



MALUTI-A-PHOFUNG LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended June 30, 2022

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) Municipal demarcation code - FS 194 - Governed by the MFMA (Act 56 of 2003)
Nature of business and principal activities	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.
Legislation governing the municipality's operations	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)
Accounting Officer	F.P. Mothamaha
Chief Financial Officer (CFO)	J.M. Mazinyo
Business address	Cnr Moremoholo & Motloung Street Phuthaditjhaba 9870
Postal address	Private Bag X805 Phuthaditjhaba 9870
Bankers	First National Bank Standard Bank ABSA Bank Limited Refer to note 14

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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General Information

Executive Mayor	M.M. Mosia
Speaker	T.R. Thebe
Chief Whip	B.D. Mofokeng
Mayoral Committee	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. Molo M.J. Tshabalala M. Mlangeni S.J. Mahlangu M. Crockett M.J. Tsotetsi M.B. Lebesa
Councillors	D.J. Mokoena P.J. Lebesana M.A. Khambule S.G. Letoane M.P. Mpakathe D.G. Semela P.B. Beukes T.I. Hatla K.P. Molo K.K. Charlie M.A. Mosia N.T. Chatimba M.S. Mota T.P. Motlokoa M.L. Molo 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 E.N. Gamede

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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General Information

D.A. Dlamini
L.A. Mbose
T.R. Mohlekwa
I.N. Rmohloki
T.D. Moloji
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

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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

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's statement

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, 2023 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 04, 2022 and were signed on its behalf by:

Accounting Officer
S MAKHUBU

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

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 834,821,170 (2021: deficit R 197,478,416)

2. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of R (506,126,964) and that the municipality's total liabilities exceed its assets by R (229,301,759).

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 owed Eskom R6 754 142 504.91 (2021: R6 073 151 284.12) and the water board R6 764 345 (2021: R5 392 524) as at 30 June 2021.

These events or conditions, along with other matters as set forth in note xx, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern

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

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

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 August 2022
S Makhubu	South African	Appointed, 13 October to current

Accounting Officer
S MAKHUBU

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	9	6,729,883	7,900,733
Receivables from exchange transactions	10&13	1,189,821,642	997,999,483
Receivables from non-exchange transactions	11&13	282,090,927	235,164,422
VAT receivable	12	702,110,428	619,059,624
Cash and cash equivalents	14	50,187,365	348,321,308
		2,230,940,245	2,208,445,570
Non-Current Assets			
Investment property	3	832,009,625	803,098,094
Property, plant and equipment	4	5,561,502,156	5,571,128,980
Heritage assets	5	156,751	156,751
Investments in controlled entities	6	300	300
Other financial assets	7	899,716	899,716
		6,394,568,548	6,375,283,841
Total Assets		8,625,508,793	8,583,729,411
Liabilities			
Current Liabilities			
Other financial liabilities	16	-	6,649,128
Payables from exchange transactions	18	8,692,969,167	7,798,056,081
Consumer deposits	19	25,581,117	25,143,715
Unspent conditional grants and receipts	15	312,311	12,608,447
		8,718,862,595	7,842,457,371
Non-Current Liabilities			
Employee benefit obligation	8	88,065,000	88,065,000
Provisions	17	47,882,957	45,670,541
		135,947,957	133,735,541
Total Liabilities		8,854,810,552	7,976,192,912
Net Assets		(229,301,759)	607,536,499
Reserves			
Revaluation reserve		276,825,205	276,825,205
Accumulated surplus		(506,126,964)	330,711,294
Total Net Assets		(229,301,759)	607,536,499

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Service charges	21	319,088,836	281,969,147
Sale of housing	20	718,891	161,030
Interest received (trading)	26	18,294,382	19,781,196
Recoveries	24	97,238	86,828
Sale of goods and rendering of services	25	1,914,062	1,834,968
Library services	25	7,189,979	3,287,864
Interest received - investment	26	11,331,723	2,305,181
Fair value adjustments		28,911,531	34,583,172
Inventories reversal		7,079	10,548
Total revenue from exchange transactions		387,553,721	344,019,934
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	113,846,067	168,504,694
Property rates - penalties imposed	27	7,943,140	8,216,749
Transfer revenue			
Government grants & subsidies	28	894,464,095	999,208,350
Fines, Penalties and Forfeits	23	349,838	228,904
Total revenue from non-exchange transactions		1,016,603,140	1,176,158,697
Total revenue	20	1,404,156,861	1,520,178,631
Expenditure			
Employee related costs	29	(506,503,561)	(415,555,274)
Remuneration of councillors	30	(29,475,051)	(27,412,879)
Administration	31	(21,533,539)	(24,836)
Depreciation and amortisation	32	(271,722,075)	62,953,523
Finance costs	33	(1,886,588)	(8,810,388)
Debt Impairment	34	(4,117,493)	(95,321,065)
Collection costs		-	(20,000)
Bulk purchases	35	(868,637,620)	(798,511,853)
Contracted services	36	(101,502,627)	(69,744,825)
Transfers and Subsidies		(137,694,552)	(93,418,430)
Loss on disposal of assets and liabilities		(435,748)	-
Operating cost	37	(295,469,177)	(271,791,020)
Total expenditure		(2,238,978,031)	(1,717,657,047)
Deficit for the year		(834,821,170)	(197,478,416)

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at July 1, 2020	276,825,205	528,189,710	805,014,915
Changes in net assets			
Surplus for the year		- (197,478,416)	(197,478,416)
Total changes		- (197,478,416)	(197,478,416)
Balance at July 1, 2021	276,825,205	328,694,206	605,519,411
Changes in net assets			
Surplus for the year		- (834,821,170)	(834,821,170)
Total changes		- (834,821,170)	(834,821,170)
Balance at June 30, 2022	276,825,205	(506,126,964)	(229,301,759)

Note(s)

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
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		11,331,723	2,305,181
		1,247,238,627	1,138,288,015
Payments			
Employee costs		(621,715,012)	(624,082,665)
Suppliers		(585,350,975)	38,882,190
Finance costs		(67,109,368)	(48,114,381)
		(1,274,175,355)	(633,314,856)
Net cash flows from operating activities	39	(26,936,728)	504,973,159
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(329,770,864)	(242,622,383)
Proceeds from sale of financial assets		-	3,435
Finance costs		65,222,780	39,303,993
Net cash flows from investing activities		(264,548,084)	(203,314,955)
Cash flows from financing activities			
Repayment of other financial liabilities		(6,649,128)	(2,965,457)
Net cash flows from financing activities		(6,649,128)	(2,965,457)
Net increase/(decrease) in cash and cash equivalents		(298,133,940)	298,692,747
Cash and cash equivalents at the beginning of the year		348,321,308	49,628,562
Cash and cash equivalents at the end of the year	14	50,187,368	348,321,309

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

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 52 for Explanations on differences
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	558,259,000	47,038,000	605,297,000	319,088,836	(286,208,164)	
Rendering of services	1,570,000	110,000	1,680,000	718,891	(961,109)	
Interest received (trading)	81,535,000	(42,739,000)	38,796,000	18,294,382	(20,501,618)	
Recoveries	-	-	-	97,238	97,238	
Other income - (rollup)	29,617,000	9,750,000	39,367,000	1,914,062	(37,452,938)	
Other farming income 1	-	-	-	7,189,979	7,189,979	
Interest received - investment	6,500,000	-	6,500,000	11,331,723	4,831,723	
Total revenue from exchange transactions	677,481,000	14,159,000	691,640,000	358,635,111	(333,004,889)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	185,701,000	(73,722,000)	111,979,000	113,846,067	1,867,067	
Property rates - penalties imposed	-	-	-	7,943,140	7,943,140	
Transfer revenue						
Government grants & subsidies	677,789,000	3,000,000	680,789,000	894,464,095	213,675,095	
Fines, Penalties and Forfeits	1,102,000	(730,000)	372,000	349,838	(22,162)	
Total revenue from non-exchange transactions	864,592,000	(71,452,000)	793,140,000	1,016,603,140	223,463,140	
Total revenue	1,542,073,000	(57,293,000)	1,484,780,000	1,375,238,251	(109,541,749)	
Expenditure						
Personnel	(438,875,000)	(59,547,000)	(498,422,000)	(506,503,561)	(8,081,561)	
Remuneration of councillors	(29,333,000)	70,000	(29,263,000)	(29,475,051)	(212,051)	
Administration	-	-	-	(21,533,539)	(21,533,539)	
Depreciation and amortisation	(220,000,000)	80,000,000	(140,000,000)	(271,722,075)	(131,722,075)	
Finance costs	(150,000,000)	122,000,000	(28,000,000)	(1,886,588)	26,113,412	
Debt Impairment	(278,476,000)	124,051,000	(154,425,000)	(4,117,493)	150,307,507	
Bulk purchases	(735,938,000)	(307,181,000)	(1,043,119,000)	(868,637,620)	174,481,380	
Contracted Services	(145,278,000)	(208,970,000)	(354,248,000)	(101,502,627)	252,745,373	
Transfers and Subsidies	-	-	-	(137,694,552)	(137,694,552)	
General Expenses	(236,670,000)	(44,560,000)	(281,230,000)	(295,469,177)	(14,239,177)	
Total expenditure	(2,234,570,000)	(294,137,000)	(2,528,707,000)	(2,238,542,283)	290,164,717	
Operating deficit	(692,497,000)	(351,430,000)	(1,043,927,000)	(863,304,032)	180,622,968	
Loss on disposal of assets and liabilities	-	-	-	(435,748)	(435,748)	
Fair value adjustments	-	-	-	28,911,531	28,911,531	
Inventories losses/write-downs	-	-	-	7,079	7,079	
	-	-	-	28,482,862	28,482,862	
Deficit before taxation	(692,497,000)	(351,430,000)	(1,043,927,000)	(834,821,170)	209,105,830	

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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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 52 for Explanations on differences
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(692,497,000)	(351,430,000)	(1,043,927,000)	(834,821,170)	209,105,830	

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

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 52 for Explanations on differences
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	350,000	(259,000)	91,000	6,729,883	6,638,883
Receivables from exchange transactions	210,253,000	1,152,598,000	1,362,851,000	1,244,244,734	(118,606,266)
Receivables from non-exchange transactions	168,418,000	783,110,000	951,528,000	282,090,927	(669,437,073)
VAT receivable	-	-	-	702,110,428	702,110,428
Cash and cash equivalents	475,325,000	(3,797,789,000)	(3,322,464,000)	50,187,365	3,372,651,365
	854,346,000	(1,862,340,000)	(1,007,994,000)	2,285,363,337	3,293,357,337

Non-Current Assets

Investment property	-	-	-	832,009,625	832,009,625
Property, plant and equipment	256,311,000	1,488,943,000	1,745,254,000	5,896,213,900	4,150,959,900
Heritage assets	-	-	-	156,751	156,751
Investments in controlled entities	-	-	-	300	300
Other financial assets	-	-	-	899,716	899,716
	256,311,000	1,488,943,000	1,745,254,000	6,729,280,292	4,984,026,292

Total Assets	1,110,657,000	(373,397,000)	737,260,000	9,014,643,629	8,277,383,629
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Liabilities

Current Liabilities

Payables from exchange transactions	174,247,000	(452,875,000)	(278,628,000)	8,692,969,167	8,971,597,167
Consumer deposits	(279,000)	(25,535,000)	(25,814,000)	25,581,117	51,395,117
Unspent conditional grants and receipts	-	-	-	312,311	312,311
	173,968,000	(478,410,000)	(304,442,000)	8,718,862,595	9,023,304,595

Non-Current Liabilities

Employee benefit obligation	-	-	-	88,065,000	88,065,000
Provisions	-	(665,662,000)	(665,662,000)	47,882,957	713,544,957
	-	(665,662,000)	(665,662,000)	135,947,957	801,609,957

Total Liabilities	173,968,000	(1,144,072,000)	(970,104,000)	8,854,810,552	9,824,914,552
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Net Assets	1,284,625,000	(1,517,469,000)	(232,844,000)	159,833,077	(1,547,530,923)
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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	1,284,625,000	(1,517,469,000)	(232,844,000)	(116,992,128)	(1,824,356,128)
Total Net Assets	1,284,625,000	(1,517,469,000)	(232,844,000)	159,833,077	(1,547,530,923)

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

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 52 for Explanations on differences
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	97,351,000	-	97,351,000	-	(97,351,000)	
Sale of goods and services	273,504,000	34,948,000	308,452,000	-	(308,452,000)	
Grants	243,777,000	-	243,777,000	-	(243,777,000)	
Other receipts	1,360,683,000	(1,315,238,000)	45,445,000	-	(45,445,000)	
	1,975,315,000	(1,280,290,000)	695,025,000	-	(695,025,000)	
Payments						
Suppliers	(2,711,063,000)	(3,959,379,000)	(6,670,442,000)	-	6,670,442,000	
Net cash flows from operating activities	(735,748,000)	(5,239,669,000)	(5,975,417,000)	-	5,975,417,000	
Cash flows from investing activities						
Capitalised development costs	(266,961,000)	(23,012,000)	(289,973,000)	-	289,973,000	
Net increase/(decrease) in cash and cash equivalents	(1,002,709,000)	(5,262,681,000)	(6,265,390,000)	-	6,265,390,000	
Cash and cash equivalents at the end of the year	(1,002,709,000)	(5,262,681,000)	(6,265,390,000)	-	6,265,390,000	

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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 17 - 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 8.

Effective interest rate

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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.

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.6 Investment property (continued)

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, it's 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.

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

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:

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
Community		
Building		30
Recreational facilities		20-30
Security		5

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.8 Intangible assets (continued)

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:

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

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 municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.10 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

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

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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1.10 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.10 Financial instruments (continued)

Classification

The municipality 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 ²	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.

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Accounting Policies

1.11 Leases (continued)

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.

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.12 Inventories (continued)

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.

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.

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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.

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.

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Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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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Accounting Policies

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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Accounting Policies

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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Accounting Policies

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).

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.

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Accounting Policies

1.15 Employee benefits (continued)

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-measure 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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Accounting Policies

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.

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.

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1.16 Provisions and contingencies (continued)

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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Accounting Policies

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.

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.

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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.

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.

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1.19 Revenue from non-exchange transactions (continued)

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.

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.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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.

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.

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1.26 Irregular expenditure (continued)

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.

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.

TAll 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.

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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

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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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

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	832,009,625	-	832,009,625	803,098,094	-	803,098,094

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	803,098,094	28,911,531	832,009,625

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	768,514,922	34,583,172	803,098,094

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3. Investment property (continued)

The accounting method for the disclosure of investment properties within the Municipalities annual financial statements has changed from the Cost method to the Fair Value model, thus a restatement is applied.

As this method was applied at year end 2021, it was reperformed retrospectively from 2019 for purpose of financial statement reporting.

However, the method of accounting changed, the date of impairment which were disclosed in the previous financial years did not change apart from the costing method.

When valuing real estate, the Valuer must concern himself with placing a value on the rights attaching to the property and the benefits of occupation and/or ownership thereof. In the valuation process, cognisance must be taken of the purpose for which the property is capable of being used and the future income or amenities, which it is likely to produce. At the same time, however, the property must be compared with available substitutes and/or alternative investment opportunities. The object of the valuation process, therefore, is to arrive at a figure which will reflect the point of equilibrium between supply and effective demand at the time of valuing the property.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. The municipality applies the Fair Value model to value and measure investment properties.

The fair value of investment property was calculated as follows:

2022:

"As recommend by GRAP 16.45 An entity is encouraged, but not required, to determine the fair value of investment property based on a valuation by a valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued."

The approved valuation roll was used as the municipality appointed a professional valuator to conduct the general valuation roll updated in 2021.

All SG parcels were considered, and after ownership was tested and applied, the rate was assigned to determine the 2021 fair value for each property.

2021 - 2008:

As the house price indices is available and published, the municipality opted to rely on the FNB Economic report on house prices.

This report is performed by an Economist with qualified statisticians. The information can therefore be deemed reliable as the necessary qualifications and experience is presented to achieve a fair value (market) growth rate.

The fair value for each investment property was adjusted according to the factor as per the FNB barometer in the link below: [PropertyBarometerOctober.pdf \(fnb.co.za\)](#)

Where required the following percentages were applied per year to determine adjustments over the said period if required:

2008 (-2.9)

2009 (-1.8)

2010 (5.5)

2011 (2.8)

2012 (4.7)

2013 (3.6)

2014 (8.3)

2015 (6.4)

2016 (5.8)

2017 (4.1)

2018 (3.8)

2019 (3.5)

2020 (1.7)

2021 (4.5)

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4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	107,551,085	-	107,551,085	107,551,085	-	107,551,085
Land and Buildings	351,355,374	(163,706,840)	187,648,534	351,327,864	(152,357,139)	198,970,725
Plant and machinery, Transport assets	18,195,245	(17,087,744)	1,107,501	18,182,285	(16,990,428)	1,191,857
Furniture and fixtures	15,786,050	(15,112,152)	673,898	15,478,026	(14,995,597)	482,429
Motor vehicles	73,465,993	(35,741,254)	37,724,739	61,236,916	(39,052,773)	22,184,143
IT equipment	10,873,149	(8,693,107)	2,180,042	9,804,173	(8,328,215)	1,475,958
Roads and Stormwater network Community	3,647,874,987	(1,920,761,236)	1,727,113,751	3,647,874,987	(1,778,295,513)	1,869,579,474
Electricity network	333,982,767	(90,851,664)	243,131,103	295,251,654	(79,481,870)	215,769,784
Landfill site assets	2,148,950,134	(905,980,728)	1,242,969,406	2,024,436,596	(836,525,041)	1,187,911,555
Wastewater network	26,292,152	(14,328,115)	11,964,037	25,966,324	(13,666,889)	12,299,435
Water network	974,248,171	(234,728,167)	739,520,004	974,248,170	(216,370,478)	757,877,692
Work in progress	633,918,695	(175,779,508)	458,139,187	633,918,695	(160,593,443)	473,325,252
	801,778,869	-	801,778,869	722,509,591	-	722,509,591
Total	9,144,272,671	(3,582,770,515)	5,561,502,156	8,887,786,366	(3,316,657,386)	5,571,128,980

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	107,551,085	-	-	-	-	-	-	-	107,551,085
Land and Buildings	198,970,725	27,509	-	-	-	-	-	(11,349,700)	187,648,534
Plant and machinery, Transport assets	1,191,857	12,959	-	-	-	-	-	(97,315)	1,107,501
Furniture and fixtures	482,429	308,024	-	-	-	-	-	(116,555)	673,898
Motor vehicles	22,184,143	18,448,163	-	(610,138)	-	-	-	(2,297,429)	37,724,739
IT equipment	1,475,958	1,068,976	-	-	-	-	-	(364,892)	2,180,042
Roads and Stormwater network	1,869,579,474	-	-	-	-	-	-	(142,465,723)	1,727,113,751
Community	215,769,784	-	-	-	38,731,112	-	-	(11,369,793)	243,131,103
Electricity network	1,187,911,555	94,161,378	-	-	30,352,161	-	-	(69,455,688)	1,242,969,406
Landfill site network	12,299,435	-	-	-	-	-	325,828	(661,226)	11,964,037
Wastewater network	757,877,692	-	-	-	-	-	-	(18,357,688)	739,520,004
Water network	473,325,251	-	-	-	-	-	-	(15,186,065)	458,139,186
Work in progress	722,509,591	-	215,743,855	-	-	(136,474,577)	-	-	801,778,869
	5,571,128,979	114,027,009	215,743,855	(610,138)	69,083,273	(136,474,577)	325,828	(271,722,074)	5,561,502,155

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Total
Land	107,551,085	-	-	-	-	-	107,551,085
Land and Buildings	210,319,635	-	-	-	-	(11,348,910)	198,970,725
Plant and machinery, Transport assets	133,421	1,180,342	-	-	-	(121,906)	1,191,857
Furniture and fixtures	474,283	261,499	-	-	-	(253,353)	482,429
Motor vehicles	2,983,948	20,298,415	-	-	-	(1,098,220)	22,184,143
IT equipment	263,535	1,462,586	-	-	-	(250,163)	1,475,958
Roads and Stormwater network	1,970,603,294	-	40,414,140	-	-	(141,437,960)	1,869,579,474
Community	153,538,055	-	70,995,190	-	-	(8,763,461)	215,769,784
Electricity network	1,228,604,523	25,942,762	-	-	-	(66,635,730)	1,187,911,555
Landfill site assets	12,533,782	-	-	-	403,467	(637,814)	12,299,435
Wastewater network	757,713,924	-	17,685,442	-	-	(17,521,674)	757,877,692
Water network	488,511,316	-	-	-	-	(15,186,065)	473,325,251
Work in progress	697,750,282	193,476,779	-	(168,717,470)	-	-	722,509,591
	5,630,981,083	242,622,383	129,094,772	(168,717,470)	403,467	(263,255,256)	5,571,128,979

Capitalised expenditure (excluding borrowing costs)

Community	30,352,161	70,995,190
Electricity network	38,731,112	-
Roads and Stormwater	-	40,414,140
Wastewater network	-	17,685,442
	69,083,273	129,094,772

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4. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Community	139,067,252	143,276,480
Electricity network	54,285,766	43,768,362
Wastewater network	502,582,229	490,668,672
Roads and Stormwater network	28,679,393	20,977,086
Water network	77,164,229	23,818,991
	801,778,869	722,509,591

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Community	54,555,452	54,555,452
Electricity network	15,020,879	15,020,879
Wastewater Network	317,785,400	317,785,400
Roads and Stormwater	2,154,054	2,154,054
	389,515,785	389,515,785

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	579,233,111	143,276,480	722,509,591
Additions/capital expenditure	113,830,667	101,913,188	215,743,855
Other movements [specify]	-	(67,391,304)	(67,391,304)
Transferred to completed items	(30,352,161)	(38,731,112)	(69,083,273)
	662,711,617	139,067,252	801,778,869

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	507,345,214	190,405,068	697,750,282
Additions/capital expenditure	130,612,395	62,864,384	193,476,779
Other movements [specify]	(624,915)	(38,997,782)	(39,622,697)
Transferred to completed items	(58,099,583)	(70,995,190)	(129,094,773)
	579,233,111	143,276,480	722,509,591

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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5. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	156,751	-	156,751	156,751	-	156,751

Reconciliation of heritage assets 2022

	Opening balance	Total
Heritage assets - other	156,751	156,751

Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets - other	156,751	156,751

6. Investments in controlled entities

Name of company	Held by	% holding	% holding	Carrying	Carrying
		2022	2021	amount 2022	amount 2021
MAP Water		100.00 %	100.00 %	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	342,762
Sanlam life policy	556,954	556,954
	899,716	899,716

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Other financial assets (continued)		
Non-current assets		
Designated at fair value	899,716	899,716
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
Level 2		
Sanlam life policy	556,954	521,232
	903,151	984,408

8. Employee benefit obligations

Defined benefit plan

Long service employee benefit plan

According to the rules of the long service awards scheme which the municipality instituted and operates, an employee (who is on the current condition service) is entitled to a cash allowance calculated in terms of the rules of the scheme after 10, 15, 20, 25 and 30 years of continued service. The liability was calculated by ZAQ Consultants and Actuaries.

It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

Post retirement medical aid plan

Actuarial valuation on post-employment medical aid benefit was performed by ZAQ Consultants and Actuaries. The valuation considered all in service employee, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.

It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

The plan is a post-employment medical benefit plan.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
8. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of long service liability	(25,572,000)	(25,572,000)
Present value of post employment medical aid liability	(62,493,000)	(62,493,000)
	(88,065,000)	(88,065,000)
As at the valuation date, the long service award liability of the Municipality was unfunded, i.e no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation		
The major categories of plan assets as a percentage of total plan assets are as follows:		
Changes in the present value of long service liability are as follows:		
Opening balance	25,754,000	24,468,000
Benefits paid	(3,610,000)	(3,865,000)
Net expense recognised in the statement of financial performance	2,815,000	5,151,000
	24,959,000	25,754,000
Net expense of the long service liability recognised in the statement of financial performance:		
Current service cost	3,062,000	3,076,000
Interest cost	3,130,333	2,502,000
Actuarial gains	(2,760,000)	(427,000)
	3,432,333	5,151,000
Changes in the present value of the post-employment medical aid liability are as follows:		
Opening balance	65,998,000	11,367,000
Benefits paid	(1,596,758)	(1,017,000)
Net expense recognised in the statement of financial performance	(1,908,242)	55,648,000
	62,493,000	65,998,000
Net expense of post-employment medical aid liability recognised in the statement of financial performance		
Current service cost	4,221,000	32,000
Interest cost	6,700,000	1,088,000
Actuarial gains	(12,829,242)	54,528,000
	(1,908,242)	55,648,000
The net expense for long service awards and post-employment benefits has been disclosed in the statement of financial performance as follows.		
Statement of financial performance		
Employee related costs	(807,000)	(807,000)
Finance costs	6,700,000	3,112,000
	5,893,000	2,305,000

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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8. Employee benefit obligations (continued)

Key assumptions used

Expected rate of salary increases was set as assumed value of CPI plus 1%. Salaries used in the valuation include an assumed increase on 1 July 2019 of 6.5%.

Medical aid inflation was calculated after the presumption that medical aid contribution increases would outstrip general inflation by 1% per annum over the foreseeable future.

Key assumptions

Discount rate	Yield curve	Yield curve
Consumer price inflation	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Medical aid contribution inflation/ Normal salary increase rate	CPI + 1%	CPI + 1
Net effective discount rate	Yield curve based	Yield curve based

9. Inventories

Consumable stores	1,337,220	2,508,070
Unsold Properties Held for Resale	5,365,000	5,365,000
Fuel (Diesel, Petrol)	28,000	28,000
	6,730,220	7,901,070
Inventories (write-downs)	(337)	(337)
	6,729,883	7,900,733

Inventories recognised as an expense during the year 703,175 670,829

Inventory pledged as security

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

10. Receivables from exchange transactions

Eskom deposits	3,402,495	3,402,495
MAP Water	235,668,156	194,889,945
Consumer debtors - Electricity	264,966,280	263,659,494
Consumer debtors - Water	230,925,985	142,324,293
Consumer debtors - Sewerage	141,245,097	83,271,363
Consumer debtors - Refuse	194,763,016	192,992,961
Sundry debtors (Departmental Levies)	118,850,613	117,458,932
	1,189,821,642	997,999,483

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.

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10. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
As of June 30, 2022, trade and other receivables of R 4,117,493 (2021: R 95,321,065) were impaired and provided for.		
The amount of the provision was R 924,473,587 as of June 30, 2022 (2021: R 1,013,825,674).		
The ageing of the provision for the receivables from exchange transactions is set out in note 12 - Consumer debtors disclosure.		
11. Receivables from non-exchange transactions		
Fines	962,747	962,747
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.		
12. VAT receivable		
VAT	702,110,428	619,059,624
13. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	598,754,033	555,419,416
Consumer debtors - Electricity	343,216,961	341,333,978
Consumer debtors - Water	613,541,353	579,773,192
Consumer debtors - Sewerage	287,226,782	260,755,913
Consumer debtors - Refuse	194,763,016	192,992,961
Sundry debtors	118,850,613	117,458,932
	2,156,352,758	2,047,734,392
Less: Allowance for impairment		
Consumer debtors - Rates	(317,625,853)	(321,217,741)
Consumer debtors - Electricity	(78,250,681)	(77,674,484)
Consumer debtors - Water	(382,615,368)	(437,448,899)
Consumer debtors - Sewerage	(145,981,685)	(177,484,550)
	(924,473,587)	(1,013,825,674)
Net balance		
Consumer debtors - Rates	281,128,180	234,201,675
Consumer debtors - Electricity	264,966,280	263,659,494
Consumer debtors - Water	230,925,985	142,324,293
Consumer debtors - Sewerage	141,245,097	83,271,363
Consumer debtors - Refuse	194,763,016	192,992,961
Sundry debtors	118,850,613	117,458,932
	1,231,879,171	1,033,908,718

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Figures in Rand	2022	2021
13. Consumer debtors disclosure (continued)		
Rates		
Current (0 -30 days)	20,544,643	17,188,062
31 - 60 days	7,456,206	1,048,199
61 - 90 days	7,435,248	199,780
91 - 120 days	7,260,620	21,114,961
121 - 365 days	51,766,385	64,499,483
> 365 days	186,665,078	130,151,190
	281,128,180	234,201,675
Electricity		
Current (0 -30 days)	11,720,668	27,196,965
31 - 60 days	3,335,015	2,382,184
61 - 90 days	3,089,698	3,934,955
91 - 120 days	5,413,934	41,434,103
121 - 365 days	2,536,025	16,172,731
> 365 days	238,870,940	172,538,556
	264,966,280	263,659,494
Water		
Current (0 -30 days)	20,983,018	13,511,599
31 - 60 days	10,717,434	3,358,068
61 - 90 days	12,810,450	2,432,483
91 - 120 days	8,934,686	92,548,765
121 - 365 days	8,319,669	19,956,183
> 365 days	169,160,728	10,517,195
	230,925,985	142,324,293
Sewerage		
Current (0 -30 days)	6,890,453	6,457,976
31 - 60 days	3,353,250	1,357,209
61 - 90 days	3,340,501	1,268,894
91 - 120 days	3,321,636	5,748,901
121 - 365 days	25,200,073	37,903,361
> 365 days	99,139,184	30,535,022
	141,245,097	83,271,363
Refuse		
Current (0 -30 days)	6,523,875	5,763,748
31 - 60 days	3,192,440	1,222,965
61 - 90 days	9,193,066	1,192,171
91 - 120 days	3,118,484	36,587,452
121 - 365 days	24,351,211	22,872,526
> 365 days	148,383,940	125,354,099
	194,763,016	192,992,961
Sundry debtors		
Current (0 -30 days)	465,027	465,027
31 - 60 days	84,026	84,026
61 - 90 days	703,596	703,596
91 - 120 days	17,497,601	17,497,601
121 - 365 days	11,251,171	11,251,171
> 365 days	88,849,192	87,457,511
	118,850,613	117,458,932

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Figures in Rand	2022	2021
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2,300	1,478
Bank Main	47,128,290	173,985,429
Short-term deposits	2,868,658	169,749,003
Bank Prepaid	188,117	4,585,398
	50,187,365	348,321,308

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
First National Bank - current	672,404	173,985,429	17,167,466	47,128,290	173,985,429	8,629,454
First National Bank - savings	188,117	4,585,398	4,118,154	188,117	4,585,398	4,118,154
First National Bank - call account	438,951	14,009,106	13,988,515	438,951	14,009,106	13,988,515
First National Bank - Jazz fund	-	-	11,742	-	11,742	11,742
First National Bank - call account	91,067	5,499,404	5,487,529	91,067	5,499,404	5,487,529
First National Bank - MIG fund	-	20,722	20,489	-	20,489	20,489
First National Bank - FNB Intabazwe	-	1,478	1,451	-	1,478	1,451
Standard Bank - Call deposit	-	89,139	88,808	-	89,139	88,808
Sanlam Money Market	2,299,584	2,299,584	2,260,785	2,299,584	2,299,584	2,260,785
Absa Investment Account	19,107	-	15,019,274	19,107	15,019,274	15,019,274
Standard bank investment	141	147,829,483	-	141	147,829,483	-
Nedbank investment	19,808	-	-	19,808	-	-
Total	3,729,179	348,319,743	58,164,213	50,185,065	363,350,526	49,626,201

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Financial management grant	312,311	-
Municipal infrastructure grant	-	12,608,447
	312,311	12,608,447

Movement during the year

Additions during the year	276,385,586	368,548,797
Income recognition during the year	(276,073,275)	(355,940,350)
	312,311	12,608,447

16. Other financial liabilities

At amortised cost

DBSA loan	-	6,649,128
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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.

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16. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	-	6,649,128

Defaults and breaches

The municipality did default on repayments during the period for loans repayable. A payment plan was entered into before year end.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Finance cost	Total
Environmental rehabilitation	45,670,541	325,828	1,886,588	47,882,957

Reconciliation of provisions - 2021

	Opening Balance	Additions	Finance cost	Total
Environmental rehabilitation	42,819,133	403,467	2,447,941	45,670,541

Harrismith Libertas landfill

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

Key financial assumptions and calculations used

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2022 was 11.64% p.a.. The consumer price inflation of 7.40% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Discount rate (D) 11.64 %
Consumer price inflation (C) 7.40%
Net discount rate 3.94 %

Harrismith Landfill Site:

The landfill site is situated approximately 61 meters from 42 Hill, which is a township of Harrismith. Harrismith is a town in the Free State, and it is situated approximately 86 km from Ladysmith in the Kwa-Zulu Natal Province. The Harrismith landfill site is responsible for accommodating the solid waste of 42nd Hill, Bergsig, Hardustria, Harrismith SP, Kings Hill, Lotusville, Westerson and Wilgepark. The total population of the mentioned towns accumulates to 32 686 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road which is linked directly to 42nd Hill and its coordinates are 28.2574449°S 29.0912089°E. The estimated total footprint of the item is approximately 173 000 m² and the total fully utilized area is approximately 86 700 m². A total of 34 000 m² has been partially utilized, leaving room for further utilization. The total cubes of fill within the partially utilized area is 14 239.84 m³.

The remaining life is calculated at 16 years, up to 2038 based on the annual population growth and available air space.

Phuthaditjhaba Landfill site:

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17. Provisions (continued)		
<p>The landfill site is situated approximately 1.9km from Phuthaditjhaba. Phuthaditjhaba is a town in the Free State province, and it is situated approximately 52 km from Harrismith. The New Phuthaditjhaba landfill site is responsible for accommodating the solid waste of Boitekong, Phuthaditjhaba A, Phuthaditjhaba B, Phuthaditjhaba C, Phuthaditjhaba D, Phuthaditjhaba H, Phuthaditjhaba K, Phuthaditjhaba L, Phuthaditjhaba N, Phuthaditjhaba SP, Phuthaditjhaba-H and Phuthaditjhaba J. The total population of the mentioned towns is approximately 64 109 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).</p> <p>The site is accessed by a gravel road which then joins another gravel roads which links to Phuthaditjhaba. The coordinates of the landfill site are 28.2574449°S 29.0912089°E. The estimated total footprint of the item is approximately 438 000 m²</p> <p>The remaining life is calculated at 38 years, up to 2060 based on the annual population growth and available air space.</p>		
18. 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	154,098,776	138,255,688
Other payables	3,617	3,617
Third party payments	32,765,701	33,622,548
Trade payables	7,621,917,133	6,963,095,323
Wesbank Petrol cards	275,466	(173,804)
Cash suspense account	337,847,572	118,382,965
Retentions	6,468,583	5,277,425
	8,692,969,167	7,798,056,081
19. Consumer deposits		
Rates	24,480,432	24,511,681
Water	969,181	583,883
Rental	131,504	48,151
	25,581,117	25,143,715
20. Revenue		
Rendering of services	718,891	161,030
Service charges	319,088,836	281,969,147
Interest received (trading)	18,294,382	19,781,196
Recoveries	97,238	86,828
Other income - (rollup)	1,914,062	1,834,968
Public benefit organasations	7,189,979	3,287,864
Interest received - investment	11,331,723	2,305,181
Property rates	113,846,067	168,504,694
Property rates - penalties imposed	7,943,140	8,216,749
Government grants & subsidies	894,464,095	999,208,350
Fines, Penalties and Forfeits	349,838	228,904
	1,375,238,251	1,485,584,911
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	319,088,836	281,969,147
Rendering of services	718,891	161,030
Interest received (trading)	18,294,382	19,781,196
Recoveries	97,238	86,828
Other income - (rollup)	1,914,062	1,834,968
Public benefit organisations	7,189,979	3,287,864
Interest received - investment	11,331,723	2,305,181
	358,635,111	309,426,214

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Figures in Rand	2022	2021
20. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	113,846,067	168,504,694
Property rates - penalties imposed	7,943,140	8,216,749
Transfer revenue		
Government grants & subsidies	894,464,095	999,208,350
Fines, Penalties and Forfeits	349,838	228,904
	1,016,603,140	1,176,158,697
21. Service charges		
Sale of electricity	135,752,244	123,397,533
Sale of water	101,905,355	76,338,589
Sewerage and sanitation charges	87,287,623	81,182,017
Refuse removal	(5,856,386)	1,051,008
	319,088,836	281,969,147
22. Rental of facilities and equipment		
23. Fines, Penalties and Forfeits		
Overdue Books Fines	949	346
Pound Fees Fines	167,768	75,879
Municipal Traffic Fines	181,121	152,679
	349,838	228,904
24. Other revenue		
Recovery	97,238	86,828
Other income - (rollup)	1,914,062	1,834,968
Public benefit organisations	7,189,979	3,287,864
	9,201,279	5,209,660
25. Sale of goods and rendering of services		
Building plan income	429,459	374,971
Call outs	1,326	-
Cemetary and burial fees	2,821,694	2,797,737
Connection fees	1,356,637	1,224,023
Containers	-	1,102
Enterance and membership income	20,098	13,329
Escort fees	33,555	21,609
Management fees	10,262	2,770
Identification pegs	1,304	-
Public benefit organisation	(4,189,979)	(3,287,864)
Rental of facilities	129,832	75,265
Tender documents	1,219,585	507,677
Valuation roll	80,289	104,349
	1,914,062	1,834,968

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Figures in Rand	2022	2021
26. Investment revenue		
Interest revenue		
Interest received - bank and investments	11,331,723	2,305,181
Interest received (trading)	18,294,382	19,781,196
	29,626,105	22,086,377
27. Property rates		
Rates received		
Residential	17,492,435	18,828,757
Commercial	44,876,820	36,727,431
State	46,446,879	110,101,270
Municipal	2,525,773	-
Small holdings and farms	2,504,160	2,847,236
	113,846,067	168,504,694
Property rates - penalties imposed	7,943,140	8,216,749
	121,789,207	176,721,443
Valuations		
Residential	4,653,591,553	4,263,665,876
Commercial	4,188,598,323	3,930,010,007
National and provincial government	1,530,782,360	1,677,262,468
Municipal	1,632,495,868	2,227,844,486
	2,005,468,104	2,098,782,837

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect of 1 July 2021.

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))

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Government grants and subsidies		
Operating grants		
Equitable share	630,835,000	643,268,000
Financial management grant	2,787,688	3,000,000
	633,622,688	646,268,000
Capital grants		
Expanded public works grant	(6,212,180)	2,914,000
Water Services infrastructure grant	25,000,139	70,000,000
Intergrated national electrification programme	46,619,907	10,000,000
Municipal infrastructure grant	195,433,541	148,415,350
Disaster management grant	-	121,611,000
	260,841,407	352,940,350
	894,464,095	999,208,350

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	3,000,000
Conditions met - transferred to revenue	(2,787,688)	(3,000,000)
	212,312	-

Conditions still to be met - remain liabilities (see note 15).

Expanded public works grant

Current-year receipts	6,232,000	2,914,000
Conditions met - transferred to revenue	(6,232,000)	(2,914,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Intergrated national electrification programme

Current-year receipts	46,619,907	10,000,000
Conditions met - transferred to revenue	(46,619,907)	(10,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Municipal infrastructure grant

Balance unspent at beginning of year	12,927,650	-
Current-year receipts	182,505,891	161,343,000
Conditions met - transferred to revenue	(195,433,541)	(148,415,350)
	-	12,927,650

Conditions still to be met - remain liabilities (see note 15).

Disaster management grant

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2022	2021
28. Government grants and subsidies (continued)		
Balance unspent at beginning of year	121,611,000	-
Current-year receipts	-	121,611,000
Conditions met - transferred to revenue	(77,182,010)	-
	44,428,990	121,611,000

Conditions still to be met - remain liabilities (see note 15).

Provincial municipal subsidy

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

Conditions still to be met - remain liabilities (see note 15).

Water Services infrastructure grant

Current-year receipts	25,000,139	70,000,000
Conditions met - transferred to revenue	(25,000,139)	(71,380,797)
	-	(1,380,797)

Conditions still to be met - remain liabilities (see note 15).

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2022	2021
29. Employee related costs		
Acting allowances	5,558,568	1,577,450
Bargaining Council	123,404	116,078
Basic	307,797,316	260,270,958
Bonus	22,638,530	19,957,214
Car allowance	12,507,500	7,412,199
Pension	45,850,905	40,509,049
Housing benefits and allowances	1,485,249	1,455,280
Leave pay provision charge	2,119,387	1,562,200
Long-service awards	3,720,484	2,834,697
Medical aid - company contributions	22,107,773	17,606,918
Overtime payments	39,427,645	30,265,106
Skills Development Levy	3,950,043	2,743,084
Short term benefit	2,231,941	1,866,044
Standby allowance	26,723,983	17,269,037
Telephone / Cellphone allowance	802,430	626,500
UIF	2,662,056	2,083,660
WCA	2,000,000	1,919,869
	501,707,214	410,075,343

Remuneration of Municipal Manager

Annual Remuneration	1,459,428	1,211,691
Cellphone allowance	18,000	18,000
Contributions to UIF, Medical and Pension Funds	143,057	141,065
Skills development levy	15,472	15,472
	1,635,957	1,386,228

Remuneration of Chief Finance Officer

Annual Remuneration	1,116,666	973,569
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	291,190	354,068
Cellphone allowance	18,000	18,000
Skills development levy	12,111	12,111
	1,581,967	1,501,748

Remuneration of Director Sports, Parks, Arts & Culture

The position was vacant from 1 July 2021 to 30 June 2022.

Remuneration of Director Corporate Services

Annual Remuneration	-	361,152
Car Allowance	-	129,662
Contributions to UIF, Medical and Pension Funds	-	1,785
Cellphone Allowance	-	18,000
Skills development levy	-	10,015
	-	520,614

The position was vacant from 1 July 2021 to 30 June 2022.

Remuneration of Director of Public Safety

Annual Remuneration	-	444,941
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Figures in Rand	2022	2021
29. Employee related costs (continued)		
The position was vacant from 1 July 2021 to 30 June 2022.		
Remuneration of Director of Municipal Infrastructure		
Annual Remuneration	1,317,265	112,162
Car Allowance	167,840	30,729
Skills development levy	15,793	7,511
	1,500,898	150,402
Remuneration of Director Human Settlements /Housing		
Annual Remuneration	972,096	944,800
Skills development levy	112,118	27,296
	1,084,214	972,096
The position was vacant from 1 June 2022 to 30 June 2022.		
30. Remuneration of councillors		
Executive Major	914,483	860,063
Mayoral Committee Members	7,682,852	8,506,342
Speaker	723,461	701,948
Councillors	18,618,522	16,115,221
Chief Whip	1,535,733	1,229,305
	29,475,051	27,412,879
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.		
31. Administrative expenditure		
Administration and management fees - third party	21,533,539	24,836
32. Depreciation and amortisation		
Property, plant and equipment	271,722,075	(62,953,523)
33. Finance costs		
Non-current borrowings	-	6,362,447
Other interest paid	1,886,588	2,447,941
	1,886,588	8,810,388
34. Debt impairment		
Bad debts written off	4,117,493	95,321,065
35. Bulk purchases		
Electricity - Eskom	868,637,620	798,511,853

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2022	2021
36. Contracted services		
Presented previously		
Operating Leases	1,324,424	637,220
Outsourced Services		
Burial Services	185,286	92,970
Catering Services	35,650	83,500
Professional Staff	65,054,951	43,620,957
Security Services	25,502,603	19,225,928
Traffic Fines Management	252,513	-
Contractors		
Electrical	8,390,386	5,722,043
Maintenance of Equipment	546,814	349,407
Medical Services	210,000	12,800
	101,502,627	69,744,825
37. Operating cost		
Advertising	848,761	664,448
Auditors remuneration	8,995,462	4,550,642
Bank charges	3,155,399	3,131,547
Computer expenses	394,230	166,190
Consulting and professional fees	5,882,234	4,670,591
Consumables	73,406,037	12,473,389
Donations	67,391,304	38,997,782
Academy Licence registration	27,951	-
Fines and penalties	63,735,201	139,780,196
Animal Costs	387,136	134,197
Hire	244,866	1,220,839
Insurance	-	26,174
Magazines, books and periodicals	123,122	221,129
Motor vehicle expenses	179,919	49,458
Packaging	-	2,797
Fuel and oil	4,730,939	1,810,392
Productions	21,300	-
Postage and courier	46,557	72,963
Printing and stationery	22,870	85,889
Repairs and maintenance	54,578,764	52,451,719
Research and development costs	-	21,913
Software expenses	4,336,075	2,363,158
Telephone and fax	-	2,677,281
Transport and freight	6,000	-
Training	35,543	48,300
Travel - local	1,321,720	1,053,075
Refuse	717,504	-
Assets expensed	42,302	15,892
Uniforms	4,283,027	3,561,288
Indigent subsidy	953,453	1,663,509
Veterinary department	(398,499)	(123,738)
	295,469,177	271,791,020
38. Auditors' remuneration		
Fees	8,995,462	4,550,642

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
39. Cash (used in) generated from operations		
Deficit	(834,821,170)	(197,478,416)
Adjustments for:		
Depreciation and amortisation	271,722,075	(62,953,523)
Gain on sale of assets and liabilities	435,748	-
Fair value adjustments	(28,911,531)	(34,583,172)
Debt impairment	4,117,493	95,321,065
Movements in provisions	2,212,416	2,851,408
Changes in working capital:		
Inventories	1,170,850	(239,671)
Receivables from exchange transactions	(191,822,159)	(184,132,176)
Consumer debtors	(4,117,493)	(95,321,065)
Other receivables from non-exchange transactions	(46,926,505)	(64,869,455)
Payables from exchange transactions	894,913,086	1,159,987,990
VAT	(83,050,804)	(125,106,754)
Unspent conditional grants and receipts	(12,296,136)	11,227,650
Consumer deposits	437,402	269,278
	(26,936,728)	504,973,159
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	244,582,135	222,347,395
Total capital commitments		
Already contracted for but not provided for	244,582,135	222,347,395
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure 1	87,506,923	79,551,749
Total operational commitments		
Already contracted for but not provided for	87,506,923	79,551,749

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2022

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41. Contingencies

1. Warrant of Executions

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
1.	Eskom Failure to pay Electricity bill (Account)	High Court: Bloemfontein Counter-claim: Non payment	-Court Order. -Warrant of Execution against property. -Property attached and removed	R2 422 573 425.00	IGR Framework Act still discussing the matter
2.	ESKOM Failure to pay Electricity bill	High Court: Bloemfontein 08/11/2018	-Received Summons	R1. 046 443 902 (billion)	IGR Framework Act still discussing the matter

2. Summons

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
1.	Transnet SOC LTD t/a Transnet Pipelines 03/10/2012.	High Court: Bloemfontein Claim for damaged pipes- Makholokweng on the	-Summons issued on the 10/03/2015. -Defended -Joined Chuene Trading and Kgato Consulting Engineers	R17, 675 427.00	The matter is dormant

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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41. Contingencies (continued)

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand		2022	2021		
41. Contingencies (continued)					
5.	Afgri Operations (PTY) LTD	High Court: Bloemfontein	-Summons. -Defended.	R1 764 648.43	Finalised (Settled under Rural Maintenance agreement)
		Claim for a refund of electricity deposit paid to Rural Maintenance			
6.	WDF Viljoen // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein	-Matter defended. -Exchanging Pleading at this stage.	R633 331.45	Exchanging pleadings.
		- Claims for farms that were destroyed by fire: Kestell			
7.	D W Wessels // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein	-Matter defended. -Exchanging Pleading at this stage.	R1 391 559.94	Exchanging pleadings.
		Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell.			
8.	P.J.H Lourens // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein	-Matter defended. -Exchanging Pleading at this stage.	R304 754.06	Exchanging pleadings.
		- Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell.			
9.	J.P & A.C Du Plooy // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein	-Matter defended. -Exchanging Pleading at this stage.	R900 415.01	Exchanging pleadings.
		-Claims for farms that were destroyed by fire allegedly by fire from our dump site: Kestell			

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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41. Contingencies (continued)

10.	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.
11.	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
12.	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.
13.	Samuel Mphuthi	High Court: Bloemfontein	-Entered an appearance to defend -Filed special plea and plea. -	R2 000 000.00	The Province has accepted that the road is under its jurisdiction. Finalised

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41. Contingencies (continued)

14.	Zime Nzimande Damages to vehicle: Pothole (Cnr Motebang & Setai Streets: Phuthaditjhaba)	Summons: Magistrate Court - Phuthaditjhaba	-Entered and appearance to defend. -Requested further documents. -Filed our special plea & plea	R20 571.42	Awaiting matter to be set down.
15.	Aqua Transport & Plant Hire (PTY) LTD	High Court: Bloemfontein Service rendered: 12 Water Tankers (April – August 2017)	Getting info from user department. -Wrote an acknowledgement letter. -Defended the matter	R7 184 600.35	Exchanging pleadings
16.	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 R 177 743.23 . -Defend if adamant that we do not owe them a cent.	R177 743.23	Agreed to hold the Summons in abeyance
17.	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.

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41. Contingencies (continued)

18.	Ntiyiso Consulting CC // MAP	High Court: Bloemfontein	-Received Summons.	-R12 027 912.00	Awaiting judgement
	Revenue Management & Enhancement	20/03/2019	-Defended the matter. -Application for Summary judgement -Opposed and we were granted leave to defend. Appeared in Court		
19	Bibi Cash & Curry (PTY) LTD	High Court: Bloemfontein	-Received Summons	R2 518 615.00	Awaiting matter to be set down by Plaintiff
	05/03/2019	Claim for damages & loss of income: ERF 9091 (Portion 5 &6)	Claim 1: Damages to the land Claim 2: Loss of income. Defended both claims		
				R8 155 861.32	
20.	KN Smat JV Tshau Civil	High Court: Bloemfontein	-Received Summons	R2 074 500.00	Awaiting matter to be set down by Plaintiff.
	01/04/2019	MAP Water: Sewer blockages	-Defended the matter. -Filed special plea ad plea.		

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand 2022 2021

41. Contingencies (continued)

21.	Urban Brew Studios (PTY) LTD	High Court: Bloemfontein	<p>-Received Summons.</p> <p>-Defended the matter.</p> <p>-Application for Summary judgement</p> <p>-Application dismissed</p>	R540 783.00	Awaiting matter to be set down by Plaintiff.
	21/05/2019	Broadcast on Dumisa TV & YO TV			
22.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	<p>-Received Summons</p> <p>-Defended the matter</p>	R8 636 640.82	Exchanging pleadings
	27/06/2019	Alleged service rendered			
23.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	<p>-Received Summons</p> <p>-Defended the matter</p>	R5 678 901.69	Exchanging pleadings
	27/06/2019	Alleged service rendered			
24.	RNT Management Services CC	High Court: Bloemfontein	<p>-Summons issued.</p> <p>-Defended the matter</p> <p>-Filed 2 special pleas and a plea.</p>	<p>First claim:</p> <p>R20 470 034.96</p>	<p>-Awaiting notice of set down</p> <p>-Proclamation SIU</p>
	22/10/2020	<p>Compilation of Indigent Register & Indigent register to collect meter numbers from urban registered indigents.</p> <p>SCM/BID42/2016/1 7</p>			

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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41. Contingencies (continued)

		Collection & capturing of Rural Data for implementation of flat rate.		Second claim:	
				R1 739 479.30	
		SCM/BID18/2017/18			
25.	Palesa Events and Fuel (PTY) LTD	High Court: Bloemfontein	-Received Summons	R17 141 832.00	Exchanging pleadings
	10/12/2020	Alleged Service rendered	-Defended the matter.		-Proclamation SIU
26.	Craiwan Consulting CC	Magistrate Court: Harrismith	-Received Summons	R13 300.00	Finalised
	10/11/2020	Damages to the vehicle: 2013 BMW Gran Turismo 5351, due to pothole, between Stuart & Buddolph Streets, Harrismith .	-Negotiating settlement. -Entered into settlement agreement on 60/40		13/08/2021
27.	Rospa Trading 289 CC	High Court: Bloemfontein	-Received Simple Summons	R10 219 883.00	Awaiting Plaintiff to set down
	07/04/2021	Alleged Service rendered + storage	-Defended the matter. -Application for summary judgement. Summary judgement dismissed		

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41. Contingencies (continued)

28.	Configen CC t/a Zero Tolerance	High Court: Bloemfontein	-Received Simple Summons -Defended Alleged Service rendered	R10 129 812.20	Awaiting a declaration from Applicant
29.	Sula Smart Supply Services	High Court: Bloemfontein	-Received Summons -Contacted and send an email to attorney - Agreed to hold Summons in abeyance - Settlement	R820 887.51	Finalised
30.	MV Specialised (PTY) LTD	High Court: Bloemfontein	-Received Summons. -Defended Provision of information, communication & technology services	R5 552 277.50	File open (Prescription of portion
31.	Bohlokong Computers Solutions (PTY) LTD	High Court: Bloemfontein	-Received Summons (Undue enrichment claim) Provision of information, communication & technology services	R1 801 549.75	File open

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand 2022 2021

41. Contingencies (continued)

32.	Petronella Sibeko	Magistrate Court: Harrismith	-Received Summons -Sent a letter to attorneys indicating that the road is under Provincial jurisdiction. Damage to vehicle as result of pothole (Industriqwa-Tshame)	R19 262.82	File Open
33.	Motlogelwa Tshubela	Magistrate Court: Harrismith	-Received Summons. -Sent a letter to attorneys indicating that the road is under Provincial jurisdiction. -Matter withdrawn Damage to vehicle as result of pothole (Industriqwa-Tshame)	R47 141.91	Finalised
34.	Sesi Maria Mofokeng	Regional Court: Phuthaditjhaba	-Received Summons -Agreed to hold Summons in abeyance -Settlement Employee-Promoted and was paid as per promotion until August 2018	R337 306.27 Paid R250 000.00	Finalised 13/04/2022
35.	Lateral Unison Insurance Brokers (PTY) LTD	High Court: Bloemfontein	-Received Summons -Defended Risk Management Services	R3000 000.00	File Open

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41. Contingencies (continued)

36.	Ithemba Lethu Consulting	High Court: Bloemfontein	-Received Summons -Defended and file special plea & our plea	R5 033 304.66	File Open
		Service rendered: Structural repair- Main Office & Harrismith			

3. 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 presented its case. -Closing argument on the 25 th October 2021 Judgement In favour of Bibi	-	-Finalised
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

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41. Contingencies (continued)

3.	Bohlokong Computer Solution (PTY) LTD Information, Communication and Technology Services	High Court: Bloemfontein 09/10/2019	-Application opposed -Application dismissed -Application for leave to Appeal granted -Appeal dismissed with costs	R6 811 406.29	Finalised 01/09/2021
4.	AFGRI Operations (PTY) LTD & 15 others	High Court: Gauteng Division, Pretoria Application to set aside NERSA decision -Revocation MAP Electricity Distribution Licence	Application opposed	-	Order grated to appoint Eskom as agent but we will be going back to court to argue the terms & conditions.
5.	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
6.	Samwu obo Mamokete Sethunya	Labour Court: Johannesburg Review Application: Dismissal	-Application opposed	-	Exchanging pleadings

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41. Contingencies (continued)

7.	SAMWU obo MN Sekosana	Labour Appeals Court	-Dismissal -Review application dismissed	Reinstatement	-Finalised 01/09/2021
		Petition to Appeal Court	-Application for leave to appeal dismissed. -Petition to Appeal court dismissed		
8.	T Mopeloa	High Court: Bloemfontein	Application opposed	-	Exchanging pleadings
		Application challenging the report of the Section 32 Committee			
9.	Shashapa Joshua Motaung & 14 others	High Court: Bloemfontein	-Agreed to hold the matter in abeyance -Meeting scheduled for 24 th August 2021 -Opposed	R5 497 849.50	File Open
		Cllrs claiming payments			
10.	Oxy Trading 541 CC	High Court: Bloemfontein	-Received application for payment. -Opposed	R15 595 452.49	File Open
		Toilet services & maintenance			

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41. Contingencies (continued)

11.	Tulcia Electrical Free State CC	High Court: Bloemfontein	-Application filed -Drafted settlement proposal. Service rendered: Electricity service	R2 277 710.49	Finalised
12.	Monoceros Electrical CC	High Court: Bloemfontein	-Application filed -Drafted settlement proposal. Service rendered: Electricity service	R5 116 736.17 Partially paid	Finalised: February 2022
13.	SAMWU obo MN Sekosana	Constitutional Court	-Petition to Appeal court dismissed -Petition to Constitutional court Reinstatement -Opposed -Appeal dismissed	-Reinstatement	Finalised
14.	SAMWU obo Manyoni & others	Labour Court: Cape Town	-Application for Warrant of Execution	R307,718,004.	Dormant
15.	Joseph Rabbi Tshabalala	SALGBC	-Received Application -Opposed Application for quantification -SALGBC do not have jurisdiction	R1 675 703.53	Finalised

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41. Contingencies (continued)

16.	SAMWU obo Jeminah Mazinyo	Labour Court: Cape Town	-Application for a declaratory order. -Opposed Declaratory order: Suspension to be declared unlawful	-	Finalised
17.	Rich Soil Resources (Pty) LTD	High Court: Bloemfontein	-Application for an order. -Opposed. Challenging the appointment of service provider: Landfill sites	-	File Open
18.	Kiwango Infrastructure & Development Consortium	High Court: Bloemfontein	-Application for an order. -Opposed Challenging the appointment of service provider: PMU	-	Matter withdrawn
19.	SAMWU obo Jeminah Mazinyo	High Court: Bloemfontein	-Application for a declaratory order. -Opposed Declaratory order: Suspension to be declared unlawful	-	File Open
20.	Sipho Mbuyiselo Godfrey Tshabalala	High Court: Bloemfontein	-Application for an order. -Opposed Order: Appointment as Director LED	-	File Open

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41. Contingencies (continued)

21.	Harrismith Intabazwe Tsiamé Residents, Shiloh Retailers (Harrismith Spar) & Arvaro Fill Up (Engen)	High Court: Bloemfontein Order: Restore electricity supply	-Application for an order. -Opposed	- 	Finalised 14/06/2022
22.	Harrismith Intabazwe Tsiamé Residents & Monontsa trust (Sedibeng Service Station)	High Court: Bloemfontein Order: Restore electricity supply	-Application for an order. -Opposed	- 	Finalised 14/06/2022
23.	Sipho Mbuyiselo Godfrey Tshabalala	High Court: Bloemfontein Urgent Application for a interdict: Director LED	-Application for an order. -Opposed	- 	File Open
24	Conlog (PTY) LTD	High Court: Bloemfontein Supplied 10 000 meter boxes	-Application for an order of payment -Telephone contact to attorneys -Send the payment plan	R7 350 061.70	File Open
25.	Imatu obo S Nkosi	Labour Court: Johannesburg Contempt of court: Long service bonus	-Application for contempt of court order. -Matter settled. -Set down for 22/07/2022	-R20 000.00	File open

4. Letters of Demand

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41. Contingencies (continued)

NO	MATTER	NATURE OF CLAIM	STATUS	CONTINGENT	REMARKS
1.	Dinatla Advisory Services 29/01/2019	Government Accounts Reconciliation	Received letter -Wrote letter denying liability	R7 140 814.09	-Finalised 02/09/2021
2.	Bulezania (PTY) LTD t/a Gold Protection Services	VIP Protection Services	-Received letter of demand. -Acknowledged receipt and denied liability	R986 534.56	File Open
3.	Rospa Trading 289 CC 07/10/2019	Supply of container & renovations	-Received letter of demand.	R163 673.30	File open
4.	Mamohau Augustina Mofokeng	Collision between the claimant's vehicle and Council vehicle, FHM 932 FS: Nissan NP300	-Received letter of demand. -Wrote letter to Attorney -Denied liability	R41 326.62	Finalised 13/08/2021
5.	Wamesa Civil Construction	Service rendered: Hired TLB for digging of graves	-Received letter of demand.	R21 085.79	File Open
6.	M.E Maseko 10/03/2021	Damages to the vehicle: REJOYC FS, due to unattended ditch across the road in Lusaka Rd next to Standard shop, Lesuka.	-Received letter of demand. -Sent a letter to attorneys.	R59 220.00	File open

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41. Contingencies (continued)

7.	MV Specialised Services (PTY) LTD	Service rendered: Electricity service	-Received letter	R5 552 277.50	-File Open
	24/06/2021				
8.	Ilifa Africa Engineers (Pty) LTD	Consulting Engineers (Fika Patso Projects)	-Received a letter -Settlement agreement	R1 286 199.72	-Finalised January 2022
		BID NO. SCM/ BID01/2016/17			
9.	Rich Soil Resources (PTY) LTD	Appointment of services provider: Maintain and management of Harrismith & Qwaqwa Landfill site	-Received letter requesting documents -Responded to the letter and provided the requested documents.	-	-Application
	24/06/2021				
10.	Kiwango Infrastructure and Development Consortium	Appointment of services provider: PMU	-Received letter requesting documents. -Responded to the letter and provided the requested documents.	-	-Finalised -Matter withdrawn.
11.	Monoceros Electrical CC	Service rendered: Electricity service	-Received letter -Requested report from Infrastructure.	-R2 653 970.00	-File Open
	02/05/2021				

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41. Contingencies (continued)

12.	Katoka Services & Projects & 7 others	Contractor development	Received letter	-	-File Open
13.	SS Mahoa	Collision Chev Spark 1.2 LS & FFR984FS	-Received letter -Responded. The vehicle does not belong to the Municipality	-R46 459.22	File Open
14.	Mabolela Construction & Electrical CC	Storage for fire truck (engine)	-Received letter	-R1 007 750.00	File Open
15.	Makedibone Fihlo	Pothole claim: 2013 Honda Accord 2.4, due to pothole at Mampoi Road next to Covision Mortuary, Phuthaditjhaba.	-Received letter of demand. -Sent a letter requesting further information to attorneys.	-R14 320.87	File Open
16.	Daniel Zwane	Pothole claim: 2013 GWM STEED5 2.2 MPI, due to pothole at Motebang Road, Phuthaditjhaba.	-Received letter of demand. -Sent a letter requesting further information to attorneys.	-R21 453.37	File Open
17.	Re-Yakgona Transport CC	Supply: Tyres, rims, batteries, studs & nuts.	-Received letter of demand.	-R2 123 222.00	File Open
18.	JN Christou	Pothole claim: At R74 -25 km from Bergville from Harrismith.	-Received letter of demand.	R47 221.28	File Open

4. Criminal matters

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41. Contingencies (continued)

NO	MATTER	Case Number	Charge	STATUS	REMARKS
1.	Ntsane Mopeli & 5 others		Electricity employees Alleged assault	-First appearance on 28/07/2021 -Appeared again and postponed for mediation -Complainant never pitched up and matter has been postponed to April 2022.	
2.	S Mkhize & other	Harrismith Case Number: 1348/2021	Electricity employees Alleged Corruption	-Arrested 25/11/2021 -Released on bail on the 26/11/2021 -Appeared on 07/12/2021 -Appeared again on 14/01/2022 -Struck off Roll	Finalised 21/02/22
3.	S v Zandile Gladys Maduna	Harrismith Case Number: 52/2022	Alleged Assault	-Matter withdrawn	Finalised 21/02/22

5. For Municipality

NO	MATTER	NATURE OF CLAIM	STATUS	AMOUNT	REMARKS
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41. Contingencies (continued)

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. - Obtained default judgement	R2 684 860.60	Attempted to attach
3.	MAP// SSS Auctioneers	Auction: 02/08/2019 Shortage: Deposited R225 600.00 instead of R435 749.49	Letter of demand served.	R210 149.49	Preparing Summons

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41. Contingencies (continued)

4.	Baleni T.I & 17 others	Electricity Vendors	Letters of demand served	R705 144.00	Preparing Summons
		Shortages			

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' note 29
Controlled entities	Refer to note 6
Councillors	Refer to note 30
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	24,901,000
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Equitable share and DWA grant payment

Maluti-a-Phofung Water (SOC) Ltd	174,155,000	154,114,000
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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.

43. 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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43. 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, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Trade and other payables	8,692,696,167	-	-	-
Consumer deposit	25,581,117	-	-	-
Unspent conditional grant and receipt	312,311	-	-	-
At June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Trade and other payables	7,798,056,081	-	-	-
• Consumer deposit	25,143,715	-	-	-
• Unspent conditional grant and receipt	12,608,447	-	-	-

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	2022	2021
Cash and cash equivalent	50,187,365	348,321,308
Receivables from exchange transaction	1,189,821,642	997,999,483
Receivable from non-exchange transactions	282,090,927	235,164,422
Other financial assets	899,716	899,716

44. Going concern

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of R (506,126,964) and that the municipality's total liabilities exceed its assets by R (229,301,759).

The municipality incurred a net loss of R834 821 170 during the year ended 30 June 2022. The municipality's current liabilities exceeded its current assets by R6 487 922 350.

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 owed Eskom R6 754 142 504.91 (2021: R6 073 151 284.12) and the water board R6 764 345 (2021: R5 392 524) as at 30 June 2021.

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44. Going concern (continued)

These events or conditions, along with other matters as set forth in note 18 and 21, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern

45. 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.

46. Unauthorised expenditure

Opening balance as previously reported	3,488,476,702	3,319,678,052
Opening balance as restated	3,488,476,702	3,319,678,052
Overspending on budget	369,678,602	168,798,650
Closing balance	3,858,155,304	3,488,476,702

The incidents relating 2021/2022 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.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	1,997,237,432	1,868,697,341
Opening balance as restated	1,997,237,432	1,868,697,341
Add: Incurred in the current year	77,504,806	128,540,091
Closing balance	2,074,742,238	1,997,237,432

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

48. Irregular expenditure

Opening balance as previously reported	839,082,736	809,174,353
Opening balance as restated	839,082,736	809,174,353
Add: Irregular Expenditure - current	111,519,372	29,908,383
Closing balance	950,602,108	839,082,736

The incidents relating 2021/2022 for irregular expenditure still needs to be investigated. No disciplinary actions has been taken up to datet

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	13,868,353	16,656,847
Current year subscription / fee	6,575,717	6,875,423
Amount paid - previous years	(13,868,353)	(9,663,917)
	6,575,717	13,868,353

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	1,995,127	1,750,039
Current year subscription / fee	10,044,464	3,500,078
Amount paid - current year	(8,995,462)	(1,504,951)
Amount paid - previous years	(1,995,127)	(1,750,039)
	1,049,002	1,995,127
PAYE and UIF		
Current year subscription / fee	84,743,552	71,732,732
Amount paid - current year	(84,743,552)	(71,732,732)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	111,654,872	100,656,837
Amount paid - current year	(111,654,872)	(100,656,837)
	-	-
VAT		
VAT receivable	702,110,428	619,059,624

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49. 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, 2022:

June 30, 2022	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
	101,733	719,945	821,678

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 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
Cllr NA BAAS	2,620	8,605	11,225

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Cllr M J LEBESA	1,739	676	2,415
Cllr M J LEBESA	2,006	11,341	13,347
Cllr BF GAMEDE	1,982	6,187	8,169
Cllr MT MAVUSO	2,189	3,748	5,937
Cllr TS MPAKATHE	14,324	76,541	90,865
Cllr MW DLAMINI	1,664	23,657	25,321
Cllr LA MBOSO	18,084	76,063	94,147
Cllr AF BEUKES	5,819	6,024	11,843
Cllr OATE'S DALE	1,985	144	2,129
Cllr SG LETOOANE	1,146	4,521	5,667
Cllr KK CHARLIE	154,342	49,612	203,954
Cllr M TSHABALALA	3,266	12,595	15,861
	250,991	684,008	934,999

50. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	-	6,649,128
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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.

51. 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	113,385,734	47,105,233
Impractical/ impossible to follow procurement process	85,317,305	-
Sole provider	6,524,542	-
	205,227,581	47,105,233

52. Budget differences

Material differences between budget and actual amounts

Employee cost: Increase in Electricity department overtime due to huge demand in electricity repairs.

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

Finance charges: Eskom invoices were captured with interest incurred.

Other expenditure(also includes contracted services,debt impairment): This type of expenditure is influenced by the cashflow of the municipality

Changes from the approved budget to the final budget

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