465</b>	<b>666 518</b>	<b>129 600</b>	<b>-</b>	<b>25 233</b>	<b>2 933 816</b>

<b>Mayoral committee members</b>	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Pension and medical aid	Skills development levy	Total
Cllr. TN Masiteng	388 679	139 677	-	-	4 920	533 276
Cllr. A Fume	594 133	191 254	43 200	-	6 900	835 487
Cllr. TJ Mahlambi	367 171	128 022	-	-	4 545	499 738
Cllr. MJ Vilakazi	605 440	194 713	43 200	-	7 262	850 615
Cllr. MS Mosia	367 725	134 223	-	-	4 162	506 110
Cllr. TJ Motaung	383 579	153 957	36 000	-	5 104	578 640
Subtotal	2 706 727	941 846	122 400	-	32 893	3 803 866
	<b>2 706 727</b>	<b>941 846</b>	<b>122 400</b>	<b>-</b>	<b>32 893</b>	<b>3 803 866</b>

	Basic salary	Travel, motor car and other allowance	Cell phone allowance	Skills development levy	Sitting allowance	Total
Other councillors	1 751 245	618 723	295 200	23 723	196 147	2 885 038
Subtotal	1 751 245	618 723	295 200	23 723	196 147	2 885 038
	<b>1 751 245</b>	<b>618 723</b>	<b>295 200</b>	<b>23 723</b>	<b>196 147</b>	<b>2 885 038</b>

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>20. Remuneration related cost (continued)</b>		
In-kind benefits		
The Executive Mayor, Speaker, Chief Whip, MPAC Chairperson and Mayoral Committee Members are full-time councillors. The Executive Mayor, Speaker, Chief Whip and MPAC Chairperson are provided with offices and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of council.		
The Executive Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
The Executive Mayor and the Speaker have a full-time driver / bodyguard.		
The salaries, allowances and benefits of councillors as disclosed above are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act		
<b>21. Cash (used in) generated from operation</b>		
Deficit	(8 946 917)	(7 300 075)
<b>Adjustments for:</b>		
Depreciation and amortisation	2 601 830	2 585 613
Finance costs	1 051 000	1 269 000
Leave provision	1 082 600	858 958
Post Retirement Healthcare Subsidy and Long service benefits	(858 000)	(1 680 032)
Movements in Employee benefit provisions	949 942	(463 318)
Bonus provision	123 196	167 207
Non-cash donations	-	717 101
Actuarial gain/loss	1 194 000	(572 968)
Gain / loss on sale of assets and liabilities	148 778	185 522
Interest received	(234 647)	(434 859)
Donations received	(115 479)	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(8 249)	1 153 225
Receivables from non-exchange transactions	46 075	3 123 046
Payables from exchange transactions	(1 820 098)	(242 765)
VAT	205 117	369 842
Unspent conditional grants and receipts	(853 275)	889 882
	<b>(5 434 127)</b>	<b>625 379</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>22. Financial liability by category</b>		
The accounting policies for financial instruments have been applied to the column items below:		
<b>2025</b>	Financial liabilities at amortised cost	Total
Payables from exchange transactions	5 080 475	5 080 475
<b>2024</b>	Financial liabilities at amortised cost	Total
Payables from exchange transactions	6 967 105	6 967 105
<b>23. Provisions, contingent assets and contingent liabilities</b>		
<b><u>Contingent liabilities</u></b>		
<b>Ktravel agency vs Thabo Mofutsanyana</b>	153 262	153 262
The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality.		
<b>Ex-Employees vs Thabo Mofutsanyana</b>	248 083	248 083
The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality		
<b>Maluti-A-Phofung seconded Councillors vs Thabo Mofutsanyana</b>	5 497 850	5 497 850
The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality		
<b>Podbeilski Mhlambi Attorneys vs Thabo Mofutsanyana</b>	36 423 638	36 423 638
The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality		
<b>Municipal Employees Pension Fund vs Thabo Mofutsanyana</b>	4 095 764	-
The timing and/or the amount of the outflow in relation to this matter is uncertain to the municipality		
<b>DW Wessels and 6 others vs Thabo Mofutsanyana</b>	4 432 501	4 432 501

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

2025	2024 Restated*
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### 23. Provisions, contingent assets and contingent liabilities (continued)

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

#### Financial Guarantees

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

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

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

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

### 24. Related parties

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

Related parties include:

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

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

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

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

2025

2024  
Restated\*

### 25. Risk management

#### Financial risk management

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

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

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

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

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

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

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

#### Liquidity risk

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

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

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

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

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

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

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

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 25. Risk management (continued)

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	706 051	4 240 923	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	4 749 412	2 158 191	-	-
At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Receivables from exchange transactions	409 110	1 305 419	-	-
• Receivables from non-exchange transactions	-	2 863 588	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Receivables from exchange transactions	434 860	1 271 419	-	-
• Receivables from non-exchange transactions	-	2 909 663	-	-

### Credit risk

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

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Receivables are presented net of an allowance for impairment.

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

Financial instrument	2024	2024
ABSA Bank - Cheque account	5 720 581	2 813 980
ABSA Bank - Liquidity plus	4 974 224	5 307 060
ABSA Bank - Fixed deposit 2	3 888 668	3 596 684
ABSA Bank - Fixed deposit 3	8 531 709	10 044 985
ABSA Bank - Fixed deposit 4	5 640 447	14 266 237

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>25. Risk management (continued)</b>		
Nedbank - Fixed deposit	7 819 250	7 233 571
Receivables from exchange transactions	443 109	434 860
Receivables from non-exchange transactions	388 131	434 206

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

The balances represent the maximum exposure to credit risk.

Receivables from exchange and non-exchange transactions

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

0 to 3 months	234 647	434 860
3+ to 6 months	-	-
Over 6 months	4 343 470	4 181 082
Less: Provision for Impairment	(3 746 877)	(3 746 877)
	<b>831 240</b>	<b>869 065</b>

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

Balance at the beginning of the year	3 746 877	3 169 146
Adjustments for impairment	-	577 731
	<b>3 746 877</b>	<b>3 746 877</b>

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

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

Over 6 months	409 109	3 169 146
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## Market risk

### Cash flow and fair value interest rate risk

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

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

2025	2024 Restated*
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### 26. Going concern

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

During the year ended 30 June 2024, the municipality incurred a deficit of R 8 946 917 and the municipality's total assets exceed its total liabilities by R 31 769 532, in addition the municipality has a possible obligation of R46 850 334 pending the court ruling as disclosed in note 23. These conditions and events do not cast doubt on the municipality's ability to continue as a going concern.

The ability of the municipality to continue as a going concern is dependent on a number of factors and the most significant one is that the municipality mainly relies on the funding from National and Provincial Government Grant on its day-to-day operations:

The funding for the municipality is likely to continue as per the approved budget for the 2025/2026 financial year by Council. The Approved budget has been assessed and approved by Treasury.

The municipality is highly reliant on the grants and if these are reduced, will have impact on the municipality's going concern. However, no intention to reduce the grants has been noted and no further intention to close or scale down the municipality has been noted from the National and Provincial Government,

The ability of the municipality to continue as a going concern is dependent on the fact the most of the municipality's funding is from grant funding which is guaranteed to be received as allocated in the Division of Revenue Act and Provincial Gazette. This Funding is expected to slightly increase in the next financial year as shown on the Division of Revenue Act and will assist the municipality in incurring what what the municipality budgeted for properly in the expenses.

### 27. Events after the reporting date

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

### 28. Unauthorised expenditure

Opening balance as previously reported	3 916 157	2 830 568
<b>Opening balance as restated</b>	<b>3 916 157</b>	<b>2 830 568</b>
Add: Irregular Expenditure - current period	548 087	1 085 589
<b>Closing balance</b>	<b>4 464 244</b>	<b>3 916 157</b>

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

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## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>29. Irregular expenditure</b>		
Opening balance as previously reported	24 907 227	25 905 892
<b>Opening balance as restated</b>	<b>24 907 227</b>	<b>25 905 892</b>
Add: Irregular Expenditure - current period	6 839 671	10 158 359
Less: Amount written off - prior	(9 935 759)	(11 160 024)
<b>Closing balance</b>	<b>21 811 139</b>	<b>24 904 227</b>

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

A Municipal Public Accountant Committee is to convene to analyse and review the findings on irregular expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council.

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

### Irregular expenditure arising from:

Three quotations not sourced	-	198 460
Payment made without a valid invoice	-	64 140
PPPF Framework not considered	-	157 177
SCM Reg 5 not considered	100 000	264 623
Non-tax compliant supplier appointed	-	952 753
Advertisement not placed on on notice board for 7 days SCM Reg 18	-	85 401
Regulation 17, 18, and 19 not considered	772 826	6 125 720
Regulation 36 not applied	244 893	2 310 085
Unapproved contract extentions	4 827 171	-
Declaration of interest not supplied	202 499	-
Preferred supplier not awarded	99 999	-
Request for quotations not attached	592 283	-
	<b>6 839 671</b>	<b>10 158 359</b>

### 30. Fruitless and wasteful expenditure

Opening balance as previously reported	54 455	48 278
<b>Opening balance as restated</b>	<b>3 228 904</b>	<b>48 278</b>
Add: Fruitless Expenditure - current period	-	6 177
Less: Amount written off - current	-	-
<b>Closing balance</b>	<b>3 228 904</b>	<b>54 455</b>

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>31. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1 182 382	1 209 384
Amount paid - current year	(1 182 382)	(1 209 384)
	-	-
<b>Audit fees</b>		
Current year subscription / fee	4 503 917	4 253 003
Amount paid - current year	(4 503 917)	(4 253 003)
	-	-
<b>PAYE, SDL and UIF</b>		
Current year subscription / fee	22 047 672	20 549 109
Amount paid - current year	(22 047 672)	(20 549 109)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	24 799 136	13 835 290
Amount paid - current year	(24 799 136)	(13 835 290)
	-	-
<b>VAT</b>		
VAT receivable	4 327 778	4 532 896
VAT payable	-	-
	<b>4 327 778</b>	<b>4 532 896</b>
<b>32. Municipal office occupation</b>		
The municipal head office situated at 1 Mampoi Street, Old parliament Building, Witsieshoek. The building is leased from Free State Department of Public Works for no rental consideration.		
<b>33. Contracted services</b>		
<b>Consultants and Professional Services</b>		
System support consultancy	2 093 551	2 206 491
Professional fees on Grant expenditure	3 545 109	2 209 303
Actuarial Valuation fees	41 000	27 000
Review of annual financial statements	68 000	47 640
	<b>5 747 660</b>	<b>4 490 434</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>34. Revenue</b>		
Sundry income	461 843	275 126
Interest received - investment	5 111 160	5 528 654
Service in Kind revenue	7 342 944	6 767 690
Government grants & subsidies	154 382 199	146 992 118
Public contributions and donations	115 479	-
Other transfer revenue	1 052 769	880 000
Gain on disposal of assets	-	63 458
	<b>168 466 394</b>	<b>160 507 046</b>

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

Interest received - investment	5 111 160	5 528 654
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**The amount included in revenue arising from non-exchange transactions is as follows:**

**Donations, bequests and in-kind revenue**

Service in Kind revenue	7 342 944	6 767 690
<b>Transfer revenue</b>		
Government grants & subsidies	154 382 199	146 992 118
Public contributions and donations	115 479	-
Other transfer revenue	1 052 769	880 000

**35. Sundry income**

Sundry income	461 843	275 126
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**36. Auditors' remuneration**

Fees	4 503 917	4 253 003
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\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
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### 37. Budget differences

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

38.1 Sundry Income - Budgeted amount is less than actual due to fact that actual amount includes refund from a service provider and monthly contributions from ex-employees that qualify for Post Healthcare Subsidy.

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

38.3 Cash backed accumulated funds (Prior year surplus) – budgeted amount is higher than actual due to cash backed reserves, capital replacement reserves.

38.4 Contracted services – Budgeted amount is less than the actual amount this is due to professional fees charged by consultants against operational expenses. Transactions were re-classified by nature in accordance with presentation and disclosure standards.

38.5 Operational expenses – Budgeted amount is more than the actual amount this is due to some programs and projects that weren't executed as planned in the current financial period.

38.6 Receivables for exchange transactions – Budgeted amount is more than the actual balance there was movement of debtor's balance in the year under review as compared to the prior period when municipality struggled to collect debts.

38.7 Property Plant and Equipment – Budgeted balance is more that the actual balance this is due to delay of procurement of a capital project service provider, revised scope of the projected also reduced the estimated project cost of supply and installation of the clear view fencing.

38.8 Intangible Assets – budgeted balance is more than the actual balance due fact that additional systems that were budgeted for where already included in the MSCOA system this meant that no additional costs were incurred to activate ESS system.

38.9 Financial liabilities – Budgeted balance is more than the actual balance; municipality does not have a contractual obligation to deliver cash or another financial asset to another entity.

38.10 Payables from exchange transactions – Budgeted balance is more than the actual balance, service providers submitted invoices timeously in the current financial period therefore at year end majority of invoices were already paid within the regulated timeframe.

### 38. Deviations

Deviations from normal supply chain procedures.

Category	Supplier	2025	2024
Price: R2 000 to R10 000		-	-
		-	-
Price: R10 000 to R30 000	Setsoto FM	-	10 000
	Kevcor Safety (Pty) Ltd	-	8 834
		-	-
Price: R30 000 and above	Baha Mofokeng Genrral Trade	-	28 000
	Setsoto FM	27 000	-
	Dihlabeng FM	24 000	-
		-	-

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>38. Deviations (continued)</b>		
	-	-
	-	-
	-	-
Mornpard Molake Supply	-	673 268
Mabolela Construction and Mechanical	-	547 092
Mornpard Molake Supply	-	621 725
Kaho Ya Sechaba Holdings	888 750	421 130
Monoceros Electrical	-	224 825
Rara N Phapz	-	305 394
	<b>939 750</b>	<b>2 840 268</b>

### 39. Segment reporting

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

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

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

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

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

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

	2025	2024 Restated*
<b>40. VAT receivable</b>		
VAT	4 327 778	4 532 896
Opening balance	4 532 896	4 902 739
VAT input declared	4 784 358	4 186 599
	-	-
Refunds received from SARS	(4 989 476)	(4 556 442)
	<b>4 327 778</b>	<b>4 532 896</b>

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

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

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

### 41. Changes in Accounting Estimate

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

The aggregate effect of the changes in estimate on the annual financial statements for the year ended 30 June 2024 is as follows:

#### Statement of financial position

##### Property, plant and equipment

Previously stated	18 136 616	19 952 719
Adjustment	108 357	253 692
	<b>18 244 973</b>	<b>20 206 411</b>

#### Statement of Financial Performance

##### Depreciation

Previously stated	2 656 804	2 786 641
Adjustment	(108 294)	(253 692)
	<b>2 548 510</b>	<b>2 532 949</b>

### 42. Operating lease

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

#### Minimum lease payment due

- not later than one year	1 222 312	1 222 312
- later than one year but not later than five year	-	1 222 312
	<b>1 222 312</b>	<b>2 444 624</b>

\* See Note 41 & 43

# THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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2025	2024 Restated*
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### 43. Prior period errors

#### 43.1. Remuneration of employee and councillors

Employee related costs were erroneously overstated by R 164 415.93 and the Remuneration of Councillors was understated by R165 415.93 due to a presentation error.

The correction of the error resulted in adjustment as follows;

#### Statement of Financial Performance (30 June 2024)

Employee related costs	-	(165 416)
Remuneration of councillors	-	165 416
	<u>-</u>	<u>-</u>

#### 43.2. Receivables from non-exchange transactions.

Derecognition of a receivable that does no longer meet the definition of an asset or does not meet the recognition criteria of an asset which had overstated receivables from non-exchange transactions and understated employee related costs.

The impact is as follows:

#### Statement of Financial Performance (30 June 2024)

Employee related costs	-	<u>3 174 450</u>
<b>Statement of Financial Performance (30 June 2024)</b>		
Receivables from non-exchange transactions	-	<u>(3 174 450)</u>

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\* See Note 41 & 43