



MALUTI-A-PHOFUNG LOCAL MUNICIPALITY  
(Registration number MAP FS194)  
Annual Financial Statements  
for the year ended June 30, 2021

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) Municipal demarcation code - FS 194 - Governed by the MFMA (Act 56 of 2003)
<b>Nature of business and principal activities</b>	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
<b>Legislation governing the municipality's operations</b>	Constitution of the Republic of south Africa (Act 108 of 1996)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)Municipal Property Rates Act (act of 6 2004)Division of Revenue Act (Act Nr 4 of 2020)
<b>Accounting Officer</b>	F.P. Mothamaha
<b>Chief Financial Officer (CFO)</b>	J.M. Mazinyo
<b>Business address</b>	Cnr Moremoholo & Motlounng Street Phuthaditjhaba 9870
<b>Postal address</b>	Private Bag X805 Phuthaditjhaba 9870
<b>Bankers</b>	First National Bank Standard Bank ABSA Bank Limited Refer to note 14

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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## General Information

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<b>Executive Mayor</b>	M.M. Mosia
<b>Speaker</b>	T.R. Thebe
<b>Chief Whip</b>	B.D. Mofokeng
<b>Mayoral Committee</b>	J.M. Mokoena M.M. Mavuso D.J. Nhlapo T.D. Baas M.L. Mokoena J.T. Mopeli T.J. Nthinya H.F. Mdakane K.P. Moloi M.J. Tshabalala M. Mlangeni S.J. Mahlangu M. Crockett M.J. Tsotetsi M.B. Lebesa
<b>Councillors</b>	D.J. Mokoena P.J. Lebesana M.A.Khambule S.G. Letooane M.P.Mpakathe D.G. Semela P.B. Beukes T.I. Hatla K.P. Moloi K.K. Charlie M.A. Mosia N.T. Chatimba M.S. Mota T.P. Motlokoa M.L. Moloi M.L. Mosia M.A. Tshabalala N.M. Monkoe L.B. Mokoena P.M. Mofokeng M.A. Mhlambi M.R. Motshweneng M.J. Tshabalala V.S. Msimanga N.D. Mofokeng H.D. Dlamini M. Mlangeni M.S. Mkhwanazi M.C. Ramooana H.F. Mdakane M.M. Motsima A.M. Oates L. Malimabe M.J. Tsotetsi T.M. Mavuso F.T.Rapuleng M.C. Mositi P.G. Makae M.A. Mofokeng Tsoeu M.J. Lebesa

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

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## General Information

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E.N. Gamede  
D.A. Dlamini  
L.A. Mboso  
T.R. Mohlekwa  
I.N. Rmohloli  
T.D. Moloi  
L.B. Sesoi  
M.P. Moahi  
T.Z. Macholo  
M.W. Dlamini  
M.J. Ralethohlane  
S.J. Motaung  
M.I. Naledi  
J. Ramtsane  
D.E. Sefatsa  
N.R. Mokoena  
T.G. Mokotso  
T.J. Mosia  
L.C. Tekela  
M.J. Lebesa  
M.P. Molahlehi

### Auditors

The Auditor-General of South Africa  
Registered Auditors(AGSA)

### Legal representatives

Balden, Vogel and Vennote  
Zola Majavu Attorneys  
Sunil Narian Incorporated  
Mdluluwa Nkuhlu Attorneys  
Moroka Attorney's  
Niemann Grobbelaar  
Ponoane Attorneys

### Grading of local authority

Grade 4 Local Municipality  
In terms of Remuneration of Public Office Bearers Act, Act 20 of 1998

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act (Act 56 of 2003)
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
SAPS	South African Police Service
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
ASB	Accounting Standards Board
SCM	Supply Chain Management

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Accounting Officer's statement

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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 was 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.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on December 10, 2021 and were signed on its behalf by:

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**Accounting Officer**  
**F.P. MOTHAMAHA**

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Accounting Officer's Report

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### 1. Review of activities

#### Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net deficit of the municipality was R 605,770,390 (2020: deficit R 1,035,532,434)

### 2. Going concern

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of R (2,305,491,562) and that the municipality's total liabilities exceed its assets by R (2,028,666,357).

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.

The municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far as possible, the municipality factored in the effect of the lockdown levels had on its own economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.

### 3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

The national state of disaster has been extended until further notice. The financial impact has been assessed and disclosed. Other than the COVID-19 pandemic, the municipality had no other significant events after statement of financial position date.

### 4. Accounting policies

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

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Accounting Officer's Report

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### 5. Integrity management

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles, which resulted in council appointing a section 32 committee to investigate irregular matters, without councillor and/or political interference.

All staff, including senior management and councillors, are obliged to declare specific personal assets and private business interests on an annual basis, such as:

1. Shares and other financial interests (not bank accounts with financial institutions);
2. Directorships and partnerships (also those held by the spouse and close family members);
3. Remunerated work outside of the municipality;
4. Consultancies and retainerships;
5. Sponsorships;
6. Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a 12 month period);
7. Land and property registered in their name;
8. Vehicle(s) owned (registered) in their name;
9. Participation in elections.

The status of reported cases is as follows:

1. 2018/2019

Total Number of Cases reported - 4

Total Number of Cases resolved - 0

(0% resolved)

2019/2020

Total Number of Cases reported - None

Total Number of Cases resolved - None

Total Number of Cases pending - None

(0% resolved)

Pending Cases:0

Under investigation:0

SAPS: 0

The primary transgressions are summarized as follows:

1. Transgression of the Code of Conduct for Municipal Staff Members;
2. Tampering/Illegal electricity connections;
3. Tender irregularities;
4. Intimidation & victimisation;
5. Theft & bribery;
6. Illegal land invasion;
7. Misuse/Abuse of council vehicles.

The relevant remedial actions, according to Council's Policies, were initiated, i.e. disciplinary action and criminal prosecution. Management reviewed controls and internal audit tested the effectiveness of the controls in order to prevent recurrence. Matters reported to external authorities for further investigations in line with the MFMA are therefore removed from the control of the municipality.

The accounting officers of the municipality during the year and as at the date of this report are as follows:

Name	Nationality	Changes
F.P. Mothamaha	South African	Appointed, 1 April 2020 to current

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**Accounting Officer**  
**F.P. MOTHAMAHA**



# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Statement of Financial Position as at June 30, 2021

Figures in Rand	Note(s)	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	7,900,733	7,661,062
Receivables from exchange transactions	9&12	999,027,619	814,895,442
Receivables from non-exchange transactions	10&12	235,164,422	170,664,939
VAT receivable	11	619,073,451	493,789,877
Cash and cash equivalents	13	348,321,308	49,628,562
		<b>2,209,487,533</b>	<b>1,536,639,882</b>
<b>Non-Current Assets</b>			
Investment property	3	53,717,241	53,717,241
Property, plant and equipment	4	3,684,519,980	3,791,741,851
Intangible assets	5	233,395	233,395
Investments in controlled entities	6	300	300
Other financial assets	7	899,716	903,151
		<b>3,739,370,632</b>	<b>3,846,595,938</b>
<b>Total Assets</b>		<b>5,948,858,165</b>	<b>5,383,235,820</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	15	6,649,128	5,518,978
Payables from exchange transactions	17	7,807,080,102	6,643,959,092
Consumer deposits	18	25,120,904	24,872,051
Unspent conditional grants and receipts	14	12,608,447	1,380,797
		<b>7,851,458,581</b>	<b>6,675,730,918</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	15	-	4,095,607
Employee benefit obligation		88,065,000	88,065,000
Provisions	16	38,004,377	38,004,377
		<b>126,069,377</b>	<b>130,164,984</b>
<b>Total Liabilities</b>		<b>7,977,527,958</b>	<b>6,805,895,902</b>
<b>Net Assets</b>		<b>(2,028,669,793)</b>	<b>(1,422,660,082)</b>
Reserves			
Revaluation reserve		276,825,205	276,825,205
Accumulated surplus		(2,305,491,562)	(1,699,485,289)
<b>Total Net Assets</b>		<b>(2,028,666,357)</b>	<b>(1,422,660,084)</b>

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	284,228,220	321,266,742
Sale of housing	19	161,030	66,957
Rental of facilities and equipment	21	-	8,696
Interest received (trading)	25	19,781,196	25,650,407
Recoveries	23	86,828	56,944
Sale of goods and rendering of services	24	1,833,288	4,549,284
Library services	24	3,289,543	2,987,469
Interest received - investment	25	2,305,181	11,062,081
Fair value adjustments		-	369,972
Inventories reversal		10,548	-
<b>Total revenue from exchange transactions</b>		<b>311,695,834</b>	<b>366,018,552</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	168,504,694	168,486,901
Property rates - penalties imposed	26	8,216,749	10,933,735
<b>Transfer revenue</b>			
Government grants & subsidies	27	999,208,350	836,768,243
Fines, Penalties and Forfeits	22	228,904	692,425
<b>Total revenue from non-exchange transactions</b>		<b>1,176,158,697</b>	<b>1,016,881,304</b>
<b>Total revenue</b>	19	<b>1,487,854,531</b>	<b>1,382,899,856</b>
<b>Expenditure</b>			
Employee related costs	28	(415,555,274)	(592,498,849)
Remuneration of councillors	29	(27,412,879)	(25,529,172)
Administration	30	(24,836)	-
Depreciation and amortisation	31	(340,242,362)	(331,497,693)
Finance costs	32	(6,362,447)	(4,050,340)
Debt Impairment	33	(95,321,065)	-
Collection costs		(20,000)	(320,180)
Bulk purchases	34	(798,511,853)	(736,254,516)
Contracted services	35	(69,569,767)	(82,195,034)
Inventories losses/write-downs		-	(19,228)
Operating cost	36	(340,604,438)	(646,067,278)
<b>Total expenditure</b>		<b>(2,093,624,921)</b>	<b>(2,418,432,290)</b>
<b>Deficit for the year</b>		<b>(605,770,390)</b>	<b>(1,035,532,434)</b>

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at July 1, 2019</b>	<b>276,825,205</b>	<b>(663,952,855)</b>	<b>(387,127,650)</b>
Changes in net assets			
Surplus for the year		- (1,035,532,434)	(1,035,532,434)
Total changes		- (1,035,532,434)	(1,035,532,434)
<b>Balance at July 1, 2020</b>	<b>276,825,205</b>	<b>(1,699,721,172)</b>	<b>(1,422,895,967)</b>
Changes in net assets			
Surplus for the year		- (605,770,390)	(605,770,390)
Total changes		- (605,770,390)	(605,770,390)
<b>Balance at June 30, 2021</b>	<b>276,825,205</b>	<b>(2,305,491,562)</b>	<b>(2,028,666,357)</b>
Note(s)			

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		179,420,636	158,190,816
Sale of goods and services		304,482,015	277,752,709
Grants		752,004,253	700,039,309
Interest income		2,305,181	11,062,081
		1,238,212,085	1,147,044,915
<b>Payments</b>			
Employee costs		(621,715,012)	(624,082,665)
Suppliers		(79,250,457)	363,304,262
Finance costs		(6,362,447)	(4,050,340)
		(707,327,916)	(264,828,743)
<b>Undefined difference compared to the cash generated from operations note</b>		<b>(1)</b>	<b>-</b>
<b>Net cash flows from operating activities</b>	<b>38</b>	<b>530,884,168</b>	<b>882,216,172</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(237,870,116)	(764,422,557)
Proceeds from sale of property, plant and equipment	4	4,849,625	-
Purchase of other intangible assets	5	-	(8,900)
Proceeds from sale of other intangible assets	5	-	1,338,651
Proceeds from sale of financial assets		3,435	451,229
<b>Net cash flows from investing activities</b>		<b>(233,017,056)</b>	<b>(762,641,577)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(2,965,457)	1,355,455
Movement in other liability		3,791,090	(84,031,673)
<b>Net cash flows from financing activities</b>		<b>825,633</b>	<b>(82,676,218)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>298,692,745</b>	<b>36,898,377</b>
Cash and cash equivalents at the beginning of the year		49,628,562	12,730,185
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>348,321,307</b>	<b>49,628,562</b>

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## 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 to Note 51 for Explanations on differences
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	695,796,202	(695,796,202)	-	284,228,220	<b>284,228,220</b>	
Rendering of services	1,191,016	(1,191,016)	-	161,030	<b>161,030</b>	
Rental of facilities and equipment	476,406	(476,406)	-	-	-	
Interest received (trading)	54,607,812	(54,607,812)	-	19,781,196	<b>19,781,196</b>	
Recoveries	171,540	(171,540)	-	86,828	<b>86,828</b>	
Other income - (rollup)	2,373,841	(2,373,841)	-	1,833,288	<b>1,833,288</b>	
Other farming income 1	3,293,109	(3,293,109)	-	3,289,543	<b>3,289,543</b>	
Interest received - investment	5,000,000	(5,000,000)	-	2,305,181	<b>2,305,181</b>	

<b>Total revenue from exchange transactions</b>	<b>762,909,926</b>	<b>(762,909,926)</b>	-	<b>311,685,286</b>	<b>311,685,286</b>	
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##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	189,074,048	(189,074,048)	-	168,504,694	<b>168,504,694</b>	
Property rates - penalties imposed	21,581,019	(21,581,019)	-	8,216,749	<b>8,216,749</b>	

##### Transfer revenue

Government grants & subsidies	1,015,790,998	(1,015,790,998)	-	999,208,350	<b>999,208,350</b>	
Fines, Penalties and Forfeits	1,768,866	(1,768,866)	-	228,904	<b>228,904</b>	

<b>Total revenue from non-exchange transactions</b>	<b>1,228,214,931</b>	<b>(1,228,214,931)</b>	-	<b>1,176,158,697</b>	<b>1,176,158,697</b>	
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<b>Total revenue</b>	<b>1,991,124,857</b>	<b>(1,991,124,857)</b>	-	<b>1,487,843,983</b>	<b>1,487,843,983</b>	
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#### Expenditure

Personnel	(453,052,402)	453,052,402	-	(415,555,274)	<b>(415,555,274)</b>	
Remuneration of councillors	(30,348,003)	30,348,003	-	(27,412,879)	<b>(27,412,879)</b>	
Administration	(28,236,200)	28,236,200	-	(24,836)	<b>(24,836)</b>	
Depreciation and amortisation	(200,000,000)	200,000,000	-	(340,242,362)	<b>(340,242,362)</b>	
Finance costs	(6,890,000)	6,890,000	-	(6,362,447)	<b>(6,362,447)</b>	
Debt Impairment	(245,321,065)	245,321,065	-	(95,321,065)	<b>(95,321,065)</b>	
Collection costs	-	-	-	(20,000)	<b>(20,000)</b>	
Bulk purchases	(812,572,141)	812,572,141	-	(798,511,853)	<b>(798,511,853)</b>	
Contracted Services	(112,844,551)	112,844,551	-	(69,569,767)	<b>(69,569,767)</b>	
General Expenses	(536,853,202)	536,853,202	-	(340,604,438)	<b>(340,604,438)</b>	

<b>Total expenditure</b>	<b>(2,426,117,564)</b>	<b>2,426,117,564</b>	-	<b>(2,093,624,921)</b>	<b>(2,093,624,921)</b>	
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<b>Operating deficit</b>	<b>(434,992,707)</b>	<b>434,992,707</b>	-	<b>(605,780,938)</b>	<b>(605,780,938)</b>	
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Inventories losses/write-downs	-	-	-	10,548	<b>10,548</b>	
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<b>Deficit before taxation</b>	<b>(434,992,707)</b>	<b>434,992,707</b>	-	<b>(605,770,390)</b>	<b>(605,770,390)</b>	
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(434,992,707)</b>	<b>434,992,707</b>	-	<b>(605,770,390)</b>	<b>(605,770,390)</b>	
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# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## 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 to Note 51 for Explanations on differences
Figures in Rand						

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## 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 to Note 51 for Explanations on differences
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	86,527	(86,527)	-	7,900,733	7,900,733	
Receivables from exchange transactions	168,889,517	(168,889,517)	-	999,027,617	999,027,617	
Receivables from non-exchange transactions	23,812,220	(23,812,220)	-	235,164,422	235,164,422	
VAT receivable	151,617,005	(151,617,005)	-	619,073,451	619,073,451	
Cash and cash equivalents	4,679,677,322	4,679,677,322	-	348,321,308	348,321,308	
	<b>4,335,272,053</b>	<b>4,335,272,053</b>	-	<b>2,209,487,531</b>	<b>2,209,487,531</b>	

##### Non-Current Assets

Investment property	-	-	-	53,717,241	53,717,241	
Property, plant and equipment	311,324,916	(311,324,916)	-	3,684,519,980	3,684,519,980	
Intangible assets	-	-	-	233,395	233,395	
Investments in controlled entities	-	-	-	300	300	
Other financial assets	-	-	-	899,716	899,716	
	<b>311,324,916</b>	<b>(311,324,916)</b>	-	<b>3,739,370,632</b>	<b>3,739,370,632</b>	

<b>Total Assets</b>	<b>4,023,947,137</b>	<b>4,023,947,137</b>	-	<b>5,948,858,163</b>	<b>5,948,858,163</b>	
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#### Liabilities

##### Current Liabilities

Other financial liabilities	(228,284)	228,284	-	6,649,128	6,649,128	
Payables from exchange transactions	6,704,702	(6,704,702)	-	7,807,080,102	7,807,080,102	
Consumer deposits	237,789	(237,789)	-	25,120,904	25,120,904	
Unspent conditional grants and receipts	2,914,000	(2,914,000)	-	12,608,447	12,608,447	
	<b>9,628,207</b>	<b>(9,628,207)</b>	-	<b>7,851,458,581</b>	<b>7,851,458,581</b>	

##### Non-Current Liabilities

Employee benefit obligation	-	-	-	88,065,000	88,065,000	
Provisions	-	-	-	38,004,377	38,004,377	
	-	-	-	<b>126,069,377</b>	<b>126,069,377</b>	

<b>Total Liabilities</b>	<b>9,628,207</b>	<b>(9,628,207)</b>	-	<b>7,977,527,958</b>	<b>7,977,527,958</b>	
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<b>Net Assets</b>	<b>4,033,575,344</b>	<b>4,033,575,344</b>	-	<b>(2,028,669,795)</b>	<b>(2,028,669,795)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Revaluation reserve	-	-	-	276,825,205	276,825,205	
Accumulated surplus	4,033,575,344	4,033,575,344	-	(2,305,495,000)	(2,305,495,000)	
<b>Total Net Assets</b>	<b>4,033,575,344</b>	<b>4,033,575,344</b>	-	<b>(2,028,669,795)</b>	<b>(2,028,669,795)</b>	

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Accounting Policies

Figures in Rand	Note(s)	2021	2020
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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.

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

All figures are rounded to the nearest Rand, unless specified otherwise.

No foreign exchange transactions are included in the statements.

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

#### 1.4 Consolidation/Entity combinations

##### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the municipality presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.



# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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## Accounting Policies

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### 1.4 Consolidation/Entity combinations (continued)

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the municipality is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the municipality and the Special purpose entity indicates that the Special purpose entity is controlled by the municipality.

### Investment in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality's share of net assets of the investee. The surplus or deficit of the municipality includes the municipality's share of the surplus or deficit of the investee.

The municipality's share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available annual financial statements of the associate are used by the municipality in applying the equity method. When the reporting dates of the municipality and the associate are different, the associate prepares, for the use of the municipality, annual financial statements as of the same date as the annual financial statements of the municipality unless it is impractical to do so.

When the annual financial statements of an associate used in applying the equity method are prepared as of a different date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality's annual financial statements. In any case, the difference between the end of the reporting dates of the associate and that of the municipality is no more than three months. The length of the reporting dates and any difference between the ends of the reporting dates is the same from period to period.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Accounting Policies

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### 1.4 Consolidation/Entity combinations (continued)

The municipality's annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Surpluses and surplus (deficit) on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standards of GRAP on Financial instruments from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as the fair value on initial recognition as a financial asset in accordance with the Standards of GRAP on Financial instruments.

### 1.5 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. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. The municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

#### Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value or current replacement cost, where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or current replacement cost, where applicable, is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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Annual Financial Statements for the year ended June 30, 2021

## Accounting Policies

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

#### Impairment testing

Value in use of cash-generating 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. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as exchange rates, inflation and interest.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment is terminated.

#### Prepaid electricity

Pre-paid electricity is only recognised as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all facts and circumstances estimating the useful lives of assets, which includes the consideration of financial, technical and other facts. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

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 pension obligations. 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 pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

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## Accounting Policies

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

#### Allowance for doubtful debts

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

#### Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note .

### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

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

The fair value of investment property reflects market conditions at the reporting date.

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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## Accounting Policies

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### 1.6 Investment property (continued)

Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - Building	30 year

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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

### 1.7 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.

Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. 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.

Where an item of property, plant and equipment is acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a nonmonetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at its 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.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

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.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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## Accounting Policies

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

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

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

Property, plant and equipment is subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. The measurement and recognition of impairment loss is indicated in accounting policy 1.14 and 1.15.

Property, plant and equipment is depreciated over the expected useful lives to the estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated using the straight-line method, over the estimated useful lives of the assets.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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Item	Depreciation method	Average useful life
Land		Indefinite
Machinery and equipment		
# Office equipment		3-10
# Bins and containers		5-10
Furniture and fixtures		10
Motor vehicles		
Specialised vehicles		10-30
Other Vehicles		5
Vehicles		5
IT equipment	Straight-line	3-10
Infrastructure		
Building		30
Roads and pavings		3-50
Electricity		3-60
Water		5-55
Sewerage		10-60
Landfill site		17

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## Accounting Policies

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

Community	
Building	30
Recreational facilities	20-30
Security	5
Other property, plant and equipment	
Building	30
Motor Vehicles Leased	5

The asset management policy contains the details of the components and their specific useful life estimates.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

At each reporting date all items of property, plant and equipment are reviewed for any indication that it may be impaired. An impairment exists when an assets' carrying amount is greater than its recoverable amount or recoverable service amount. 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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal and the carrying value and is recognised in the statement of financial performance.

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential. The municipality has classified computer software and servitudes as intangibles assets.

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 assets 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.

The municipality recognises an intangible asset in its statement of financial position only 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 municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost. 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 the date.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Accounting Policies

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### 1.8 Intangible assets (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality's expectation about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

The municipality does not have internally generated intangible assets.

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

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful life shall not be amortised.

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.

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

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually. The estimated useful lives are as follows:

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Item	Depreciation method	Average useful life
Computer software, other		3-5
Servitudes		Indefinite

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Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.9 Investments in controlled entities

In the municipality's separate annual financial statements, investments in investments in controlled entities are carried .

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

### 1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

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



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### 1.10 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost
Long-term receivables (current)	Financial asset measured at amortised cost
Long-term receivables (non-current)	Financial asset measured at amortised cost
Investments in controlled entity	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposit	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Class	Category
Residual interest <sup>2</sup>	Measured at cost

### 1.11 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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### 1.11 Leases (continued)

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

### 1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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### 1.12 Inventories (continued)

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

### 1.13 Impairment of cash-generating assets

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

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

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

#### Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

#### Discount rate

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

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

### 1.14 Disclosure in terms of Section 45 of the Municipal Supply Chain Management Regulations

The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

### 1.15 Employee benefits

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

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### 1.15 Employee benefits (continued)

#### 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 service.

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 cellphones) 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 recognises 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 municipality 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.

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### 1.15 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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 recognises past service cost as an expense in the reporting period in which the plan is amended.

The municipality 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The municipality 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.

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 municipality measures 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 municipality determines 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.

The municipality 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).



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### 1.15 Employee benefits (continued)

The municipality 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.

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 municipality 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 municipality 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).

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.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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

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### 1.15 Employee benefits (continued)

#### Other post retirement obligations

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.

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

The amount recognised as a liability for other long-term employee benefits 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.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long term service awards are recognised in the statement of financial performance.

The municipality shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### Termination benefits

The municipality 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 municipality 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.

### 1.16 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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.

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### 1.16 Provisions and contingencies (continued)

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 surplus (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 an 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.

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

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

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### 1.16 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

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

### 1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.18 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.

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### 1.18 Revenue from exchange transactions (continued)

#### 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.

#### 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.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

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 charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property.

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

#### Interest, royalties and dividends

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

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

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

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### 1.19 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

All unclaimed deposits are initially recognised as a liability until 60 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

#### 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.

#### Property rates

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up.

#### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount the debt forgiven.

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

#### Government grants (including transfer)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and 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.

### 1.20 Investment income

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

### 1.21 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.

### 1.22 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.25 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.

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### 1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy.

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.

Additional disclosure for irregular expenditure is disclosed in the note of the notes.

### 1.27 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability must always be cash-backed. The following provisions are set for the creation and utilisation of this creditor: Unspent conditional grants are recognised as a liability when the grant is received.

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget covers the fiscal period from 7/1/2019 to 6/30/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.



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### 1.29 Budget information (continued)

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts.

### 1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

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

### 1.31 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 adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date. The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

The municipality has considered the impact of COVID-19 on its operations during the year and its future operations. Full details are provided in the Accounting Officer's report.

### 1.32 Accumulated surplus

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The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

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### 3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53,717,241	-	53,717,241	53,717,241	-	53,717,241

#### Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	53,717,241	53,717,241

#### Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	53,343,834	373,407	53,717,241

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### 3. Investment property (continued)

#### Pledged as security

There are currently no restrictions on investment property as they have not been pledged as security for liabilities.

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

There is no contractual obligation for the acquisition of investment property.

There were not direct operating expense (including repairs and maintenance) arising from investment property that generated or did not generate rental revenue.

The revaluation will be evaluated every 4th year and will be in line with the valuation roll. The revaluation of the properties was conducted internally.

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.

Land amounting to R1 760 000 was transferred to community assets due to the fact that it is RDP houses.

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

#### Maintenance of investment property

During the year no repairs and maintenance expenditure was incurred on investment property, which comprised solely of land.

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### 4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	604,908,661	-	604,908,661	609,500,618	-	609,500,618
Plant and machinery, Transport assets	72,323,024	(71,828,525)	494,499	51,148,720	(44,139,583)	7,009,137
Furniture and fixtures	16,177,013	-	16,177,013	16,153,360	(12,119,604)	4,033,756
Motor vehicles	5,557,712	-	5,557,712	3,953,492	-	3,953,492
Computer software	11,585,554	4,328,693	15,914,247	9,990,530	(7,401,639)	2,588,891
Infrastructure	7,726,322,688	(5,659,964,573)	2,066,358,115	7,641,939,388	(5,333,755,794)	2,308,183,594
Community	171,884,109	(31,678,311)	140,205,798	172,728,360	(26,075,691)	146,652,669
Work in progress	834,903,935	-	834,903,935	709,819,694	-	709,819,694
<b>Total</b>	<b>9,443,662,696</b>	<b>(5,759,142,716)</b>	<b>3,684,519,980</b>	<b>9,215,234,162</b>	<b>(5,423,492,311)</b>	<b>3,791,741,851</b>

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

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings	609,500,618	-	-	(4,591,957)	604,908,661
Plant and machinery, Transport assets	7,009,137	-	(4,005,374)	(2,509,264)	494,499
Furniture and fixtures	4,033,756	13,184,506	-	(1,041,249)	16,177,013
Motor vehicles	3,953,492	1,604,220	-	-	5,557,712
Computer software	2,588,891	13,613,849	-	(288,493)	15,914,247
Infrastructure	2,308,183,594	84,383,300	-	(326,208,779)	2,066,358,115
Community	146,652,669	-	(844,251)	(5,602,620)	140,205,798
Work in progress	709,819,694	125,084,241	-	-	834,903,935
	<b>3,791,741,851</b>	<b>237,870,116</b>	<b>(4,849,625)</b>	<b>(340,242,362)</b>	<b>3,684,519,980</b>

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Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land and Buildings	614,092,575	-	(4,591,957)	-	609,500,618
Plant and machinery, Transport assets	8,631,133	2,434,996	(2,509,264)	(1,547,728)	7,009,137
Furniture and fixtures	5,136,627	117,537	(1,041,249)	(179,159)	4,033,756
Motor vehicles	-	3,953,492	-	-	3,953,492
Computer software	3,406,483	373,277	(902,376)	(288,493)	2,588,891
Infrastructure	2,574,948,441	47,723,561	(218,279,629)	(96,208,779)	2,308,183,594
Community	155,595,364	-	(3,340,075)	(5,602,620)	146,652,669
Housing development fund	-	709,819,694	-	-	709,819,694
	<b>3,361,810,623</b>	<b>764,422,557</b>	<b>(230,664,550)</b>	<b>(103,826,779)</b>	<b>3,791,741,851</b>

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.



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Figures in Rand

### 5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,493,452	(5,260,057)	233,395	5,493,452	(5,260,057)	233,395

#### Reconciliation of intangible assets - 2021

	Opening balance	Total
Computer software, other	233,395	233,395

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software, other	2,734,004	8,900	(1,338,651)	(399,332)	(771,526)	233,395

#### Pledged as security

No portion of intangible assets has been pledged as security for liabilities.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

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### 6. Investments in controlled entities

Name of company	Held by	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
MAP Water		- %	- %	300	300

The carrying amounts of controlled entities are shown net of impairment losses.

### 7. Other financial assets

#### Designated at fair value

Sanlam shares	342,762	346,197
Sanlam life policy	556,954	556,954
	<b>899,716</b>	<b>903,151</b>

#### Non-current assets

Designated at fair value	899,716	903,151
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#### Financial assets at fair value

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

#### Level 1

Listed shares	346,197	463,176
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#### Level 2

Sanlam life policy	556,954	521,232
	<b>903,151</b>	<b>984,408</b>

### 8. Inventories

Consumable stores	2,508,070	2,296,399
Unsold Properties Held for Resale	5,365,000	5,365,000
Fuel (Diesel, Petrol)	28,000	-
	7,901,070	7,661,399
Inventories (write-downs)	(337)	(337)
	<b>7,900,733</b>	<b>7,661,062</b>

Inventories recognised as an expense during the year	703,175	670,829
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#### Inventory pledged as security

None of the inventories were pledged as security during the period under review.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>9. Receivables from exchange transactions</b>		
Eskom deposits	3,402,495	3,402,495
MAP Water	195,918,081	84,181,989
Consumer debtors - Electricity	263,659,494	247,486,763
Consumer debtors - Water	142,324,293	146,234,288
Consumer debtors - Sewerage	83,271,363	45,368,002
Consumer debtors - Refuse	192,992,961	170,120,435
Sundry debtors (Departmental Levies)	117,458,932	118,101,470
	<b>999,027,619</b>	<b>814,895,442</b>

### Credit quality of trade and other receivables

The credit quality of trade and other receivables 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:

The carrying value approximates the fair value of the asset.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

### Trade and other receivables impaired

As of June 30, 2021, trade and other receivables of R - (2020: R -) were impaired and provided for.

The amount of the provision was R (692,607,933) as of June 30, 2021 (2020: R -).

The ageing of the provision for the receivables from exchange transactions is set out in note 5 - Consumer debtors disclosure.

### 10. Receivables from non-exchange transactions

Fines	962,747	962,747
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### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-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:

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

### 11. VAT receivable

VAT	619,073,451	493,789,877
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### 12. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	555,419,416	485,860,574
Consumer debtors - Electricity	341,333,978	324,632,605
Consumer debtors - Water	579,773,192	528,227,534
Consumer debtors - Sewerage	260,755,913	190,675,735
Consumer debtors - Refuse	192,992,961	170,120,435
Sundry debtors	117,458,932	118,101,470
	<b>2,047,734,392</b>	<b>1,817,618,353</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>12. Consumer debtors disclosure (continued)</b>		
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(321,217,741)	(316,158,382)
Consumer debtors - Electricity	(77,674,484)	(77,145,842)
Consumer debtors - Water	(437,448,899)	(381,993,246)
Consumer debtors - Sewerage	(177,484,550)	(145,307,733)
	<b>(1,013,825,674)</b>	<b>(920,605,203)</b>
<b>Net balance</b>		
Consumer debtors - Rates	234,201,675	169,702,192
Consumer debtors - Electricity	263,659,494	247,486,763
Consumer debtors - Water	142,324,293	146,234,288
Consumer debtors - Sewerage	83,271,363	45,368,002
Consumer debtors - Refuse	192,992,961	170,120,435
Sundry debtors	117,458,932	118,101,470
	<b>1,033,908,718</b>	<b>897,013,150</b>
<b>Rates</b>		
Current (0 -30 days)	17,188,062	17,188,062
31 - 60 days	1,048,199	1,048,199
61 - 90 days	199,780	199,780
91 - 120 days	21,114,961	21,114,961
121 - 365 days	64,499,483	86,837,212
> 365 days	130,151,190	43,313,978
	<b>234,201,675</b>	<b>169,702,192</b>
<b>Electricity</b>		
Current (0 -30 days)	27,196,965	27,196,965
31 - 60 days	2,382,184	2,382,184
61 - 90 days	3,934,995	3,934,955
91 - 120 days	41,434,103	41,434,103
121 - 365 days	16,172,731	17,192,898
> 365 days	172,538,516	155,345,658
	<b>263,659,494</b>	<b>247,486,763</b>
<b>Water</b>		
Current (0 -30 days)	13,511,599	13,511,599
31 - 60 days	3,358,068	3,358,068
61 - 90 days	2,432,483	2,432,483
91 - 120 days	92,548,765	58,745,126
121 - 365 days	19,956,183	63,024,345
> 365 days	10,517,195	5,162,667
	<b>142,324,293</b>	<b>146,234,288</b>
<b>Sewerage</b>		
Current (0 -30 days)	6,457,976	6,457,976
31 - 60 days	1,357,209	1,357,209
61 - 90 days	1,268,894	1,268,894
91 - 120 days	5,748,901	5,748,901
121 - 365 days	37,903,361	19,558,428
> 365 days	30,535,022	10,976,594
	<b>83,271,363</b>	<b>45,368,002</b>

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

(Registration number MAP FS194)

Annual Financial Statements for the year ended June 30, 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 12. Consumer debtors disclosure (continued)

#### Refuse

Current (0 -30 days)	5,763,748	5,763,748
31 - 60 days	1,222,965	1,222,965
61 - 90 days	1,192,171	1,192,171
91 - 120 days	36,587,452	36,587,452
121 - 365 days	22,872,526	24,983,002
> 365 days	125,354,099	100,371,097
	<b>192,992,961</b>	<b>170,120,435</b>

#### Sundry debtors

Current (0 -30 days)	465,027	465,027
31 - 60 days	84,026	84,026
61 - 90 days	703,596	111,244
91 - 120 days	17,497,601	17,497,601
121 - 365 days	11,251,171	990,488
> 365 days	87,457,511	98,953,084
	<b>117,458,932</b>	<b>118,101,470</b>

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,478	2,361
Bank Main	173,985,429	8,629,454
Short-term deposits	169,749,003	36,878,593
Bank Prepaid	4,585,398	4,118,154
	<b>348,321,308</b>	<b>49,628,562</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2021	June 30, 2020	June 30, 2019
First National Bank - current	173,985,429	17,167,466	11,634,086	173,985,429	8,629,454	9,472,577
First National Bank - savings	4,585,398	4,118,154	591,870	4,585,398	4,118,154	591,870
First National Bank - call account	14,009,106	13,988,515	74,325	14,009,106	13,988,515	74,325
First National Bank - Jazz fund	-	11,742	109,911	-	11,742	109,911
First National Bank - call account	5,499,404	5,487,529	-	5,499,404	5,487,529	-
First National Bank - MIG fund	20,722	20,489	14,438	20,489	20,489	14,438
First National Bank - FNB	1,478	1,451	226,259	1,478	1,451	226,259
Intabazwe						
Standard Bank - Call deposit	89,139	88,808	86,531	89,139	88,808	86,531
Sanlam Money Market	2,299,584	2,260,785	2,113,694	2,299,584	2,260,785	2,113,694
Absa Investment Account	-	15,019,274	-	-	15,019,274	-
Standard bank investment	147,829,483	-	-	147,829,483	-	-
<b>Total</b>	<b>348,319,743</b>	<b>58,164,213</b>	<b>14,851,114</b>	<b>348,319,510</b>	<b>49,626,201</b>	<b>12,689,605</b>

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Water service infrastructure grant	-	1,380,797
Municipal infrastructure grant	12,608,447	-
	<b>12,608,447</b>	<b>1,380,797</b>

#### Movement during the year

Additions during the year	-	224,592,203
Income recognition during the year	-	(223,211,406)
<b>Undefined Difference</b>	<b>12,608,447</b>	<b>-</b>
	<b>12,608,447</b>	<b>1,380,797</b>

### 15. Other financial liabilities

#### At amortised cost

DBSA loan	6,649,128	9,614,585
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All annuity loans are from the Development Bank of South Africa and repayments are made on six monthly basis.

The average interest rate amounts to 14.42% per annum and the last loan is redeemable at 31 December 2021.

The municipality defaulted on principal and interest repayments during the year under review. No terms were renegotiated before the financial statements were authorised for issue.

#### Non-current liabilities

At amortised cost	-	4,095,607
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#### Current liabilities

At amortised cost	6,649,128	5,518,978
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#### Defaults and breaches

The municipality did default on repayments during the period for loans repayable. No terms were renegotiated before the financial statements were authorised for issue.

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended June 30, 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 16. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Total
Environmental rehabilitation	38,004,377	38,004,377

#### Reconciliation of provisions - 2020

	Opening Balance	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	37,052,525	1,196,797	(244,945)	38,004,377

#### Harrismith Libertas landfill

Harrismith Libertas landfill site is situated at the remainder of Dorpsgronden of Harrismith 131 which is approximately 5 km North West of Harrismith CBD. The landfill site is located on a relatively uneven terrain and the coordinates are coordinates are 28°15'25.87"S and 29°05'28.28"E. Access to the landfill site is off Ntshingila Street.

The footprint size of the entire landfill site is approximately 170,520m<sup>2</sup> and 80,051m<sup>2</sup> is currently being utilised for deposition.

This landfill is licensed for operation in terms of Environment Conservation Act, 1989 (Act 73 of 1989). The landfill permit 16/2/7/C801/D2/ZP333 was issued by the Department of Water Affairs and Forestry on the 14th of August 1998.

#### Qwaqwa landfill site

Qwaqwa landfill site is located at Farm No. 1926, Harrismith which is approximately 6 km South East of the municipality administrative head office. The landfill site topography is relatively uneven with a natural gradient of 4.6% falling in the Eastly direction and the coordinates are coordinates are 28°32'44.69"S and 28°50'44.01"E. Access to the landfill site is off Paseka road.

The footprint size of the entire landfill site is approximately 50,726m<sup>2</sup> and 39,873 m<sup>2</sup> is currently being utilised for deposition.

This landfill is licensed for closure in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008). The landfill permit WML/BAR/16/2014 was issued by the Department of Economic, Small Business Development, Tourism and Environmental Affairs (Free State Province) on the 13th of April in 2015 and was classified as class B. The closure license expired in on the 12th of April in 2018 as it was valid for 3 years. No actions in terms of rehabilitation and / or closure of the site have since been taken. Waste continues to be discarded at the landfill albeit illegally and against the abovementioned permit's conditions.

### 17. Payables from exchange transactions

Accrued leave pay	528,967,188	528,967,188
Accrued bonus	10,625,131	10,625,131
Payments received in advance	138,255,688	110,050,555
Other payables	3,617	14,334
Third party payments	33,622,548	-
Trade payables	6,965,219,056	5,902,395,286
Wesbank Petrol cards	(173,804)	(19,921)
Cash suspense account	118,382,965	76,766,620
Retentions	12,177,713	15,159,899
	<b>7,807,080,102</b>	<b>6,643,959,092</b>

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 18. Consumer deposits

Rates	24,488,870	24,512,981
Water	583,883	311,184
Rental	48,151	47,886
	<b>25,120,904</b>	<b>24,872,051</b>

### 19. Revenue

Rendering of services	161,030	66,957
Service charges	284,228,220	321,266,742
Rental of facilities and equipment	-	8,696
Interest received (trading)	19,781,196	25,650,407
Recoveries	86,828	56,944
Other income - (rollup)	1,833,288	4,549,284
Other farming income 1	3,289,543	2,987,469
Interest received - investment	2,305,181	11,062,081
Property rates	168,504,694	168,486,901
Property rates - penalties imposed	8,216,749	10,933,735
Government grants & subsidies	999,208,350	836,768,243
Fines, Penalties and Forfeits	228,904	692,425
	<b>1,487,843,983</b>	<b>1,382,529,884</b>

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

Service charges	284,228,220	321,266,742
Rendering of services	161,030	66,957
Rental of facilities and equipment	-	8,696
Interest received (trading)	19,781,196	25,650,407
Recoveries	86,828	56,944
Other income - (rollup)	1,833,288	4,549,284
Public benefit organisations	3,289,543	2,987,469
Interest received - investment	2,305,181	11,062,081
	<b>311,685,286</b>	<b>365,648,580</b>

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

#### Taxation revenue

Property rates	168,504,694	168,486,901
Property rates - penalties imposed	8,216,749	10,933,735

#### Transfer revenue

Government grants & subsidies	999,208,350	836,768,243
Fines, Penalties and Forfeits	228,904	692,425

**1,176,158,697 1,016,881,304**

### 20. Service charges

Sale of electricity	123,397,533	177,987,638
Sale of water	76,338,589	74,837,218
Sewerage and sanitation charges	81,182,017	34,782,529
Refuse removal	3,310,081	33,659,357
	<b>284,228,220</b>	<b>321,266,742</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>21. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	-	8,696
<b>22. Fines, Penalties and Forfeits</b>		
Overdue Books Fines	346	341
Pound Fees Fines	75,879	234,091
Municipal Traffic Fines	152,679	457,993
	<b>228,904</b>	<b>692,425</b>
<b>23. Other revenue</b>		
Recovery	86,828	56,944
Other income - (rollup)	1,833,288	4,549,284
Public benefit organisations	3,289,543	2,987,469
	<b>5,209,659</b>	<b>7,593,697</b>
<b>24. Sale of goods and rendering of services</b>		
Building plan income	373,291	400,440
Call outs	-	273
Camping fees	-	3,235
Cemetary and burial fees	2,797,737	1,424,261
Connection fees	1,224,023	537,101
Containers	1,102	1,559
Enterance and membership income	13,329	18,889
Escort fees	21,609	23,676
Management fees	2,770	1,890
Public benefit organisation	3,287,864	2,987,207
Rental of facilities	75,265	4,262,091
Tender documents	507,677	715,576
Valuation roll	104,349	147,500
	<b>8,409,016</b>	<b>10,523,698</b>
<b>25. Investment revenue</b>		
<b>Interest revenue</b>		
Interest received - bank and investments	2,305,181	11,062,081
Interest received (trading)	19,781,196	25,650,407
	<b>22,086,377</b>	<b>36,712,488</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Property rates</b>		
<b>Rates received</b>		
Residential	18,828,757	18,549,017
Commercial	36,727,431	36,911,848
State	110,101,270	110,141,255
Municipal	-	37,545
Small holdings and farms	2,847,236	2,847,236
	168,504,694	168,486,901
Property rates - penalties imposed	8,216,749	10,933,735
	<b>176,721,443</b>	<b>179,420,636</b>
<b>Valuations</b>		
Residential	4,263,665,876	4,259,553,976
Commercial	3,930,010,007	3,930,693,017
National and provincial government	1,677,262,468	1,681,324,768
Municipal	2,227,844,486	2,227,844,496
	<b>12,098,782,837</b>	<b>12,099,416,257</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect of 1 July 2015.

The MEC for Local government in a province may extend the period for which a valuation remains valid for a local municipality to seven financial years.(MPRA section 32(b) )

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Annual Financial Statements for the year ended June 30, 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 27. Government grants and subsidies

#### Operating grants

Equitable share	643,268,000	609,496,040
Financial management grant	3,000,000	2,680,000
	<b>646,268,000</b>	<b>612,176,040</b>

#### Capital grants

Expanded public works grant	2,914,000	6,077,000
Water Services infrastructure grant	70,000,000	33,619,203
Intergrated national electrification programme	10,000,000	19,000,000
Municipal infrastructure grant	148,415,350	162,764,000
Disaster management grant	121,611,000	1,132,000
Provincial municipal subsidy	-	2,000,000
	<b>352,940,350</b>	<b>224,592,203</b>
	<b>999,208,350</b>	<b>836,768,243</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### Financial management grant

Current-year receipts	3,000,000	2,680,000
Conditions met - transferred to revenue	(3,000,000)	(2,680,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

#### Expanded public works grant

Current-year receipts	2,914,000	6,077,000
Conditions met - transferred to revenue	(2,914,000)	(6,077,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

#### Intergrated national electrification programme

Current-year receipts	10,000,000	19,000,000
Conditions met - transferred to revenue	(10,000,000)	(19,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

#### Municipal infrastructure grant

Current-year receipts	161,343,000	162,764,000
Conditions met - transferred to revenue	(148,415,350)	(162,764,000)
	<b>12,927,650</b>	-

Conditions still to be met - remain liabilities (see note 14).

#### Disaster management grant

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 27. Government grants and subsidies (continued)

Current-year receipts	121,611,000	1,132,000
Conditions met - transferred to revenue	-	(1,132,000)
	<b>121,611,000</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 14).

#### Provincial municipal subsidy

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

Conditions still to be met - remain liabilities (see note 14).

#### Water Services infrastructure grant

Balance unspent at beginning of year	1,380,797	-
Current-year receipts	70,000,000	35,000,000
Conditions met - transferred to revenue	(71,380,797)	(33,619,203)
	<b>-</b>	<b>1,380,797</b>

Conditions still to be met - remain liabilities (see note 14).

# MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2021	2020
<b>28. Employee related costs</b>		
Acting allowances	1,577,450	1,849,029
Bargaining Council	116,078	119,795
Basic	260,270,958	256,882,865
Bonus	19,957,214	17,058,930
Car allowance	7,412,199	7,354,858
Pension	40,509,049	40,693,189
Housing benefits and allowances	1,455,280	2,421,396
Leave pay provision charge	1,562,200	190,666,222
Long-service awards	2,834,697	(3,882,316)
Medical aid - company contributions	17,606,918	19,690,715
Overtime payments	30,265,106	29,518,870
Skills Development Levy	2,743,084	3,041,555
Short term benefit	1,866,044	1,803,434
Standby allowance	17,269,037	14,339,199
Telephone / Cellphone allowance	626,500	616,377
UIF	2,083,660	2,133,693
WCA	1,919,869	-
	<b>410,075,343</b>	<b>584,307,811</b>

### Remuneration of Municipal Manager

Annual Remuneration	1,459,428	963,059
Cellphone allowance	18,000	4,500
Contributions to UIF, Medical and Pension Funds	143,057	59,988
Skills development levy	15,472	-
	<b>1,635,957</b>	<b>1,027,547</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	1,116,666	1,413,886
Car Allowance	144,000	-
Contributions to UIF, Medical and Pension Funds	291,190	54,810
Cellphone allowance	18,000	3,000
Skills development levy	12,111	2,376
	<b>1,581,967</b>	<b>1,474,072</b>

### Remuneration of Director Sports, Parks, Arts & Culture

Annual Remuneration	-	1,420,664
Car Allowance	-	180,000
Contributions to UIF, Medical and Pension Funds	-	55,693
Cellphone allowance	-	18,000
Skills development levy	-	9,346
	-	<b>1,683,703</b>

The position was vacant from 1 July 2020 to 30 June 2021.

### Remuneration of Director Corporate Services

Annual Remuneration	520,614	1,236,107
Car Allowance	-	129,662
Contributions to UIF, Medical and Pension Funds	-	1,785
Cellphone Allowance	-	18,000
Skills development levy	-	10,015

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 28. Employee related costs (continued)

	<b>520,614</b>	<b>1,395,569</b>
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The position was vacant from 1 July 2020 to 30 June 2021.

#### Remuneration of Director of Public Safety

Annual Remuneration	444,941	889,882
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The position was vacant from 1 July 2020 to 30 June 2021.

#### Remuneration of Director of Municipal Infrastructure

Annual Remuneration	1,317,265	-
Car Allowance	167,840	30,729
Skills development levy	15,793	7,511
	<b>1,500,898</b>	<b>38,240</b>

#### Remuneration of Director Human Settlements /Housing

Annual Remuneration	972,096	1,472,944
Car Allowance	-	180,000
Contributions to UIF, Medical and Pension Funds	-	1,785
Skills development levy	-	27,296
	<b>972,096</b>	<b>1,682,025</b>

The position was vacant from 1 July 2020 to 30 June 2021.

### 29. Remuneration of councillors

Executive Major	860,063	759,326
Mayoral Committee Members	8,506,342	4,728,093
Speaker	701,948	608,770
Councillors	16,115,221	18,673,657
Chief Whip	1,229,305	759,326
	<b>27,412,879</b>	<b>25,529,172</b>

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

### 30. Administrative expenditure

Administration and management fees - third party	24,836	-
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### 31. Depreciation and amortisation

Property, plant and equipment	340,242,362	331,497,693
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### 32. Finance costs

Non-current borrowings	6,362,447	4,050,340
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Figures in Rand	2021	2020
<b>33. Debt impairment</b>		
Bad debts written off	95,321,065	-
<b>34. Bulk purchases</b>		
Electricity - Eskom	798,511,853	736,254,516
<b>35. Contracted services</b>		
<b>Presented previously</b>		
Operating Leases	637,220	5,157,547
<b>Outsourced Services</b>		
Burial Services	92,970	119,500
Catering Services	83,500	51,726
Professional Staff	43,620,957	47,128,504
Security Services	19,225,928	24,005,265
Traffic Fines Management	-	169,000
<b>Contractors</b>		
Electrical	5,722,043	1,383,801
Maintenance of Equipment	174,349	62,796
Medical Services	12,800	4,500
Prepaid Electricity Vendors	-	4,112,395
	<b>69,569,767</b>	<b>82,195,034</b>

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<b>36. Operating cost</b>		
Advertising	664,448	1,011,747
Auditors remuneration	4,550,642	1,641,255
Bank charges	3,131,547	3,179,381
Computer expenses	166,190	142,717
Consulting and professional fees	4,670,591	-
Consumables	12,473,389	2,654,047
Entertainment	-	30,000
Fines and penalties	139,780,196	555,651,324
Animal Costs	134,197	518,842
Gifts	-	16,000
Hire	1,220,839	4,826,550
Insurance	26,174	6,111,578
Magazines, books and periodicals	221,129	144,617
Motor vehicle expenses	49,458	-
Packaging	2,797	-
Fuel and oil	1,810,392	2,308,004
Postage and courier	72,963	685,491
Printing and stationery	85,889	1,424,697
Repairs and maintenance	66,920,369	54,528,253
Research and development costs	21,913	1,507,603
Software expenses	2,363,158	3,178,640
Telephone and fax	2,677,281	3,400,355
Transport and freight	-	173,721
Training	48,300	120,300
Travel - local	94,395,625	77,123
Assets expensed	15,892	11,772
Uniforms	3,561,288	85,790
Indigent subsidy	1,663,509	2,699,444
Veterinary department	(123,738)	(61,973)
	<b>340,604,438</b>	<b>646,067,278</b>
<b>37. Auditors' remuneration</b>		
Fees	4,550,642	1,641,255
<b>38. Cash generated from operations</b>		
Deficit	(605,770,390)	(1,035,532,434)
<b>Adjustments for:</b>		
Depreciation and amortisation	340,242,362	331,497,693
Fair value adjustments	-	(369,972)
Debt impairment	95,321,065	-
Movements in retirement benefit assets and liabilities	-	(3,687,000)
Movements in provisions	-	951,852
<b>Changes in working capital:</b>		
Inventories	(239,671)	(196,216)
Receivables from exchange transactions	(188,162,589)	(258,462,574)
Consumer debtors	(95,321,065)	-
Other receivables from non-exchange transactions	(64,499,483)	(86,837,212)
Payables from exchange transactions	1,163,121,010	1,637,109,054
VAT	(125,283,574)	296,180,853
Unspent conditional grants and receipts	11,227,650	1,380,797
Consumer deposits	248,853	181,331
	<b>530,884,168</b>	<b>882,216,172</b>



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### 39. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	244,582,135	222,347,395
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##### Total capital commitments

Already contracted for but not provided for	244,582,135	222,347,395
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#### Authorised operational expenditure

##### Already contracted for but not provided for

• Expenditure 1	87,506,923	79,551,749
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##### Total operational commitments

Already contracted for but not provided for	87,506,923	79,551,749
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

The property, plant and equipment consist of electrification, sewer, paved roads and water.

The operating activities consist of IT, event management services, insurance and valuation roll

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### 40. Contingencies

#### Warrant of Executions

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
1.	Eskom	High Court: Bloemfontein	-Court Order.	R2 422 573 425.00	Repayment plan urgent
	Failure to pay Electricity bill (Account)	Counter-claim: Non payment	-Warrant of Execution against property. -Property attached and removed		

#### Summons.

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
1.	Transnet SOC LTD t/a Transnet Pipelines	High Court: Bloemfontein	-Summons issued on the 10/03/2015.	R17, 675 427.00	Exchanging pleadings
			-Defended		
	03/10/2012.	Claim for damaged pipes- Makholokweng on the	-Joined Chuene Trading and Kgato Consulting Engineers		
2.	Dikotsi J Thateng t/a Sheriff Witsieshoek	High Court: Bloemfontein	-Summons issued on the 02/12/2015.	R 453 135.00	-Awaiting Plaintiff to tax his bill.
			-We defended the matter.		
		Service rendered: Bokamoso Evictions	-Matter proceeded in court and suspended until taxed bill.		

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### 40. Contingencies (continued)

3.	Bibi Cash & Curry (PTY) LTD// Maluti-a-Phofung Municipality	High Court: Bloemfontein  Claim for damages:  R 27 million claim for damages as a result of fire	-Summons issued against municipality in 2014.  -Matter Defended.  -Previously defended by Majola Attorneys and was suspended by Law Society.	R27 286 219.25	Exchanging pleadings.
4.	Department of Water & Sanitation	High Court: Bloemfontein  Failure to pay water account	-Summons  -Application for Summary judgement  -Opposed the application  -Matter place on the opposed roll: <b>01<sup>st</sup> June 2017.</b>  -Granted leave to defend.	R168 691 637,60	Exchanging pleadings
5.	Event AV Direct Propriety//Maluti a Phofung	-High Court Bloemfontein  Dipontsho 2015-2017	- <b>Summons Issued</b>  -Defended the matter.  -Application for <b>Summary judgement: 14/12/2017</b>  -Application dismissed	R8 257 145.32  (Extended scope).  R5 815 414.55  (Loss of profit).	Exchanging pleadings

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### 40. Contingencies (continued)

6.	Afgri Operations (PTY) LTD	High Court: Bloemfontein	-Summons. -Defended.	R1 764 648.43	Exchanging pleadings.
		Claim for a refund of electricity deposit paid to Rural Maintenance			
7.	WDF Viljoen // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	<b>-High Court Bloemfontein</b> - Claims for farms that were destroyed by fire: Kestell	-Matter defended. -Exchanging Pleading at this stage.	R633 331.45	Exchanging pleadings.
8.	D W Wessels // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	<b>-High Court Bloemfontein</b> Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell.	-Matter defended. -Exchanging Pleading at this stage.	R1 391 559.94	Exchanging pleadings.
9.	P.J.H Lourens // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	<b>-High Court Bloemfontein</b> - Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell.	-Matter defended. -Exchanging Pleading at this stage.	R304 754.06	Exchanging pleadings.
10.	J.P & A.C Du Plooy // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	<b>-High Court Bloemfontein</b> -Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell	-Matter defended. -Exchanging Pleading at this stage.	R900 415.01	Exchanging pleadings.

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### 40. Contingencies (continued)

11.	P.J Swart // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein  - Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell	-Matter defended.  -Exchanging Pleading at this stage	R402 336.79	Exchanging pleadings.
12.	E.G Cilliers // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein  - Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell	-Matter defended.  -Exchanging Pleading at this stage.	R326 682.94	Exchanging pleadings
13.	TNA Media t/a The New Age Newspaper//MAP	Summons: Magistrate's Court- Phuthaditjhaba  Service: Advertisements	Reconciling payment against the invoices.	R119 130.91	Agreed to hold the Summons in abeyance.
14.	Samuel Mphuthi	High Court: Bloemfontein	-Entered an appearance to defend  -Filed special plea and plea	R2000 000.00	Exchanging pleadings.

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### 40. Contingencies (continued)

15.	Khethiwe Eva Jiyane	Summons: Magistrate's Court- Harrismith	-Entered an appearance to defend.  -Filed a Plea.  -Matter set down for 03/12/2019	R16 057.61	Proposed settlement at 50%
	Damages to vehicle: Pothole (Wilgepark)				
16.	Zime Nzimande	Summons: Magistrate Court - Phuthaditjhaba	-Entered and appearance to defend.  -Requested further documents.	R20 571.42	Exchanging pleadings.
	Damages to vehicle: Pothole (Cnr Motebang & Setai Streets: Phuthaditjhaba)				
17.	Aqua Transport & Plant Hire (PTY) LTD	High Court: Bloemfontein	Getting info from user department.  -Wrote an acknowledgement letter.  -Defended the matter	R7 184 600.35	Exchanging pleadings
		Service rendered: 12 Water Tankers (April – August 2017)			
18.	Rural Maintenance (PTY) LTD	High Court: Bloemfontein	-Defended the matter.  -Matter now finalised	R220 339 339.00 + interests  -About R440 million	The Municipality is ordered to pay <b>R33.8 million</b>  Possibility of an appeal
		Civil Claim: Undue Enrichment			

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### 40. Contingencies (continued)

19.	Basfour 2944 (PTY) LTD t/a Hamba Nathi Travel	High Court: Bloemfontein  Travelling Agency	-Agreed to hold Summons in abeyance.  -Furnished proof of payment  They have filed notice to amend the claim to <b>R 177 743.23</b> .  -Defend if adamant that we do not owe them a cent.	R177 743.23	Agreed to hold the Summons in abeyance
20.	A.J Mining and Industrial Supplies (PTY) LTD	High Court: Bloemfontein	Wrote an acknowledgement letter.  Memo to Act. Director Infrastructure.  -Defended the matter.	R5 176 637.40	Exchanging pleadings.
21.	BHM Bricks// MAP Municipality  Cession: Paved Road-Namahadi (Phase 2)	Regional Court: Bethlehem	-Received Summons  -Matter defended	R400 000.00	Exchanging pleadings.
22.	ESKOM  Failure to pay Electricity bill	High Court: Bloemfontein  08/11/2018	-Received Summons	R1. 046 443 902 (billion)	Eskom obtained judgement

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### 40. Contingencies (continued)

23.	Ntiyiso Consulting CC // MAP	High Court: Bloemfontein	-Received Summons.	<b>-R12 027 912.00</b>	Exchanging pleadings
	Revenue Management & Enhancement	20/03/2019	-Defended the matter.  -Application for Summary judgement  -Opposed and we were granted leave to defend		
24.	KN Smat JV Tshau Civil	High Court: Bloemfontein	-Received Summons	R2 074 500.00	Exchanging pleadings
	01/04/2019	MAP Water: Sewer blockages			
25.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	-Received Summons	R8 636 640.82	Exchanging pleadings
	27/06/2019	Alleged service rendered	-Defended the matter		
26.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	-Received Summons	R5 678 901.69	Exchanging pleadings
	27/06/2019	Alleged service rendered	-Defended the matter		



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### 40. Contingencies (continued)

27.	Palesa Agnes Rantja	Magistrates' Court: Phuthaditjhaba	-Received Summons -Defended the matter	R26 131.43	Exchanging pleadings
	11/10/2019	Damages to vehicle: potholes			

### Applications

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
1.	Maluti-a-Phofung Municipality // Bibi Cash & Curry (PTY) LTD//	High Court: Bloemfontein Interdict: Site 9091 (Construction of Taxi Rank)  Summons for a Declaratory order	- The matter was before court - Bibi Cash & Curry applied for absolution. -Application dismissed	-	Defendant to present its case.  Struggled to get common dates in November 2019. The matter might be heard in November 2020
2.	R.J.J Mohapi	Labour Court: Johannesburg  Employee filled an application to review	-Received application to review. -Opposed the application	-	Applicant has passed on
3.	SAMWU obo M.M Selepe & 13 others	- <b>Labour Court Durban</b>  Review Application as the employees attempted to attach the Municipal properties.	- Review Application.	-	-Records not found.  -We might be forced to start this matter <i>de novo</i>

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### 40. Contingencies (continued)

4.	Vision World Development Foundation (PTY) LTD t/a Vision World Construction 20/03/2019	High Court: Bloemfontein Contactor Development	-Received Application -Opposed the Application	Specific performance or in the alternative payment of <b>R3 897 074.97</b>	File Open
5.	BC Solution (PTY) LTD  Information, Communication and Technology Services	High Court: Bloemfontein  09/10/2019	Application opposed	R6 811 406.29	Exchanging pleadings
6.	AFGRI Operations (PTY) LTD & 15 others	High Court: Gauteng Division, Pretoria  Application to set aside <b>NERSA</b> decision  -Revocation MAP Electricity Distribution Licence	Application opposed	-	Preparing an opposing affidavit  ESKOM supporting the application
7.	Dept. of Labour: Director General	Labour Court: Johannesburg  Failure to comply with the provisions of Employment Equity Act.	Agreed to hold the Application in abeyance	R1 500 000.00	To engage with the Applicant for an amicable solution

### Letter of Demand

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
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### 40. Contingencies (continued)

1.	RNT Management Services CC	Compilation of Indigent Register	-Discussed with Acting CFO.  -To follow up on our discussion.  -Wrote an acknowledgement letter.	R15 842 421.46	-Arbitration to try and settle the matter.
2.	Free State Development Corporation (FDC)	Rental: Site 54 Industrial Area 2	Requested the contract documents and invoices from FDC.	R2 287 322.80	File Open
3.	Mokoena MM// MAP Municipality	Claim for damages (ERF 5331, Phuthaditjhaba) Stormwater	-Received letter.  -Acknowledged receipt  -Memo to Act. Director Infrastructure to determine liability.	-	File Open
4.	Configen CC t/a Zero Tolerance  02/11/2018	Security Services	Received letter.  Awaiting report from Public Safety Dept.	R10 831 023.00	-File Open
5.	Tulcia Electrical Free State CC  02/05/2019	Electricity service	-Received letter  -Requested report from Infrastructure	R335 889.60	-File Open

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### 40. Contingencies (continued)

6.	Dinatla Advisory Services	Government Accounts Reconciliation	Received letter -Wrote letter denying liability	R7 140 814.09	-File Open
	29/01/2019				
7.	KN2 Project (PTY) LTD	Contractor Development	Received letter claiming interests	R 37 811.01	-File Open
	29/04/2019				
8.	Bulezania (PTY) LTD t/a Gold Protection Services	VIP Protection Services	-Received letter of demand. -Acknowledged receipt	R986 534.56	File Open
9.	Rospa Trading 289 CC	Service rendered	-Received letter of demand.	R163 673.30	File open
	07/10/2019				
10.	Palesa Events and Fuel (PTY) LTD	Service rendered	-Received letter of demand.	R17 141 832.00	File open
	18/10/2019				
11.	Bashoeshoe le bo shoeshoe	Service rendered:	-Received letter of demand.	R1 141 500.00	File open
	21/10/2019				

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### 40. Contingencies (continued)

12.	M2T Systems CC	Service rendered: Electricity	-Received letter of demand.	R20 622 794.14	File open
	14/11/2019				

### For Municipality

NO	MATTER	NATURE OF CLAIM	STATUS	AMOUNT	REMARKS
1.	MAP// Kwane Capital	Rental Agreement- Yellow Fleet  We made an advance payment in the sum of R6000 000.00	-Issued Summons claiming R6000 000.00 that was paid to Kwane Capital.	R6000 000.00	Exchanging pleadings
2.	MAP// Traescho Industries	Cession: Namahadi paved Road  R2 684 860.60 which was paid by the Municipality.  - Only the material worth R51 136.80 was delivered.  -The same material delivered did not meet the specifications.	-Letter of demand served.  -Preparing the Summons	R2 684 860.60	Defendant still not filled a appearance to defend.

### Legends

QUANTUM:	Amount claimed.
LIQUIDATED:	Easily ascertainable amount based on a document such as a cheque, account or liquid document.
NOT LIQUIDATED:	Still to be determined by agreement or assessment or court order – a globular figure representing an estimate.

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### 40. Contingencies (continued)

**PARTY-AND-PARTY COSTS:** Cost awarded in terms of rules of the court depending on the scale and forum (court) usually awarded by the court to a successful litigant.

**ATTORNEY-AND-CLIENT COST:** Agreed fee between attorney and client based on reasonableness, attorney's status, complexity of the matter and importance of matter to client. May be awarded by court to an unsuccessful party in litigation. The scale is usually higher than party-and-party, hence used as a punitive measure in appropriate circumstances.

**TAXED COSTS:** Bill of costs presented before a taxing master (registrar or clerk of the court) for taxation and once taxed and allowed, can be enforced by writ of execution.

**CONTINGENT:** Uncertain, accidental, dependent upon something that may or may not happen.

**LIABILITY:** The state of being liable.

### 41. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' note 28
Controlled entities	Refer to note 6
Councillors	Refer to note 29
Members of key management	Refer to note 27

#### Related party balances

##### Amounts included in trade receivable (trade payable) regarding related

Maluti-a-Phofung Water (SOC) Ltd	84,181,989	84,181,989
Maluti-a-Phofung Water (SOC) Ltd - insurance	8,039,590	8,039,590
Maluti-a-Phofung Water (SOC) Ltd - municipal services	13,350,149	13,350,149

##### Related party transactions

##### Total service charges

Maluti-a-Phofung Water (SOC) Ltd - water and sewer	24,901,000	41,946,427
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##### Equitable share and DWA grant payment

ABC (Proprietary) Limited	154,114,000	140,000,000
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The transactions that took place between the related parties are within the ordinary course of business and thus the intercompany transactions and balances have been disclosed for the users of the financial statements.

### 42. 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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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### 42. Risk management (continued)

#### Liquidity risk

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.

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

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 June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Other financial liabilities	9,845,870	-	-	-
• Trade and other payables	7,807,057,291	-	-	-
Consumer deposit	25,016,374	-	-	-
Unspent conditional grant and receipt	12,608,447	-	-	-
At June 30, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Other financial liabilities	5,518,978	4,095,607	-	-
• Trade and other payables	6,643,956,706	-	-	-
• Consumer deposit	24,874,437	-	-	-
• Unspent conditional grant and receipt	1,380,797	-	-	-

#### Credit risk

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 ongoing 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2021	2020
Cash and cash equivalent	348,321,308	49,628,562
Receivables from exchange transaction	999,027,619	814,895,442
Receivable from non-exchange transactions	235,164,422	17,664,939
Other financial assets	899,716	903,151

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

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### 43. Going concern

The municipality is experiencing some financial difficulties, the indicators are as follows:

- suppliers are not paid within the legislative 30 days;;
- employee benefit obligations are unfunded;
- high levels of distribution losses;
- slow collection and low recoverability of outstanding consumer accounts; and
- unfavorable financial ratios.

We draw attention to the fact that at June 30, 2021, the municipality had an accumulated surplus (deficit) of R (2,305,491,562) and that the municipality's total liabilities exceed its assets by R (2,028,666,357).

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.

The municipality developed a financial recovery plan which is monitored on a monthly basis by National Treasury.

The municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far as possible, the municipality factored in the effect of the lockdown levels had on its own economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels. During the looting period and community unrest of July 2021, the municipality remained stable with no incidents of vandalism and looting as such the asset impairment policy did not require any adjustments moreover the municipality enjoys the benefit of civil unrest risk cover. The municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

### 44. Events after the reporting date

The accounting officer is not aware of any matter or circumstances arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

The national state of disaster remains in force as and when announced by the President. The financial impact has been assessed and disclosed. As at the date of submission, other than the COVID-19 pandemic and the uncertainty regarding the 2021 Local Government Elections, the municipality had no other significant events after statement of financial position date to disclose.

### 45. Unauthorised expenditure

Opening balance as previously reported	3,319,678,052	3,185,328,446
<b>Opening balance as restated</b>	<b>3,319,678,052</b>	<b>3,185,328,446</b>
Overspending on budget	168,798,650	134,349,606
<b>Closing balance</b>	<b>3,488,476,702</b>	<b>3,319,678,052</b>

The incidents relating 2019/2020 for unauthorised expenditure still needs to be investigated. No disciplinary actions has been taken up to date

The total expenditure for the year was less than the approved expenditure budget, Refer to the statement of comparison of budget and actual amounts for additional information.

### 46. Fruitless and wasteful expenditure

Opening balance as previously reported	1,868,697,341	1,313,046,017
<b>Opening balance as restated</b>	<b>1,868,697,341</b>	<b>1,313,046,017</b>
Add: Incurred in the current year	128,540,091	555,651,324
<b>Closing balance</b>	<b>1,997,237,432</b>	<b>1,868,697,341</b>



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### 46. Fruitless and wasteful expenditure (continued)

The incidents relating 2018/2019 for fruitless and wasteful expenditure still needs to be investigated. No disciplinary actions has been taken up to datet

### 47. Irregular expenditure

Opening balance as previously reported	809,174,353	781,245,703
<b>Opening balance as restated</b>	<b>809,174,353</b>	<b>781,245,703</b>
Add: Irregular Expenditure - current	29,908,838	27,928,650
<b>Closing balance</b>	<b>839,083,191</b>	<b>809,174,353</b>

The incidents relating 2018/2019 for irregular expenditure still needs to be investigated. No disciplinary actions has been taken up to datet

### 48. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	16,656,847	10,858,557
Current year subscription / fee	6,875,423	6,798,290
Amount paid - previous years	(9,663,917)	(1,000,000)
	<b>13,868,353</b>	<b>16,656,847</b>

#### Audit fees

Opening balance	1,750,039	2,745,985
Current year subscription / fee	3,500,078	1,750,039
Amount paid - current year	(1,504,951)	-
Amount paid - previous years	(1,750,039)	(2,745,985)
	<b>1,995,127</b>	<b>1,750,039</b>

#### PAYE and UIF

Opening balance	-	19,171,179
Current year subscription / fee	71,732,732	62,744,263
Amount paid - current year	(71,732,732)	(62,744,263)
Amount paid - previous years	-	(19,171,179)
	-	-

#### Pension and Medical Aid Deductions

Opening balance	-	47,857,872
Current year subscription / fee	100,656,837	92,587,692
Amount paid - current year	(100,656,837)	(92,587,692)
Amount paid - previous years	-	(47,857,872)
	-	-

#### VAT

VAT receivable	619,073,451	493,789,877
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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2021:

June 30, 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr DJ KHUMALO	-	9,349	9,349
Cllr MM MOKOENA	-	60,780	60,780
Cllr SJ MAHLANGU	-	14,229	14,229
Cllr M TSHABALALA	-	41,383	41,383
Cllr PP MOTAUNG	-	54,944	54,944
Cllr PM MOTAUNG	-	4,204	4,204
Cllr TR MOHLEKWA	3,455	-	3,455
Cllr DJ KHUMALO	5,156	85,738	90,894
Cllr MA MOFOKENG	1,400	10,018	11,418
Cllr PP MOTAUNG	3,339	36,313	39,652
Cllr PASTOR MARY CROCKETT	3,301	11,953	15,254
Cllr MM MOKOENA	19,774	62,360	82,134
Cllr MJ RALETHOHLANE	2,638	11,086	13,724
Cllr NA BAAS	6,437	8,527	14,964
Cllr IM MAJAKE	1,253	1,641	2,894
Cllr M J LEBESA	6,972	806	7,778
Cllr MJ LEBESA	3,101	11,997	15,098
Cllr BF GAMEDE	1,291	4,732	6,023
Cllr MT MAVUSO	3,409	2,173	5,582
Cllr MW DLAMINI	2,258	21,115	23,373
Cllr LA MBOSO	25,044	49,232	74,276
Cllr AF BEUKES	5,770	14,471	20,241
Cllr OATE'S	1,986	1,112	3,098
Cllr SG LETOOANE	1,083	4,066	5,149
Cllr KK CHARLIE	3,031	197,716	200,747
Cllr M TSHABALALA	1,035	-	1,035
	<b>101,733</b>	<b>719,945</b>	<b>821,678</b>

June 30, 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr DJ KHUMALO	-	9,349	9,349
Cllr MC RAMOOANA	-	9,996	9,996
CllrMM MOKOENA	-	60,780	60,780
Cllr SJ MAHLANGU	-	14,229	14,229
Cllr M TSHABALALA	-	41,383	41,383
Cllr PP MOTAUNG	-	54,944	54,944
MA MOFOKENG	-	6,280	6,280
Cllr PM MOTAUNG	-	7,204	7,204
Cllr TR MOHLEKWA	4,096	9,137	13,233
Cllr DJ KHUMALO	14,428	60,587	75,015
Cllr MC RAMOOANA	1,888	1,482	3,370
Cllr NF CHICHA	2,574	10,168	12,742
Cllr MA MOFOKENG	1,311	5,888	7,199
Cllr PP MOTAUNG	3,788	25,701	29,489
Cllr PASTOR MARY CROCKETT	3,507	10,863	14,370
Cllr MM MOKOENA	5,446	66,163	71,609
Cllr MJ RALETHOHLANE	2,787	10,140	12,927

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<b>48. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Cllr NA BAAS	2,620	8,605
Cllr M J LEBESA	1,739	676
Cllr M J LEBESA	2,006	11,341
Cllr BF GAMEDE	1,982	6,187
Cllr MT MAVUSO	2,189	3,748
Cllr TS MPAKATHE	14,324	76,541
Cllr MW DLAMINI	1,664	23,657
Cllr LA MBOSO	18,084	76,063
Cllr AF BEUKES	5,819	6,024
Cllr OATE'S DALE	1,985	144
Cllr SG LETOOANE	1,146	4,521
Cllr KK CHARLIE	154,342	49,612
Cllr M TSHABALALA	3,266	12,595
	<b>250,991</b>	<b>684,008</b>
		<b>934,999</b>

### 49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	6,649,128	9,614,585
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

#### Deviation

Emergency	47,105,233	57,899,993
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### 51. Budget differences

#### Material differences between budget and actual amounts

The total expenditure for the year was less than the approved expenditure budget. Refer to the statement of comparison of budget and actual amounts for additional information. The state of National Disaster and Lockdown imposed by the government resulted in a slowdown of spending. In addition the municipality also managed cost containment diligently.

Employee cost: The salary for March was not completely integrated on e-venue system, hence the year to is below target.

Depreciation & asset impairment: Calculations for these line item are not done on a monthly basis.

Finance charges: Eskom invoices were captured.

Transfer and subsidies: The inking of payments made to the entity was still in progress by the time the AFS were prepared.

Other expenditure (also includes contracted services, debt impairment): This type of expenditure is influenced by the cashflow of the municipality. The impairment included the indigents write off for the 2017/18 financial year.

#### Changes from the approved budget to the final budget

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### 51. Budget differences (continued)

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.