



MALUTI-A-PHOFUNG LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2024

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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.
The following is included in the scope of operation	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)
Mayoral committee	MB Lebesa HF Mdakane EM Mofokeng NI Letlala M Crocket PK Khumalo IDJ Nhlapo AN Motaung MB Bohlale MM Lakaje-Mosia
Executive Mayor	MJ Melato Dlamini
Speaker	MW Dlamini
Chief Whip	MJ Lebesa

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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General Information

Councillors

ML Mokoena
HD Dlamini
J Rantsane
A Sothoane
AN Motaung
MJ Ralethohlane
ME Mahamotsa
M Crockett
KP Moloi
PG Makae
MJ Malaoane
NP Mokoena
MJ Mokoena
ME Moloi
E Quinta
DJ Mokoena
TD Moloi
PK Khumalo
MF Ngozo
M Lefuma
TA Lesenyeho
ML Nchocho
TP Maboea
ML Masobe
MB Bohlale
A Ramochela
JM Mokoenihi
MM Dlamini
SR Khumalo
S Hlalele
ME Lebusa
KL Motaung
MC Moloi
MJ Moloi
JM Mokoena
DE Sefatsa
LB Sesoai
PP Sefudi Mollo
TJ Mahlambi
BG Hlubi
MJ Lebesa
C Kalamer
MJ Melato Dlamini
TJ Nthinya
AM Oates
MJ Mopeloa
DJ Nhlapo
TR Thebe
PJ Titeli
DA Sedikwe
SJ Motaung
KE Molefe
MS Mkhwanazi
I Naledi
MA Mofokeng Tsoeu
PA Motloung
MA Nhlapo
TG Mokotso
MM Lakaje-Mosia
NI Letlala
HF Mdakane
MB Lebesa
EM Mofokeng
NV Makhalemele

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

General Information

	TE Thulo TR Mohlekwa N Ramohloki S Mkhwanazi MF Ratsoana MW Dlamini
Grading of local authority	Grade 4 Local Municipality In terms of Remuneration of Public Office Bearers Act, Act 20 of 1998
Accounting Officer	H.A. Goliath
Chief Finance Officer (CFO)	J.M. Mazinyo
Business address	Cnr Moremoholo & Motloun Street Phuthaditjhaba 9870
Postal address	Private Bag X805 Phuthaditjhaba 9870
Bankers	First National Bank Standard Bank ABSA Bank Limited Refer to note 14
Auditors	The Auditor-General of South Africa Registered Auditors(AGSA) Registered Auditors
Attorneys	Niemann Grobbelaar Ponoane Attorneys Lethabo Mokoena Attorneys Noge Attorneys Tsetetsi & Mchunu Attorneys Kaibes Inc. Peyper Attorneys MC Radebe Attorneys Sibeko Inc Lessing & Van Jaarsveld Attorneys Balden Vogel
Preparer	The annual financial statements were internally compiled by: MS Mache

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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

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Abbreviations used:

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
mSCOA	Municipal Standard Chart of Accounts
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, 2024

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with 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.

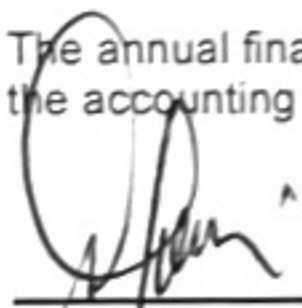
The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable 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 auditors (AGSA) are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2024 and were signed on its behalf by:



H.A. Goliath
Accounting Officer

30/8/2024

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2024.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 8 number of meetings were held.

Name of member	Number of meetings attended
Jane Sedie Masite (Chairperson)	8
Lekula Sydwell Mofokeng	8
Siyakhula Simelane	8
Norman Tinyiko Baloyi	8

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review. It was however noted that the suspense accounts were not cleared on a monthly basis and some weaknesses identified throughout the year like poor record keeping and monthly reconciliations were not done.

Evaluation of annual financial statements

- The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report,
 - reviewed the Auditor-General of South Africa's management report and management's response thereto;
 - reviewed the entities compliance with legal and regulatory provisions;

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Audit Committee Report

Internal audit

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

Auditor-General of South Africa

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

Mrs Jane Masite

Chairperson of the Audit Committee



Date: 30/08/2024

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2024.

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 our opinion require any further comment.

Net deficit of the municipality was R 1,085,747,298 (2023: deficit R 514,298,934).

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated deficit of R 1 085 747 298 and that the municipality's total liabilities exceed its assets by R7 478 358 402.

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

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

Name	Nationality
H.A. Goliath	South African

6. Auditors

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

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2024.

Accounting Officer

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	8	6,459,205	6,508,108
Receivables from exchange transactions	9&12	546,517,299	1,129,243,527
Receivables from non-exchange transactions	10&12	216,445,719	659,887,752
VAT receivable	11	1,142,752,968	1,020,561,190
Cash and cash equivalents	13	87,957,780	182,641,246
		2,000,132,971	2,998,841,823
Non-Current Assets			
Investment property	3	600,310,038	600,310,038
Property, plant and equipment	4	2,572,619,608	2,536,267,282
Investments in controlled entities	5	300	300
Other financial assets	6	899,716	899,716
		3,173,829,662	3,137,477,336
Total Assets		5,173,962,633	6,136,319,159
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	9,452,709,846	9,205,555,636
Consumer deposits	7	25,781,527	25,329,794
Unspent conditional grants and receipts	17	-	4,715,046
		9,478,491,373	9,235,600,476
Non-Current Liabilities			
Employee benefit obligation	18	88,065,000	88,065,000
Provisions	19	(61,132,790)	58,382,332
		26,932,210	146,447,332
Total Liabilities		9,505,423,583	9,382,047,808
Net Assets		(4,331,460,950)	(3,245,728,649)
Accumulated surplus		(4,331,460,947)	(3,245,728,649)
Total Net Assets		(4,331,460,947)	(3,245,728,649)

* See Note 45

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	498,078,716	494,670,886
Rendering of services		656,579	7,335,625
Interest received (trading)		22,602,576	(2)
Rental of fixed assets		1,367,264	1,130,771
Sale of goods and rendering of services	24	3,219,187	2,031,559
Interest received - investment	25	6,316,139	4,404,960
Inventories reversal		122	-
Total revenue from exchange transactions		532,240,583	509,573,799
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	99,784,962	111,775,896
Property rates - penalties imposed	26	9,066,108	-
Transfer revenue			
Government grants & subsidies	28	1,023,977,882	1,025,729,955
Public contributions and donations	29	65,513,391	-
Fines, Penalties and Forfeits	22	735,987	1,126,762
Total revenue from non-exchange transactions		1,199,078,330	1,138,632,613
Total revenue	20	1,731,318,913	1,648,206,412
Expenditure			
Employee related costs	30	(447,690,139)	(557,488,425)
Remuneration of councillors	31	(25,442,222)	(31,772,463)
Administration	32	(24,727,032)	(33,421,649)
Depreciation and amortisation	33	(93,877,105)	(292,745,716)
Finance costs	34	(44,698,290)	(196,122,640)
Debt Impairment	36	(950,415,082)	(8,164,778)
Bulk purchases	38	(842,498,991)	(758,125,691)
Contracted services	39	(81,784,145)	(55,274,342)
Transfers and Subsidies	27	(165,645,025)	(102,142,350)
Internal billing recoveries		(7,287,884)	(5,211,986)
Inventories losses/write-downs		-	(888)
Operating cost	37	(133,000,296)	(122,034,418)
Total expenditure		(2,817,066,211)	(2,162,505,346)
Deficit for the year		(1,085,747,298)	(514,298,934)

* See Note 45

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2022	(2,731,429,715)	(2,731,429,715)
Changes in net assets		
Surplus for the year	(514,298,934)	(514,298,934)
Total changes	(514,298,934)	(514,298,934)
Restated* Balance at July 1, 2023	(3,245,713,649)	(3,245,713,649)
Changes in net assets		
Surplus for the year	(1,085,747,298)	(1,085,747,298)
Total changes	(1,085,747,298)	(1,085,747,298)
Balance at June 30, 2023	(4,331,460,947)	(4,331,460,947)
Note(s)		

* See Note 45

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation		179,420,636	158,190,816
Sale of goods and services		612,699,211	(310,141,818)
Grants		752,004,253	700,039,309
Interest income		6,316,139	4,404,960
		1,550,440,239	552,493,267
Payments			
Employee costs		(621,715,012)	(624,082,665)
Suppliers		(848,495,848)	157,322,347
Finance costs		(44,698,290)	(196,122,640)
		(1,514,909,150)	(662,882,958)
Net cash flows from operating activities	40	35,531,089	(110,389,691)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	138,574,664	(200,082,581)
Movement within economic entities		(268,789,219)	412,058,590
Net cash flows from investing activities		(130,214,555)	211,976,009
Net increase/(decrease) in cash and cash equivalents		(94,683,466)	101,586,318
Cash and cash equivalents at the beginning of the year		182,641,246	81,054,928
Cash and cash equivalents at the end of the year	13	87,957,780	182,641,246

The accounting policies on pages 19 to 57 and the notes on pages 58 to 128 form an integral part of the annual financial statements.

* See Note 45

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	723,939,483	(133,258,568)	590,680,915	498,078,716	(92,602,199)	The projections were high as the municipality had partnered with Eskom through the DAA which was to enhance revenue through the new meters. The implementation did not start as anticipated due to cash flow from Eskom and MAP. The budget was based on the average tariff increase of 6% from the 2223 budget and also the charging of flat rate on water to non-indigent residents. The flat rate has only started with Employees and Councillors residing in Rural areas
Rendering of services	5,797,742	(85,375)	5,712,367	656,579	(5,055,788)	These line items depend on the need from the community.

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
Figures in Rand						
Interest received (trading)	13,798,086	2,431,118	16,229,204	22,602,576	6,373,372	The interests were not constantly charged as projected due to late billing so the projection was adjusted in line with the outcome before the adjustments budget
Rental income	2,504,056	(500,334)	2,003,722	1,367,264	(636,458)	
Other income - (rollup)	2,889,337	853,685	3,743,022	3,219,187	(523,835)	
Other Gains	4,138	2,856	6,994	-	(6,994)	
Interest received - investment	4,500,000	-	4,500,000	6,316,139	1,816,139	The investing of cash depends on the cash flow of the Municipality
Total revenue from exchange transactions	753,432,842	(130,556,618)	622,876,224	532,240,461	(90,635,763)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	128,537,388	(13,293,163)	115,244,225	99,784,962	(15,459,263)	The general valuation roll reconciliation that is performed quarterly showed variances identified and some are corrected in house while some were sent to the Valuer to assist. Supplementary valuation roll was also not submitted during the 2324 financial year
Property rates - penalties imposed	12,162,819	(5,306,088)	6,856,731	9,066,108	2,209,377	The interests were not constantly charged as projected due to late billing.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Transfer revenue						
Government grants & subsidies	810,030,000	549,000	810,579,000	1,023,977,882	213,398,882	
Public contributions and donations	-	-	-	65,513,391	65,513,391	
Fines, Penalties and Forfeits	1,500,268	(550,268)	950,000	735,987	(214,013)	Economic difficulties, incorrect addresses and court settlements
Total revenue from non-exchange transactions	952,230,475	(18,600,519)	933,629,956	1,199,078,330	265,448,374	
Total revenue	1,705,663,317	(149,157,137)	1,556,506,180	1,731,318,791	174,812,611	
Expenditure						
Employee related cost	(567,215,099)	(2,321,083)	(569,536,182)	(447,690,139)	121,846,043	Overtime payments reduced and limited to 40 hours and paying with leave leave days was implemented R54m journal for leave pay.
Remuneration of councillors	(33,085,344)	(168,795)	(33,254,139)	(25,442,222)	7,811,917	This is due to the instability in the Political offices and provision of increment as the guidelines from SALGA normally delays
Administration	-	-	-	(24,727,032)	(24,727,032)	
Depreciation and amortisation	(151,101,222)	(131,035,228)	(282,136,450)	(93,877,105)	188,259,345	Under budgeting due to unfunded budget and the base on previous outcomes

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Finance costs	(15,000,000)	(195,800,000)	(210,800,000)	(44,698,290)	166,101,710	Budget adjusted high based on mid-year interest charges but many interests and penalties reversals or adjustments were made during 2324 financial year
Debt Impairment	(60,000,000)	(65,000,000)	(125,000,000)	(950,415,082)	(825,415,082)	Under budgeting due to unfunded budget and the base on previous outcomes
Bad debts written off	(17,000,000)	10,000,000	(7,000,000)	-	7,000,000	he budget was not reduced due to the year to date which was at 85% by the end of April.
Bulk purchases	(565,900,000)	(311,894,402)	(877,794,402)	(842,498,991)	35,295,411	
Contracted Services	(181,541,416)	(14,232,978)	(195,774,394)	(81,784,145)	113,990,249	Low cash flow resulting to low expenditure
Transfers and Subsidies	(187,200,000)	-	(187,200,000)	(165,645,025)	21,554,975	EPWP amount R8million short 14402599400 WSMRCZZWM
General Expenses	(160,146,944)	(16,446,099)	(176,593,043)	(133,000,296)	43,592,747	Low cash flow resulting to low expenditure
Other (taken out of General expenses)	(7,052)	2,862	(4,190)	-	4,190	
Total expenditure	(1,938,197,077)	(726,895,723)	(2,665,092,800)	(2,809,778,327)	(144,685,527)	
Operating deficit	(232,533,760)	(876,052,860)	(1,108,586,620)	(1,078,459,536)	30,127,084	
Loss on foreign exchange	-	-	-	(7,287,884)	(7,287,884)	
Inventories losses/write-downs	-	-	-	122	122	
	-	-	-	(7,287,762)	(7,287,762)	
Deficit before taxation	(232,533,760)	(876,052,860)	(1,108,586,620)	(1,085,747,298)	22,839,322	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(232,533,760)	(876,052,860)	(1,108,586,620)	(1,085,747,298)	22,839,322	

Reconciliation

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	559,263	(723,595)	(164,332)	6,459,205	6,623,537	
Receivables from exchange transactions	1,499,043,264	(399,871,462)	1,099,171,802	546,517,299	(552,654,503)	
Receivables from non-exchange transactions	75,837,433	618,421,089	694,258,522	216,445,719	(477,812,803)	
VAT receivable	362,750,324	1,126,475,408	1,489,225,732	1,142,752,968	(346,472,764)	
Other current asset	-	(157,709)	(157,709)	-	157,709	
Cash and cash equivalents	(1,695,254,429)	(165,421,226)	(1,860,675,655)	87,957,780	1,948,633,435	
	242,935,855	1,178,722,505	1,421,658,360	2,000,132,971	578,474,611	

Non-Current Assets

Investment property	-	-	-	600,310,038	600,310,038	
Property, plant and equipment	4,484,985,112	33,376,006	4,518,361,118	2,572,619,607	(1,945,741,511)	
Investments in controlled entities	-	-	-	300	300	
Other financial assets	-	-	-	899,716	899,716	
	4,484,985,112	33,376,006	4,518,361,118	3,173,829,661	(1,344,531,457)	

Total Assets	4,727,920,967	1,212,098,511	5,940,019,478	5,173,962,632	(766,056,846)	
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Liabilities

Current Liabilities

Other financial liabilities	-	(15,019,274)	(15,019,274)	-	15,019,274	
Payables from exchange transactions	7,084,841,909	2,983,940,041	10,068,781,950	9,452,709,846	(616,072,104)	
VAT payable	85,381,318	585,144,696	670,526,014	-	(670,526,014)	
Consumer deposits	312,985	25,624,116	25,937,101	25,781,527	(155,574)	
Unspent conditional grants and receipts	-	4,715,046	4,715,046	(1)	(4,715,047)	
Provisions	-	159,368,596	159,368,596	-	(159,368,596)	
	7,170,536,212	3,743,773,221	10,914,309,433	9,478,491,372	(1,435,818,061)	

Non-Current Liabilities

Employee benefit obligation	-	-	-	88,065,000	88,065,000	
Provisions	-	-	-	(61,132,790)	(61,132,790)	
	-	-	-	26,932,210	26,932,210	

Total Liabilities	7,170,536,212	3,743,773,221	10,914,309,433	9,505,423,582	(1,408,885,851)	
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Net Assets	(2,442,615,245)	(2,531,674,710)	(4,974,289,955)	(4,331,460,950)	642,829,005	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	(2,442,615,245)	(2,531,674,710)	(4,974,289,955)	(4,331,439,949)	642,850,006	
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	478,690,004	(70,927,522)	407,762,482	-	(407,762,482)	
Grants	1,044,089,000	48,575,000	1,092,664,000	-	(1,092,664,000)	
Interest income	9,653,894	(8,448,315)	1,205,579	-	(1,205,579)	
	1,532,432,898	(30,800,837)	1,501,632,061	-	(1,501,632,061)	

Payments

Suppliers and Employee costs	(1,047,526,705)	(447,669,267)	(1,495,195,972)	-	1,495,195,972	
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Net cash flows from operating activities	484,906,193	(478,470,104)	6,436,089	-	(6,436,089)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(280,614,174)	-	(280,614,174)	-	280,614,174	
Increase (decrease) in consumer deposit	312,985	214,868	527,853	-	(527,853)	

Net cash flows from investing activities	(280,301,189)	214,868	(280,086,321)	-	280,086,321	
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Net increase/(decrease) in cash and cash equivalents	204,605,004	(478,255,236)	(273,650,232)	-	273,650,232	
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Cash and cash equivalents at the beginning of the year	-	654,943,167	654,943,167	-	(654,943,167)	
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Cash and cash equivalents at the end of the year	204,605,004	176,687,931	381,292,935	-	(381,292,935)	
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out below: Changes in accounting policies, changes in estimates and errors - Accounting policies have been consistently applied, except where otherwise indicated. The details of any resulting changes in the accounting policy and comparative restatements are set out below and in the relevant notes to the annual financial statements

Standards that are not yet effective are included in note 2.1. New standards are listed in note 2.

The municipality changes an accounting policy only in the following instances:

- If it is required by a Standard of GRAP; or
- If it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cashflow.

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

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

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

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

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.4 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. In determining whether an impairment loss should be recorded in surplus or deficit, 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 trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 19 - Provisions.

The recording of staff leave

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note 43 on municipality combinations.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less 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 18.

Effective interest rate

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

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.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow [State key judgements and assumptions made]

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow [State key judgements and assumptions made]

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].

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Point that water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory

Key judgements made and assumptions applied to establish where water, minerals, oils and gas and other non-regenerative resources meet the definition of inventory, are as follows:

[State description]

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the municipality.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.5 Investment property

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

- use in the production or supply of goods or services or 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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.5 Investment property (continued)

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.

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.6 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.

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.6 Property, plant and equipment (continued)

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
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 asset's 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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

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.

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1.8 Intangible assets (continued)

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

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

The municipality does not have internally generated intangible assets.

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

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

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

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

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

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

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 Financial instruments

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

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 entity 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 entity's statement of financial position.

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').

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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 entity 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.

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

- equity instruments or similar forms of unissued 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 entity's net assets, either before the contribution occurs or at the time of the contribution; or

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Accounting Policies

1.9 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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 entity 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 entity 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.

Classification

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

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

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

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

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

Class	Category
Residual interest	Measured at cost

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Accounting Policies

1.10 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

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

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Accounting Policies

1.10 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.11 Leases

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

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

Finance leases - lessor

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

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

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Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the .

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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.

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Accounting Policies

1.12 Inventories (continued)

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

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

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

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

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.

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

Value in use

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

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

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Accounting Policies

1.15 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.

Foreign currency future cash flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. The municipality translates the present value using the spot exchange rate at the date of the value in use calculation.

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

1.15 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

1.15 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.

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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Accounting Policies

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

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.

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

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

Identification

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

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

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

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Accounting Policies

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.18 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

1.18 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

1.18 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

1.18 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

1.18 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.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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Accounting Policies

1.19 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.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

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Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

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 1.15 and 1.16.

If the related asset is measured using the revaluation model:

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

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

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

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Accounting Policies

1.20 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.

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Accounting Policies

1.21 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.21 Revenue from exchange transactions (continued)

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

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

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

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Transfers

Apart from Services in kind, which are not recognised, 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.

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.

Debt forgiveness and assumption of liabilities

The municipality recognise 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 of debt forgiven.

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.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset 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.

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.

Services in-kind

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

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.23 Investment income

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

1.24 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.

1.25 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.25 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

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

1.26 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.27 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.

1.28 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.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.30 Irregular expenditure

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

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

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

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

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

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

1.31 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.32 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.

1.33 Segment information

A segment is an activity of an entity:

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

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

Measurement

The municipality uses dection 71 reports to assess performance. The measurement basis per the monthly reports is the same as the annual financial statements..

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.34 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.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

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.

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

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

1.35 Related parties

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

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

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

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

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

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

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

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

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

1.36 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:

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.36 Events after reporting date (continued)

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

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

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

1.37 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Accounting Policies

1.37 Living and non-living resources (continued)

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

Where the municipality holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the annual financial statements. When the information about the cost or fair value of the living resource becomes available, the municipality recognise, from that date, the living resource and apply the measurement principles.

Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

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

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

Transfers

Transfers from living resources are made when the particular asset no longer meets the definition of a living resource and/or is no longer within the scope of this accounting policy.

Transfers to living resources are made when the asset meets the definition of a living resource.

Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after April 1, 2023.

The municipality has adopted the guideline for the first time in the 2023/2024 annual financial statements.

The impact of the standard is not material.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. April 1, 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 annual financial statements.

The impact of the revisions is not material.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. April 1, 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 April 1, 2023.

The impact of the revisions is not material.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The municipality has adopted the interpretation for the first time in the 2023/2024 April 1, 2023.

The impact of the interpretation is not material.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is April 1, 2023.

The municipality has adopted the improvements for the first time in the 2023/2024 annual financial statements.

The impact of the improvements is not material.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of this amendment is for years beginning on or after April 1, 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 or later periods:

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after April 1, 2023.

The municipality has adopted the standard for the first time in the 2023/2024 annual financial statements.

The impact of the standard is not material.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:

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

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

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

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	600,310,038	-	600,310,038	600,310,038	-	600,310,038

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	600,310,038	600,310,038

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	629,064,819	(28,754,781)	600,310,038

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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)

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	49,540,643	(4,418,238)	45,122,405	53,964,927	(4,424,284)	49,540,643
Plant and machinery	4,411,594	(409,408)	4,002,186	4,719,218	(309,843)	4,409,375
Furniture and fitting	4,749,656	(376,883)	4,372,773	4,448,637	(155,718)	4,292,919
Transport assets	32,496,914	(4,661,760)	27,835,154	36,435,150	(4,593,073)	31,842,077
Computer equipment	7,230,509	(1,368,893)	5,861,616	5,427,946	(790,227)	4,637,719
Infrastructure	1,308,845,309	(86,283,605)	1,222,561,704	1,386,704,430	(95,151,622)	1,291,552,808
Community	133,767,453	(3,034,136)	130,733,317	136,801,590	(3,034,137)	133,767,453
Landfill assets	-	-	-	119,515,122	(113,444,743)	6,070,379
Consumable assets	28,068,807	(23,932,252)	4,136,555	23,932,252	-	23,932,252
Work in progress	1,127,993,898	-	1,127,993,898	986,221,657	-	986,221,657
Total	2,697,104,783	(124,485,175)	2,572,619,608	2,758,170,929	(221,903,647)	2,536,267,282

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Impairment loss	Total
Building	49,540,643	-	(4,418,238)	-	45,122,405
Plant and machinery	4,409,375	2,219	(333,397)	(76,011)	4,002,186
Furniture and fitting	4,292,919	456,737	(181,538)	(195,346)	4,372,772
Transport assets	31,842,077	654,837	(4,561,157)	(100,603)	27,835,154
Computer Equipment	4,637,719	2,592,790	(1,223,269)	(145,624)	5,861,616
Infrastructure	1,291,552,808	17,292,501	(86,283,605)	-	1,222,561,704
Community	133,767,453	-	(3,034,136)	-	130,733,317
Landfill assets	119,515,122	-	-	(119,515,122)	-
Consumable assets	23,932,252	4,136,555	-	(23,932,252)	4,136,555
Work in progress	986,221,657	141,772,241	-	-	1,127,993,898
	2,649,712,025	166,907,880	(100,035,340)	(143,964,958)	2,572,619,607

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Buildings	53,964,927	-	(4,424,284)	49,540,643
Plant and machinery	4,469,332	249,886	(309,843)	4,409,375
Furniture and fittings	4,233,590	215,047	(155,718)	4,292,919
Transport Assets	36,435,150	-	(4,593,073)	31,842,077
Computer Equipment	3,598,486	1,829,460	(790,227)	4,637,719
Infrastructure	1,359,282,506	27,421,924	(95,151,622)	1,291,552,808
Community	136,801,590	-	(3,034,137)	133,767,453
Landfill site assets	119,515,122	-	-	119,515,122
Consumable assets	-	23,932,252	-	23,932,252
Work in progress	841,114,712	145,106,945	-	986,221,657
	2,559,415,415	198,755,514	(108,458,904)	2,649,712,025

Capitalised expenditure (excluding borrowing costs)

- No assets were capitalised during the financial year.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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	600,515,267	669,501,406
Electricity network	30,470,899	30,470,899
Wastewater network	100,089,458	124,433,657
Roads and Stormwater network	194,459,392	198,842,742
Water network	76,601,447	104,745,194
	1,002,136,463	1,127,993,898

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

Electricity network	35,091,264	35,041,531
	35,091,264	35,041,531

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	401,621,197	600,515,267	1,002,136,464
Additions/capital expenditure	56,871,295	68,986,139	125,857,434
	458,492,492	669,501,406	1,127,993,898

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	600,515,266	401,621,197	1,002,136,463

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

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand		2024	2023			
5. Interests in other entities						
Investments in controlled entities						
Name	Jurisdiction	Determination of ownership interest	% ownership interest 2024	% ownership interest 2023	Carrying amount 2024	Carrying amount 2023
MAP Water			100.00 %	100.00 %	300	300
					300	300
					300	300
6. Other financial assets						
Designated at fair value						
Sanlam shares					342,762	342,762
Sanlam life policy					556,954	556,954
					899,716	899,716
Non-current assets						
Designated at fair value					899,716	899,716
7. Consumer deposits						
Rates					24,427,313	24,435,913
Water					1,098,996	763,458
Housing rental					255,218	130,423
					25,781,527	25,329,794
8. Inventories						
Consumable stores					1,094,205	1,143,108
Unsold Properties Held for distribution					5,365,000	5,365,000
					6,459,205	6,508,108
Inventories recognised as an expense during the year					13,309,005	703,175
Inventory purchases for repairs and maintenance is purchased to be consumed immediately and is accounted for under operating expenditure as consumables see note 37.						
9. Receivables from exchange transactions						
Consumer debtors - Electricity					75,774,804	240,517,378
Consumer debtors - Electricity (Top 100)					475,910,257	486,860,131
Consumer debtors - Refuse					65,659,626	112,937,565
Consumer debtors - Sewerage					64,441,345	(60,385,726)
Consumer debtors - Water					176,576,593	288,732,053
Eskom deposits					4,854,282	4,540,154
MAP Water					(258,829,331)	10,814,612
Sundry debtors					(57,870,277)	45,227,360
					546,517,299	1,129,243,527

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
9. Receivables from exchange transactions (continued)		
Credit quality of trade and other receivables		
The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
The carrying value approximates the fair value of the asset.		
Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
Trade and other receivables impaired		
As of June 30, 2024, trade and other receivables of R 1,872,452,962 (2023: R 921,933,745) were impaired and provided for.		
The amount of the provision was R (1,388,165,928) as of June 30, 2023 (2023: R 780,208,457).		
The ageing of the provision for the receivables from exchange transactions is set out in note 11 - Consumer debtors disclosure.		
1 to 3 months	72,638,739	66,035,217
Over 3 months	1,799,814,223	855,898,528
10. Receivables from non-exchange transactions		
Fines	(2,100)	1,417,394
Consumer debtors - Rates	216,447,819	658,470,358
	216,445,719	659,887,752

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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10. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Property RatesProperty Rates

Property Rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Midvaal Local Municipality's Property Rates Policy. A general valuation is performed every 5 years, with supplementary valuations inbetween.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in addition to the debt impairment.

Traffic finesTraffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996, as well as the Criminal Procedure Act, No 501 of 1977.

The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

11. VAT receivable

VAT	1,142,752,968	1,020,561,190
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12. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	700,734,853	658,762,507
Consumer debtors - Electricity	338,024,183	318,699,046
Consumer debtors - Water	746,232,458	670,725,299
Consumer debtors - Sewerage	287,466,700	255,772,656
Consumer debtors - Refuse	292,901,332	258,245,298
Sundry debtors	48,123,346	45,227,927
	2,413,482,872	2,207,432,733

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(484,287,034)	(292,149)
Consumer debtors - Electricity	(262,249,379)	(78,181,668)
Consumer debtors - Water	(569,655,865)	(381,993,246)
Consumer debtors - Sewerage	(223,025,355)	(316,158,382)
Consumer debtors - Refuse	(227,241,706)	(145,307,733)
Sundry debtors, deposit and interest	(105,993,623)	(567)
	(1,872,452,962)	(921,933,745)
Net balance		
Consumer debtors - Rates	216,447,819	658,470,358
Consumer debtors - Electricity	75,774,804	240,517,378
Consumer debtors - Water	176,576,593	288,732,053
Consumer debtors - Sewerage	64,441,345	(60,385,726)
Consumer debtors - Refuse	65,659,626	112,937,565
Sundry debtors	(57,870,277)	45,227,360
	541,029,910	1,285,498,988
Rates		
Current (0 -30 days)	1,854,514	1,685,922
31 - 60 days	1,721,600	1,497,043
61 - 90 days	1,648,050	1,498,227
91 - 120 plus	211,223,655	653,789,166
	216,447,819	658,470,358
Electricity		
Current (0 -30 days)	1,811,278	18,112,780
31 - 60 days	894,501	813,183
61 - 90 days	840,014	763,649
91 - 120 plus	72,229,011	220,827,766
	75,774,804	240,517,378
Water		
Current (0 -30 days)	1,700,125	1,545,568
31 - 60 days	1,721,278	1,564,798
61 - 90 days	2,313,395	2,103,086
91 - 120 plus	170,841,795	283,518,601
	176,576,593	288,732,053
Sewerage		
Current (0 -30 days)	965,670	877,882
31 - 60 days	870,374	791,249
61 - 90 days	858,429	780,390
91 - 120 plus	61,746,872	(62,835,247)
	64,441,345	(60,385,726)
Refuse		
Current (0 -30 days)	985,461	895,874
31 - 60 days	879,920	799,927
61 - 90 days	867,867	788,970
91 - 120 plus	62,926,378	110,452,794
	65,659,626	112,937,565

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
12. Consumer debtors disclosure (continued)		
Sundry debtors		
Current (0 -30 days)	353,415	321,286
31 - 60 days	355,592	323,265
61 - 90 days	346,884	315,349
91 - 120 plus	(58,926,168)	44,267,460
	(57,870,277)	45,227,360

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,866	2,830
Main bank balances	54,453,904	144,279,330
Short-term deposits	42,412,497	37,472,561
Traffic fines	31,964	3,144
Prepaid electricity account	(8,948,451)	883,381
	87,957,780	182,641,246

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
First National Bank - current	34,999,748	4,127,635	672,404	54,453,904	144,279,330	47,128,290
First National Bank - savings	310,925	883,381	188,117	(8,948,451)	883,381	188,117
First National Bank - call account	31,964	3,144	438,951	31,964	3,144	438,951
First National Bank - call account	333,439	1,378	91,067	333,439	1,378	91,067
Petty cash and cashfloat	7,866	2,830	2,830	7,866	2,830	2,830
ABSA bank investment	42,077,792	37,265,032	19,107	42,077,792	37,265,032	19,107
Standard bank investment	-	-	141	-	-	141
Nedbank investment	1,266	206,151	19,808	1,266	206,151	19,808
Total	77,763,000	42,489,551	1,432,425	87,957,780	182,641,246	47,888,311

14. Payables from exchange transactions

Accrued leave pay	48,636,195	106,893,273
Accrued bonus	26,043,802	25,542,774
Payment received in advance	176,425,798	173,746,988
Bulk Water	492,686,678	-
Other payables	3,617	3,617
Third party payments	575,123	27,098,472
Trade payables	8,468,467,013	8,716,741,369
Wesbank Petrol Cards	1,692,442	446,333
Cash suspense account	230,267,491	148,614,227
Retentions	7,911,687	6,468,583
	9,452,709,846	9,205,555,636

15. Housing development fund

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2024	2023
16. Compound instruments		
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal infrastructure grant	-	4,715,046
Movement during the year		
Additions during the year	219,246,835	279,394,955
Income recognition during the year	(219,246,835)	(274,679,909)
	-	4,715,046

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. 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.

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:

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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18. Employee benefit obligations (continued)

Changes in the present value of long service liability are as follows:

Opening balance	25,754,000	24,468,000
Benefits paid	(2,997,000)	(3,865,000)
Net expense recognised in the statement of financial performance	2,815,000	5,151,000
	25,572,000	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	2,513,000	2,502,000
Actuarial gains	(2,760,000)	(427,000)
	2,815,000	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

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
	CPI + 1%	CPI +1
Medical aid contribution inflation/ Normal salary increase rate	Yield curve based	Yield curve based
Net effective discount rate		

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Figures in Rand	2024	2023
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19. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Finance cost	Total
Environmental rehabilitation	58,382,332	(119,515,122)	(61,132,790)

Reconciliation of provisions - 2023

	Opening Balance	Additions	Finance cost	Total
Environmental rehabilitation	47,882,957	8,612,787	1,886,588	58,382,332

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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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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19. Provisions (continued)

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).

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

The remaining life is calculated at 38 years, up to 2060 based on the annual population growth and available air space.

20. Revenue

Rendering of services	656,579	7,335,625
Service charges	498,078,716	494,670,886
Interest received (trading)	22,602,576	(2)
Rental income	1,367,264	1,130,771
Other income - (rollup)	3,219,187	2,031,559
Interest received - investment	6,316,139	4,404,960
Property rates	99,784,962	111,775,896
Property rates - penalties imposed	9,066,108	-
Government grants & subsidies	1,023,977,882	1,025,729,955
Public contributions and donations	65,513,391	-
Fines, Penalties and Forfeits	735,987	1,126,762
	1,731,318,791	1,648,206,412

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

Service charges	498,078,716	494,670,886
Rendering of services	656,579	7,335,625
Interest received (trading)	22,602,576	(2)
Rental income	1,367,264	1,130,771
Other income - (rollup)	3,219,187	2,031,559
Interest received - investment	6,316,139	4,404,960
	532,240,461	509,573,799

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

Taxation revenue

Property rates	99,784,962	111,775,896
Property rates - penalties imposed	9,066,108	-

Transfer revenue

Government grants & subsidies	1,023,977,882	1,025,729,955
Public contributions and donations	65,513,391	-
Fines, Penalties and Forfeits	735,987	1,126,762

1,199,078,330 1,138,632,613

21. Service charges

Sale of electricity	324,300,234	321,785,357
Sale of water	84,651,209	89,225,812
Sewerage and sanitation charges	45,253,992	41,922,867
Refuse removal	43,873,281	41,736,850
	498,078,716	494,670,886

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
22. Fines, Penalties and Forfeits		
Overdue Books Fines	-	1,576
Pound Fees Fines	11,168	156,620
Municipal Traffic Fines	724,819	968,566
	735,987	1,126,762
23. Other revenue		
Rental income - related party	1,367,264	1,130,771
Other income - (rollup)	3,219,187	2,031,559
	4,586,451	3,162,330
24. Sale of goods and rendering of services		
Building plan income	830,179	208,519
Call outs	627	11,096
Camping fees	562,205	-
Cemetary and burial fees	1,314,100	1,360,111
Containers	2,722	-
Enterance fees	25,783	16,079
Escort and parking fees	42,939	54,043
Management fees	38,313	28,493
Other income 11	68,080	52,911
Identification pegs	4,348	67
Rental of facilities	195,416	183,460
Tender documents	58,386	80,221
Valuation roll	76,089	36,559
	3,219,187	2,031,559
25. Investment revenue		
Interest revenue		
Interest received - bank and investments	6,316,139	4,404,960

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
26. Property rates		
Rates received		
Residential	24,167,372	22,299,866
Commercial	33,019,305	40,434,499
State	39,166,141	45,353,916
Municipal	(10,236)	714,081
Small holdings and farms	3,442,380	2,973,534
	99,784,962	111,775,896
Property rates - penalties imposed	9,066,108	-
	108,851,070	111,775,896

Valuations

Residential	4,724,426,553	4,721,576,553
Commercial	4,132,116,741	4,021,706,114
National and provincial government	1,511,273,118	1,646,346,074
Municipal	1,628,618,836	1,631,361,278
	11,996,435,248	12,020,990,019

Valuation 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 section32(b)).

27. Transfer and subsidies

Other subsidies

MAP Water	165,645,025	102,142,350
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
28. Government grants and subsidies		
Operating grants		
Equitable share	801,631,046	743,235,000
Financial management grant	3,100,000	3,100,000
	804,731,046	746,335,000
Capital grants		
Expanded public works grant	5,848,000	6,165,000
Water Services infrastructure grant	51,683,000	58,896,001
Intergrated national electrification programme	-	32,000,000
Municipal infrastructure grant	161,715,836	182,333,954
	219,246,836	279,394,955
	1,023,977,882	1,025,729,955
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	222,346,836	282,494,955
Unconditional grants received	801,631,046	743,235,000
	1,023,977,882	1,025,729,955
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	3,100,000	3,100,000
Conditions met - transferred to revenue	(3,100,000)	(3,100,000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Expanded public works grant		
Current-year receipts	5,848,000	6,232,000
Conditions met - transferred to revenue	(5,848,000)	(6,232,000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Intergrated national electrification programme		
Current-year receipts	-	32,000,000
Conditions met - transferred to revenue	-	(32,000,000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Municipal infrastructure grant		
Balance unspent at beginning of year	4,715,046	-
Current-year receipts	165,502,000	187,049,000

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
28. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(160,939,161)	(182,333,954)
Deducted from Equitable share	(4,715,046)	-
	4,562,839	4,715,046

Conditions still to be met - remain liabilities (see note 17).

Water Services infrastructure grant

Current-year receipts	51,683,000	58,896,001
Conditions met - transferred to revenue	(51,683,000)	(58,896,001)
	-	-

Conditions still to be met - remain liabilities (see note 17).

29. Public contributions and donations

Human settlement contribution	64,825,357	-
Asset donations	688,034	-
	65,513,391	-

Reconciliation of conditional contributions

Current-year receipts	64,825,357	-
Conditions met - transferred to revenue	(64,825,357)	-
	-	-

Conditions still to be met - remain liabilities (see note 17)

Provide explanations of conditions still to be met and other relevant information

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs		
Acting allowances	2,920,667	4,556,277
Bargaining Council	131,177	125,280
Basic	308,339,849	358,386,954
Bonus	24,342,490	24,024,502
Car allowance	13,525,819	13,369,215
Pension	51,316,498	49,660,462
Housing benefits and allowances	1,616,190	1,502,428
Leave pay provision charge	(53,950,404)	(9,524,504)
Long-service awards	5,806,660	4,930,563
Medical aid - company contributions	26,139,470	24,259,030
Uniform allowance	900	900
Standby allowance	1,885,646	2,562,912
Overtime payments	23,827,708	41,277,733
Skills Development Levy	(713,807)	(469,561)
Short term benefit	2,737,226	2,474,196
Shift allowance	29,526,816	29,738,123
Telephone / Cellphone allowance	1,080,714	1,100,641
Travel, motor car, accommodation, subsistence and other allowances	432,071	682,948
UIF	2,363,043	1,996,528
WCA	481,168	2,490,924
	441,809,901	553,145,551

Remuneration of Municipal Manager

Annual Remuneration	696,497	196,168
Car Allowance	60,000	48,000
Cellphone allowance	15,000	6,000
Contributions to UIF, Medical and Pension Funds	177	115,392
Skills development levy	1,685	6,144
Acting allowance	-	177,645
	773,359	549,349

S Makhubu	South African	Appointed, 18 June 2022 to 24 August 2023
H.A. Goliath	South African	Appointed, 24 August 2023 to 30 April 2024
MM Sefantsi	South African	Appointed, 1 May 2024 to 30 June 2023

Remuneration of Chief Finance Officer

Annual Remuneration	1,262,639	1,211,027
Car Allowance	282,140	144,000
Contributions to UIF, Medical and Pension Funds	312,355	292,404
Cellphone allowance	18,000	18,000
Skills development levy	13,863	13,316
Acting allowance	-	27,493
	1,888,997	1,706,240

The position was not vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director Local Economic Development

Annual Remuneration	1,090,537	-
Car Allowance	150,000	-
Cellphone allowance	18,000	-
Contributions to UIF, Medical and Pension Funds	2,125	-
Skills development levy	12,285	-
Acting allowance	-	307,053

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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30. Employee related costs (continued)

	1,272,947	307,053
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The position was not vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director Community Services,Sports,Parks, Art & Culture

Annual Remuneration	1,415,038	1,252,252
Car Allowance	240,000	156,000
Contributions to UIF, Medical and Pension Funds	2,125	1,771
Cellphone allowance	18,000	16,000
Skills development levy	16,454	13,931
Acting allowance	-	64,687
	1,691,617	1,504,641

The position was not vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director Corporate Services

Annual Remuneration	1,122,943	975,156
Car Allowance	288,000	240,000
Contributions to UIF, Medical and Pension Funds	246,022	190,379
Cellphone Allowance	21,000	15,000
Skills development levy	13,940	11,279
Acting Allowance	59,477	37,145
	1,751,382	1,468,959

The position was not vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director of Public Safety

Acting allowance	-	204,702
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The position was vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director of Sports, Art and culture

The position was vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director of Municipal Infrastructure

Annual Remuneration	1,567,692	1,473,916
Car Allowance	167,840	167,840
Cellphone allowance	18,000	18,000
Skills development levy	17,200	16,647
Contributions to UIF, Medical and Pension Funds	2,125	2,125
Acting allowance	-	76,763
	1,772,857	1,755,291

The position was not vacant from 1 July 2023 to 30 June 2024.

Remuneration of Director Human Settlements /Housing

Acting allowance	-	76,763
Skills development levy	-	11,221
	-	87,984

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
30. Employee related costs (continued)		
The position was vacant from 1 June 2023 to 30 June 2024.		
31. Remuneration of councillors		
Executive Major	887,873	990,258
Mayoral Committee Members	2,757,149	9,441,854
Speaker	721,984	788,151
Councillors	20,226,051	19,942,100
Chief Whip	849,165	610,100
	25,442,222	31,772,463
32. Administrative expenditure		
Administration and management fees - third party	24,727,032	33,421,649
33. Depreciation and amortisation		
Property, plant and equipment	93,877,105	292,745,716
34. Finance costs		
Non-current borrowings	44,698,290	196,122,640
35. Auditors' remuneration		
Fees	12,317,815	8,743,400
36. Debt impairment		
Debt impairment	950,415,082	8,164,778

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
37. Operating cost		
Advertising	519,082	495,990
Animal Costs	505,180	652,319
Auditors remuneration	12,317,815	8,743,400
Bank charges	1,943,887	2,622,801
Consulting and professional fees	137,390	11,340
Consumables	16,394,560	22,735,689
Fuel and oil	8,031,897	10,032,513
Hire	131,060	227,093
Indigent subsidy	1,486,416	2,067,867
Insurance	7,991,619	8,054,190
Magazines, books and periodicals	926,237	918,367
Motor vehicle expenses	481,128	78,638
Operating lease assets	170,239	1,514,629
Postage and courier	-	435,220
Printing and stationery	6,796	3,487
Remuneration of EPWP	15,191,537	15,621,583
Remuneration of Ward Committees	1,997,500	2,139,500
Repairs and maintenance	35,743,774	28,859,199
Skills development levy	9,434,356	3,213,296
Software expenses	3,222,071	3,240,536
Sports council project	122,942	130,205
Subscriptions and membership fees	8,247,319	8,120,408
Transport and freight	197,401	40,491
Travel - local	719,917	1,394,854
Uniforms	7,080,173	680,803
	133,000,296	122,034,418
38. Bulk purchases		
Electricity - Eskom	842,498,991	758,125,691
Electricity losses		
Units purchased	458,682,063	435,374,943
Units sold	(361,764,650)	(321,002,739)
Total loss	96,917,413	114,372,204
Comprising of:		
Technical losses	96,917,413	114,372,204
Percentage Loss:		
Technical losses	100 %	100 %
Water losses		
There is no distribution loss calculation for bulk water as the municipality does not have bulk meters at the plants.		
39. Contracted services		
Presented previously		
Fleet Services	5,507	-

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2024	2023
39. Contracted services (continued)		
Outsourced Services		
Burial Services	226,760	202,280
Catering Services	211,449	151,178
Internal Auditors(sitting allowance)	321,879	325,612
Medical Services [Medical Health Services & Support	92,000	-
Personnel and Labour	74,550	-
Professional Staff	41,791,869	37,723,845
Security Services	18,338,443	6,056,001
Traffic Fines Management	979,156	116,413
Consultants and Professional Services		
Business and Advisory	13,758,041	3,307,801
Contractors		
Audio-visual Services	22,000	-
Employee Wellness	66,450	-
Maintenance of Equipment	129,920	3,029
Medical Services	-	71,400
Prepaid Electricity Vendors	5,766,121	7,316,783
	81,784,145	55,274,342
40. Cash generated from (used in) operations		
Deficit	(1,085,747,298)	(514,298,934)
Adjustments for:		
Depreciation and amortisation	93,877,105	292,745,716
Loss on foreign exchange	7,287,884	5,211,986
Debt impairment	950,415,082	8,164,778
Movements in provisions	(119,515,122)	10,499,375
Inventory losses or write-downs	122	(888)
Changes in working capital:		
Inventories	48,903	821,440
Receivables from exchange transactions	575,438,344	(566,428,903)
Consumer debtors	(950,415,082)	(8,164,778)
Other receivables from non-exchange transactions	443,442,033	(48,521,203)
Payables from exchange transactions	247,154,210	844,792,901
VAT	(122,191,778)	(139,674,904)
Unspent conditional grants and receipts	(4,715,047)	4,715,046
Consumer deposits	451,733	(251,323)
	35,531,089	(110,389,691)
41. Service in-kind		

The nature and type of major classes of services in-kind received, are as follows

- The municipality received a grant in kind for water operations managed by DWS and Bloem Water. The value of the grant can not be confirmed.
- The municipality entered into a Distribution Agency Agreement with ESKOM, that amongst others seek to address electricity challenges and payment of current account to pay outstanding debt.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2024	2023
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	203,089,926	303,553,157
Total capital commitments		
Already contracted for but not provided for	203,089,926	303,553,157
Authorised operational expenditure		
Already contracted for but not provided for		
• Expenditure	3,091,479	13,548,948
Total operational commitments		
Already contracted for but not provided for	3,091,479	13,548,948
Total commitments		
Total commitments		
Authorised capital expenditure	203,089,926	303,553,157
Authorised operational expenditure	3,091,479	13,548,948
	206,181,405	317,102,105

This committed expenditure relates to plant and equipment 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, consultants, insurance and valuation roll.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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43. Contingencies

2024

1. Summons

1	Event AV Direct Propriety	-High Court Bloemfontein	Radebe	LED	R8 257 145.32 (Extended scope).	Awaiting Plaintiff to set down
		Dipontsho 2015-2017			R5 815 414.55 (Loss of profit).	
2.	WDF Viljoen // Maluti- a- Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein - Claims for farms that were destroyed by fire: Kestell	Niemann Grobbelaar	Public Safety, Transport & Security Services	R633 331.45	Awaiting trial date.
3.	D W Wessels // 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.	Niemann Grobbelaar	Public Safety, Transport & Security Services	R1 391 559.94	Awaiting trial date.
4.	P.J.H Lourens // 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.	Niemann Grobbelaar	Public Safety, Transport & Security Services	R304 754.06	Awaiting trial date.
5.	J.P & A.C Du Plooy // 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	Niemann Grobbelaar	Public Safety, Transport & Security Services	R900 415.01	Awaiting trial date..

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43. Contingencies (continued)						
6.	P.J Swart // Maluti- a- Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein . Claims for farms that were destroyed allegedly by fire from our dumping site: Kestell	Niemann Grobelaar	Public Safety, Transport & Security Services	R402 336.79	Awaiting trial date..
7.	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	Niemann Grobelaar	Public Safety, Transport & Security Services	R326 682.94	Awaiting trial date.
8.	TNA Media t/a The New Age Newspaper//MA P	Summons: Magistrate's Court- Phuthaditjhaba Service: Advertisements	Internal	MM	R119 130.91	Agreed to hold the Summons in abeyance.
9.	Aqua Transport & Plant Hire (PTY) LTD	High Court: Bloemfontein Service rendered: 12 Water Tankers (April – August 2017)	Niemann Grobelaar	MM's office	R7 184 600.35	Awaiting set down
10.	A.J Mining and Industrial Supplies (PTY) LTD	High Court: Bloemfontein	Niemann Grobelaar	MAP Water/MM	R5 176 637.40	Awaiting trial date

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43. Contingencies (continued)

11.	Bibi Cash & Curry (PTY) LTD	High Court: Bloemfontein	Ponoane	Human Settlement	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)				
					R8 155 861.32	
12.	KN Smat JV Tshau Civil	High Court: Bloemfontein	Balden Vogel	MAP Water	R2 074 500.00	Awaiting matter to be set down.
	01/04/2019	MAP Water: Sewer blockages				
13.	Urban Brew Studios (PTY) LTD	High Court: Gauteng Division, Pretoria	Noge	MM	R540 783.33	Awaiting matter to be set down.
	21/05/2019	Broadcast on Dumisa TV & YO TV				
14.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	Noge	-Infrastructure	R8 636 640.82	Awaiting matter to be set down.
	27/06/2019	Alleged service rendered				

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43. Contingencies (continued)							
15.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	Noge	Infrastructure	R5 678 901.69	Awaiting matter to be set down.	
	27/06/2019	Alleged service rendered					
16.	RNT Management Services CC	High Court: Bloemfontein	Niemann Grobbelaar	Finance	First claim:	-Proclamation by President	
	22/10/2020				R20 470 034.96	-SIU	
					Second claim:		
					R1 739 479.30		
17.	Palesa Events and Fuel (PTY) LTD	High Court: Bloemfontein	Noge	LED/ Office of Executive Mayor	R17 141 832.00	Awaiting matter to be set down.	
	10/12/2020	Alleged Events management Services rendered				- Proclamation by President	
						-SIU	
18.	Configen CC t/a Zero Tolerance	High Court: Bloemfontein	Tsotetsi	Public Safety, Transport and Security Services	R10 129 812.20	Matter is dormant	
		Alleged Service rendered					

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43. Contingencies (continued)

19.	Bohlokong Computers Solutions (PTY) LTD	High Court: Bloemfontein Provision of information, communication & technology services	Noge	IT	R1 801 549.75	File open
20.	Ithemba Lethu Consulting	High Court: Bloemfontein Service rendered: Structural repair- Main Office & Harrismith	Kaibe	Human Settlement	R5 033 304.66	-File Open
21.	Re-Yakgona Transport CC	High Court: Bloemfontein Supply: Tyres, rims, batteries, studs & nuts.	Noge	Public Safety, Transport and Security Services	R2 123 222.00	File Open.
22.	Kill Crime Security Services (PTY) LTD	High Court: Bloemfontein Supply: Security Services	Peyper	Public Safety, Transport and Security Services	R33 711 995.50	File Open
23.	Teboho John Rampheng	Regional Court: Phuthaditjhaba	Noge Attorneys	Human Settlement	R300,000.00	File Open

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43. Contingencies (continued)

24.	Tshitso Mathe	Regional Court: Phuthaditjhaba	Noge	Public Safety, Transport and Security Services	R300 00.00	File Open
		Claim for damages: Wrong & Unlawful arrest				
25.	Bibi Cash & Curry (PTY) LTD// Maluti-a-Phofung Municipality	High Court: Bloemfontein	Lessing & Van Jaarsveld Inc	Public Safety, Transport and Security Services	R27 286 219.25	File Open
		Claim for damages:				
		R 27 million claim for damages as a result of fire				
26.	Seventh Trading 643 CC	High Court, Bloemfontein	Kaibe	Corporate	R1 052 230.00	File Open
		Failure to pay for supply of PPE				
27.	Shunping Trading PTY LTD t/a Lalela Trading CC	Magistrates Court: Phuthaditjhaba	Internal	Infrastructure	R55 362.00	File Open
		Collision in an open manhole, at or near Mohale Street, Mandela Park				
28.	Sheinaz Moolla	Magistrates' Court: Harrismith	Internal (Insurance)	Infrastructure	R33 356.26	File Open
		Pothole claim: Hamilton Street				

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43. Contingencies (continued)

29.	Maneo Ramathe	Magistrates' Court: Phuthaditjhaba	Internal (Insurance)	Infrastructure	R25 957.24	File Open
	13/01/2024	Pothole claim: Mampoi Road				
30.	Mogale Solution Providers (PTY) LTD	High Court, Bloemfontein Service provider: Conducting a review on the organisational structure	-	Corporate Services	R1 817 000.00	File Open
2. Application						
1.	Dept. of Labour: Director General	Labour Court: Johannesburg Failure to comply with the provisions of Employment Equity Act.	Internal	Corporate	R1 500 000.00	Plan and the EE policy submitted Matter is mute .
2.	T Mopeloa	High Court: Bloemfontein Application challenging the report of the Section 32 Committee	Bokwa	Council	-	Exchanging pleadings

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43. Contingencies (continued)

3.	Shashapa Joshua Motaung & 14 others	High Court: Bloemfontein	Sebeko	Council	R5 497 849.50	File Open
		Cllrs claiming payments				
4.	Mohapi Kutoane	Labour Court, Johannesburg	Ponoane	Political Office	-	File Open
5.	Rich Soil Resources (Pty) LTD	High Court: Bloemfontein	Radebe	MM/ Finance	-	File Open
		Challenging the appointment of service provider: Landfill sites.				
6.	The South African Human Rights Commission & others	High Court: Bloemfontein	Radebe	Human Settlement	-	File Open
7.	Katoka Services & Projects and another (7)	Arbitration	Nieman Grobbelaar	Infrastructure/ Finance	R160 000 000.00	File Open
		Contractor Development: Payment for duration of agreement				

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43. Contingencies (continued)

8.	TP Khasebe & 189 others`	Labour Court: Cape Town	Radebe	-		We are in the process of quantification.
		Payment of shift allowances				
9.	Joseph Rabbie Tshabalala	Labour Court: Johannesburg	Noge Attorneys	Sports	-	File Open
		-Contempt of Court				
10.	Modiehi Rebecca Molefe & Thabiso Stephen Moloi	Labour Court: Johannesburg	Noge			File Open
11.	Thabo Piet Khasebe & 124 others	Labour Court: Johannesburg	Noge	-	-	File Open
12.	Hazekiel Thuso Selepe & 12 others	Labour Court: Johannesburg	Noge		-	File Open
13.	Tsietsi Isaac Rampa & 18 others	Labour Court: Johannesburg	Ponoane	Public Safety	-	File Open
		Review Application.				

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43. Contingencies (continued)

14.	Asikaqedi Water Heroes (NPC) & others	High Court: Bloemfontein	-	Council	-	File Open
		Appointment of the Interim Board, MAP Water				
15.	Azael Nhlapo	High Court: Bloemfontein	Morakile Attorneys	Council	-	File Open
		Appointment of the Interim Board, MAP Water				
16.	SAMWU obo Members	Labour Court: Cape Town	Niemann Grobbelaar	Corporate	-	File Open
		Reversal of salary adjustment				
17.	Mathoto Selepe & 13 others	Labour Court: Johannesburg	Noge Attorneys	Housing/Corporate		File Open
		Leave to Appeal				
18.	Tsietsi Isaack Rampa	Labour Court: Johannesburg	Noge Attorneys	Corporate	R216 000.00	File Open

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43. Contingencies (continued)

19.

Kambila Construction (PTY) LTD	High Court: Bloemfontein	Nieman Grobbelaar Attorneys	Corporate	R25 471 637.50	File Open
	Construction of VIP Toilets Phase 13B				

3.Letter of Demand

1.	Bulezania (PTY) LTD t/a Gold Protection Services	VIP Protection Services Service: VIP protection to the former Exec Mayor	-Received letter of demand. -Acknowledged receipt and denied liability	R986 534.56	File Open
2.	Rospa Trading 289 CC 07/10/2019	Supply of container & renovations	-Received letter of demand. -Responded and denied liability	R163 673.30	File open
3.	Wamesa Civil Construction	Service rendered: Hired TLB for digging of graves	-Received letter of demand.	R21 085.79	File Open
4.	M.E Maseko	Damages to the vehicle: REJOYC FS, due to unattended ditch across the road in Lusaka Rd next to Standard shop, Lusaka.	-Received letter of demand. -Sent a letter to attorneys requesting further information and documents. -Still awaiting reply	R59 220.00	File open

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43. Contingencies (continued)				
5.	Setjhaba Malloyi	Pothole claim: 2021 Mercedes- Benz V300D- Thinamane Street, Industriqwa, Harrismith	-Received a letter of demand. R12 732.78	File Open
6.	King Price Insurance	Accident allegedly caused by our driver's negligence	-Received a letter of demand. -Memo to Directorate for more info. R113,400.00	File Open
7.	Juny Trading (Pty) LTD t/a JT Auto	Alleged mechanical & repair services to Municipal vehicles	-Received a letter of demand. -Letter written to attorneys to request information R2 468 189.20	File Open
8.	T.I Nhlapo & 5 others	Labour matter. Employees claim they are doing duties of a Senior Technicians and want to be place on level 4.	-Received a letter of demand. -Memo to Director: Infrastructure -Letter written to attorneys. Levels	File Open
9.	Manna Holdings (PTY) LTD	Evaluation	-Received a letter of demand. R1 464 708, 32	File Open
10.	Bibi Cash and Carry Supermarkets	Query on different accounts	Received a letter -	File Open
11.	Sera Andries Foka	Pothole claim: Toyota- Fortuner DZL 460 FS Next to Elizabeth Ross Hospital	Received a letter of demand. Letter to King Price repudiating liability, Provincial Road R59 569.73	File Open

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43. Contingencies (continued)

12.	Thokozane Ntholeng	Pothole claim: Toyota- Fortuner DZL 460 FS Next to Elizabeth Ross Hospital		R15 303 08	File Open
13.	Setjhaba se a Ipholosa (Dladla) 06/11/2023	3 yrs old died due to electrocution in the street light, Phuthaditjhaba	Received a letter and referred to our insurance. Assessment conducted.	R5 452 600.00	File Open
14.	West Rand Consulting	Appointed to assist with organisational structure.	Received a letter of demand	R707 518.84	File Open
15.	Flowtite South Africa (PTY) LTD	Purchase of GRP pipes	Received a letter of demand	R18 968 868.25	File Open
16.	SBV Services	Banking Services	Received a letter	R283 304.62	File Open
17.	Slide Exhibits (PTY) LTD t/a Slide Electric (PTY) LTD	Construction of Elizabeth Sub station	Received letter of demand	R22 313 538,06	File Open
18.	Teho Facilities Management Services	SCM/BID07/2023/2 024	Received a letter		

4. For Municipality

1.	MAP// Kwane Capital	Rental Agreement- Yellow Fleet We made an advance payment in the sum of R6 000 000.00	Niemann Grobbelaar	MM office	R6 000 000.00	Requested a date for pre-trial conference.
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43. Contingencies (continued)

2.	MAP// Traescho Industries	High Court: South Gauteng: Johannesburg Cession: Namahadi paved Road	Peyper	Infrastructure	R2 649 386.80	File Open Liquidation
3.	MAP// SSS Auctioneers	Auction: 02/08/2019	Noge	Letter of demand served. -Acknowledged debt for R143 000.00	R210 149.49	Summons
4.	Baleni T.I & 17 others	Electricity Vendors Shortages	Noge	Finance	R705 144.00	To reconcile
5.	Lesedi Khanya	Supply of transformers: Only supplied 3 & 15 outstanding Paid in full		Infrastructure	R1 634 155.00	File Open
6.	Auction 24	Auction	Internal	Finance	R1 086 426.69	File Open

2023

1. Warrant of Executions

1.	Eskom	High Court: Bloemfontein	-Court Order. -Warrant of Execution against property. -Property attached and removed	R2 422 573 425.00	R2 422 573 425.00
	Failure to pay Electricity bill (Account)	Counter-claim: Non payment			

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43. Contingencies (continued)

2.	ESKOM	High Court: Bloemfontein	-Court order	R1. 046 443 902 (billion)	R1. 046 443 902 (billion)
	Failure to pay Electricity bill	08/11/2018			

2. Summons

1	Event AV Direct Propriety	-High Court Bloemfontein	Radebe	LED	R8 257 145.32 (Extended scope).	R8 257 145.32 (Extended scope).
		Dipontsho 2015- 2017			R5 815 414.55 (Loss of profit).	R5 815 414.55 (Loss of profit).
2.	WDF Viljoen // Maluti- a- Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein - Claims for farms that were destroyed by fire: Kestell	Niemann Grobelaar	Public Safety, Transport & Security Services	R633 331.45	R633 331.45
3.	D W Wessels // 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.	Niemann Grobelaar	Public Safety, Transport & Security Services	R1 391 559.94	R1 391 559.94
4.	P.J.H Lourens // 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.	Niemann Grobelaar	Public Safety, Transport & Security Services	R304 754.06	R304 754.06

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43. Contingencies (continued)

5.	J.P & A.C Du Plooy // 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	Niemann Grobbelaar	Public Safety, Transport & Security Services	R900 415.01	R900 415.01
6.	P.J Swart // Maluti- a-Phofung & Thabo Mofutsanyana District Municipality.	-High Court Bloemfontein . Claims for farms that were destroyed allegedly by fire from our dumping site: Kestell	Niemann Grobbelaar	Public Safety, Transport & Security Services	R402 336.79	R402 336.79
7.	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	Niemann Grobbelaar	Public Safety, Transport & Security Services	R326 682.94	R326 682.94
8.	TNA Media t/a The New Age Newspaper//MA P	Summons: Magistrate's Court-Phuthaditjhaba Service: Advertisements		MM	R119 130.91	R119 130.91
9.	Zime Nzimande Damages to vehicle: Pothole (Cnr Motebang & Setai Streets: Phuthaditjhaba)	Summons: Magistrate Court -Phuthaditjhaba	Internal	Infrastructure	R21 774.68	R21 774.68

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43. Contingencies (continued)

10.	Aqua Transport & Plant Hire (PTY) LTD	High Court: Bloemfontein	Niemann Grobbelaar	MM's office	R7 184 600.35	R7 184 600.35
		Service rendered: 12 Water Tankers (April – August 2017)				
11.	Basfour 2944 (PTY) LTD t/a Hamba Nathi Travel	High Court: Bloemfontein	Internal	Finance	R177 743.23	R177 743.23
		Travelling Agency				
12.	A.J Mining and Industrial Supplies (PTY) LTD	High Court: Bloemfontein	Niemann Grobbelaar	MAP Water/	R5 176 637.40	R5 176 637.40
13.	Bibi Cash & Curry (PTY) LTD	High Court: Bloemfontein	Ponoane	Human Settlement	R2 518 615.00	R2 518 615.00
	05/03/2019	Claim for damages & loss of income: ERF 9091 (Portion 5 &6)				R8 155 861.32
					R8 155 861.32	
14.	KN Smat JV Tshau Civil	High Court: Bloemfontein	Balden Vogel	MAP Water	R2 074 500.00	R2 074 500.00
	01/04/2019	MAP Water: Sewer blockages.				

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43. Contingencies (continued)						
15.	Urban Brew Studios (PTY) LTD	High Court: Gauteng Division, Pretoria		MM	R540 783.33	R540 783.33
	21/05/2019	Broadcast on Dumisa TV & YO TV				
16.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	Noge	-Infrastructure	R8 636 640.82	R8 636 640.82
	27/06/2019	Alleged service rendered				
17.	Khato Consulting Engineers (PTY) LTD	High Court: Bloemfontein	Noge	Infrastructure	R5 678 901.69	R5 678 901.69
	27/06/2019	Alleged service rendered				
18.	RNT Management Services CC	High Court: Bloemfontein	Bokwa	Finance	First claim: R20 470 034.96	First claim: R20 470 034.96 Second claim: R1 739 479.30
	22/10/2020				Second claim: R1 739 479.30	
19.	Palesa Events and Fuel (PTY) LTD	High Court: Bloemfontein	Noge	LED/ Office of Executive Mayor	R17 141 832.00	R17 141 832.00
	10/12/2020	Alleged Events management Services rendered				

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand					2024	2023
43. Contingencies (continued)						
20.	Rospa Trading 289 CC	High Court: Bloemfontein	Niemann Grobelaar	Public Safety, Transport and Security Services	R10 219 883.00	R10 219 883.00
	07/04/2021	Alleged Service rendered + storage				
21.	Configen CC t/a Zero Tolerance	High Court: Bloemfontein	Tsotetsi	Public Safety, Transport and Security Services	R10 129 812.20	R10 129 812.20
		Alleged Service rendered				
22.	Bohlokong Computers Solutions (PTY) LTD	High Court: Bloemfontein	Noge	IT	R1 801 549.75	R1 801 549.75
		Provision of information, communication & technology services				
23.	Ithemba Lethu Consulting	High Court: Bloemfontein	Kaibe	Human Settlement	R5 033 304.66	R5 033 304.66
		Service rendered: Structural repair- Main Office & Harrismith				
24.	Re-Yakgona Transport CC	High Court: Bloemfontein	Noge	Public Safety, Transport and Security Services	R2 123 222.00	R2 123 222.00
		Supply: Tyres, rims, batteries, studs & nuts.				

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43. Contingencies (continued)

25.	Kill Crime Security Services (PTY) LTD	High Court: Bloemfontein Supply: Security Services	Peyper	Public Safety, Transport and Security Services	R33 711 995.50	R27 000 000.00
26.	Elegant Line Trading 785 CC	High Court: Bloemfontein	-	Finance	R1,800,000.00	R1,800,000.00
27.	Teboho John Rampheng	Regional Court: Phuthaditjhaba	Internal	Human Settlement	R300,000.00	R300,000.00
28.	Tshitso Mathe	Regional Court: Phuthaditjhaba Claim for damages: Wrong & Unlawful arrest		Public Safety, Transport and Security Services	R300 000.00	R300 000.00

3. Applications

1.	AFGRI Operations (PTY) LTD & 15 others	High Court: Gauteng Division, Pretoria Application to set aside NERSA decision -Revocation MAP Electricity Distribution Licence.	Mokoena	Infrastructure	Specific performance	Specific performance
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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43. Contingencies (continued)						
2.	Dept. of Labour: Director General	Labour Court: Johannesburg	Internal	Corporate	R1 500 000.00	R1 500 000.00
		Failure to comply with the provisions of Employment Equity Act.				
3.	T Mopeloa	High Court: Bloemfontein	Bokwa	Council	Specific performance	Specific performance
		Application challenging the report of the Section 32 Committee				
4.	Shashapa Joshua Motaung & 14 others	High Court: Bloemfontein	Sebeko	Council	R5 497 849.50	R5 497 849.50
		Cllrs claiming payments				
5.	Mohapi Kutoane	Labour Court, Johannesburg	Ponoane	Political Office	Reinstatement	Reinstatement
		Reinstatement				
6.	SAMWU obo Manyoni & others	Labour Court: Cape Town		-Application for Warrant of Execution. -Opposed	R307,718,004.	R307,718,004.
		1 traffic in one level up				
		-Arbitration ad was finalised				
		-They are now on same level.				

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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43. Contingencies (continued)						
7.	Rich Soil Resources (Pty) LTD	High Court: Bloemfontein	Radebe	MM/ Finance	Specific performance	Specific performance
		Challenging the appointment of service provider: Landfill sites.				
8.	The South African Human Rights Commission & others	High Court: Bloemfontein	Radebe	Human Settlement	Specific performance	Specific performance
9.	Katoka Services & Projects and another (7)	Arbitration Contractor Development: Payment for duration of agreement	Nieman Grobbelaar	Infrastructure/ Finance	R160 000 000.00	R160 000 000.00
10.	TP Khasebe & 189 others`	Labour Court: Cape Town Payment of shift allowances	Radebe	-	Quantification	Quantification
11.	Joseph Rabbie Tshabalala	Labour Court: Johannesburg -Contempt of Court	Noge Attorneys	Sports	R1 675 703.53	R1 675 703.53
12.	Modiehi Rebecca Molefe & Thabiso Stephen Moloi	Labour Court: Johannesburg	Noge		R752 794.08	R752 794.08

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43. Contingencies (continued)

13.	Thabo Piet Khasebe & 124 others	Labour Court: Johannesburg	Noge		Contempt	Contempt
14.	Hazekiel Thuso Selepe & 12 others	Labour Court: Johannesburg	Noge		Contempt	Contempt
15.	Tsietsi Isaac Rampa & 18 others	Labour Court: Johannesburg Review Application.	Ponoane	Public Safety	Contempt Application	Contempt Application
16.	Lehlohonolo Dumisi	Labour Court: Cape Town Review Application.		Public Safety / MM	R645 264.52	R645 264.52
17.	Rampusi & 259 others	Labour Appeals Court: Johannesburg Employment terminated- Application: Section 189A(13) of the LRA	Bokwa	Council/ Corporate		

4. Letters of Demand

1.	M.E Maseko	Damages to the vehicle: REJOYC FS, due to unattended ditch across the road in Lusaka Rd next to Standard shop, Lusaka.	-Received letter of demand. -Sent a letter to attorneys requesting further information and documents. -Still awaiting reply	R59 220.00	R59 220.00
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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43. Contingencies (continued)

2.	Setjhaba Malloyi	Pothole claim: 2021 Mercedes- Benz V300D- Thinamane Street, Industriqwa, Harrismith	-Received a letter of demand.	R12 732.78	R12 732.78
3.	King Price Insurance	Accident allegedly caused by our driver's negligence	-Received a letter of demand. -Memo to Directorate for more info.	R113,400.00	R113,400.00
4.	Juny Trading (Pty) LTD t/a JT Auto	Alleged mechanical & repair services to Municipal vehicles	-Received a letter of demand. -Letter written to attorneys to request information	R2 468 189.20	R2 468 189.20
5.	T.I Nhlapo & 5 others	Labour matter. Employees claim they are doing duties of a Senior Technicians and want to be place on level 4.	-Received a letter of demand. -Memo to Director: Infrastructure -Letter written to attorneys.	Levels	Levels
6.	Manna Holdings (PTY) LTD	Evaluation	-Received a letter of demand.	R1 464 708, 32	R1 464 708, 32

5.For Municipality

1.	MAP// Kwane Capital	Rental Agreement- Yellow Fleet We made an advance payment in the sum of R6 000 000.00	Niemann Grobbelaar	MM office	R6 000 000.00	R6 000 000.00
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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43. Contingencies (continued)

2.	MAP// Traescho Industries	High Court: South Gauteng: Johannesburg Cession: Namahadi paved Road	Peyper	Infrastructure	R2 649 386.80	R2 649 386.80
3.	MAP// SSS Auctioneers	Auction: 02/08/2019	Noge	Letter of demand served. -Acknowledged debt for R143 000.00	R210 149.49	R210 149.49
4.	Baleni T.I & 17 others	Electricity Vendors Shortages	Noge	Finance	R705 144.00	R705 144.00
5.	Lesedi Khanya	Supply of transformers: Only supplied 3 & 15 outstanding Paid in full		Infrastructure	R1 634 155.00	R1 634 155.00
6.	Auction 24	Auction	Internal	Finance	R1 086 426.69	R1 086 426.69

6. Criminal matter

1.	Cllr Moeketsi Lebesa , Vuyisile Msweni & Khutlane Mofokeng	Phuthaditjhaba	Noge	Assault		Criminal matter
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MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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44. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' note 30
Controlled entities	Refer to note 5
Councillors	Refer to note 31
Members of key management	Refer to note 30

The municipality has officials and councillors whose related parties are owners of vending stations and are service providers to the municipality. Detailed information can be obtained from Human Resources department.

Related party balances

Amounts included in trade receivable (trade payable) regarding related

Maluti-a-Phofung Water (SOC) Ltd	91,438,726	94,239,337
Maluti-a-Phofung Water (SOC) Ltd - insurance	8,039,590	8,039,590
Maluti-a-Phofung Water (SOC) Ltd - municipal services	24,837,416	23,547,842

Related party transactions

Total service charges

Maluti-a-Phofung Water (SOC) Ltd - water and sewer	28,383,208	29,356,607
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Equitable share and DWA grant payment

Maluti-a-Phofung Water (SOC) Ltd	171,200,000	102,142,350
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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.

45. Prior period error and reclassification

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		6,508,108	-	-	6,508,108
Receivables from exchange transactions		1,497,645,006	(67,279,772)	(301,121,707)	1,129,243,527
Receivables from non-exchange transactions		330,612,131	13,117,240	316,158,381	659,887,752
VAT receivable		841,577,956	178,982,667	568	1,020,561,191
Cash and cash equivalents		147,769,179	(49,773,908)	84,645,974	182,641,245
Investment property		803,254,844	(202,944,807)	-	600,310,037
Property, plant and equipment		5,420,404,599	(2,537,617,941)	(1,028,136)	2,881,758,522
Investment in controlled entities		300	-	-	300
Other financial assets		899,716	-	-	899,716
Payables from exchange transactions		(9,320,535,605)	213,635,048	(98,655,080)	(9,205,555,637)
Consumer deposits		(25,329,794)	-	-	(25,329,794)
Unspent conditional grants and receipts		(4,715,046)	-	-	(4,715,046)
Employee benefit obligation		(88,065,000)	-	-	(88,065,000)
Provisions NCL		(58,382,332)	-	-	(58,382,332)
Revaluation reserve		(276,825,205)	-	276,825,205	-
Accumulated surplus		725,181,143	2,634,743,440	(276,825,205)	3,083,099,378
		-	182,861,967	-	182,861,967

Statement of financial performance

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023			
45. Prior period error and reclassification (continued)					
2023					
	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		494,102,148	-	568,737	494,670,885
Rendering of services		315,913	-	7,019,712	7,335,625
Rental of fixed assets		-	-	1,130,771	1,130,771
Interest received (trading)		(2)	-	-	(2)
Recoveries		272,283	-	(272,283)	-
Sales of goods and rendering of services		7,250,090	-	(5,218,531)	2,031,559
Library services		4,207,414	-	(4,207,414)	-
Interest received - investment		4,404,960	-	-	4,404,960
Property rates		111,775,896	-	-	111,775,896
Government grants and subsidies		1,025,729,955	-	-	1,025,729,955
Fines, Penalties and Forfeits		709,111	438,951	(21,300)	1,126,762
Employee related cost		(566,946,216)	-	9,457,790	(557,488,426)
Remuneration of councillors		(32,240,511)	-	491,478	(31,749,033)
Administration		(33,421,649)	-	-	(33,421,649)
Depreciation and amortisation		(292,745,716)	-	-	(292,745,716)
Finance costs		(382,455,923)	186,333,283	-	(196,122,640)
Debt impairment		(13,376,765)	-	5,211,986	(8,164,779)
Bulk purchases		(757,433,496)	-	(692,195)	(758,125,691)
Contracted services		(56,432,201)	-	1,157,859	(55,274,342)
Transfer and Subsidies		(102,142,350)	-	-	(102,142,350)
Inventories losses/write-downs		(888)	-	-	(888)
Internal billing recoveries		-	-	(5,211,986)	(5,211,986)
Operating cost		(108,732,954)	(3,910,267)	(9,414,626)	(122,057,847)
Deficit for the year		(697,160,901)	182,861,967	(2)	(514,298,936)

Cash flow statement

Errors

The following prior period errors adjustments occurred:

Error 1

Reallocation understand interest and reversal of eskom interest

166,616,848.14	Payables from exchange transactions	-
-166,616,848.14	Finance costs	-

Error 2

Reversal of reclassification under bank

-50,212,859.00	Cash and cash equivalents
50,212,859.00	Payables from exchange transactions

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45. Prior period error and reclassification (continued)

Error 3

[Opening balance not taken into account when vote number was created

438,950.87	Cash and cash equivalents
-438,950.87	Fines, Penalties and Forfeits

Error 4

Prior year Wesbank transactions not recognised

15,251.48	VAT receivable
-3,925,518.07	Payables from exchange transactions
3,910,266.59	Operating cost

Error 5

Adjusting for differences between FAR cost, accumulated depreciation and accumulated impairment and GL

-5,718,200.00	Property, plant and equipment
288,493.00	Property, plant and equipment
-	Property, plant and equipment
345,491,236.12	Accumulated surplus
-2,017,385.12	Property, plant and equipment
-338,044,144.00	Property, plant and equipment
4,352,722.85	Property, plant and equipment
204,770.15	Property, plant and equipment
1,972,114.74	Property, plant and equipment
-716,991.49	Property, plant and equipment
9,975.92	Property, plant and equipment
-202,944,806.83	Investment property
19,613,245.43	Property, plant and equipment
668,825.08	Property, plant and equipment
-596,493,390.99	Property, plant and equipment
59,816,747.22	Property, plant and equipment
4,482,146.83	Property, plant and equipment
-136,202,458.32	Property, plant and equipment
-6,188,772.93	Property, plant and equipment
136,202,458.32	Accumulated surplus
596,493,390.99	Accumulated surplus
-1,972,114.74	Accumulated surplus
-490,758,969.50	Accumulated surplus
-1,633,531.46	Accumulated surplus
3,107,446.89	Accumulated surplus
-3,107,446.89	Accumulated surplus
276,696,880.57	Accumulated surplus
7,023,374.70	Accumulated surplus
446,398,103.05	Accumulated surplus
-234,255,219.42	Accumulated surplus
202,944,806.83	Accumulated surplus
6,188,772.93	Accumulated surplus
-59,816,747.22	Accumulated surplus
716,991.49	Accumulated surplus
942,832,494.01	Accumulated surplus
-19,613,245.43	Accumulated surplus
-4,352,722.85	Accumulated surplus
877,316,147.11	Accumulated surplus

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45. Prior period error and reclassification (continued)

284,846,363.76	Accumulated surplus
-11,962,290.49	Accumulated surplus
895,263.15	Accumulated surplus
877,316,147.10	Accumulated surplus
-4,482,146.83	Accumulated surplus
-9,975.92	Accumulated surplus
349,552,772.65	Accumulated surplus
-668,825.08	Accumulated surplus
-204,770.15	Accumulated surplus
29,323,955.07	Accumulated surplus
-11,005,552.20	Accumulated surplus
4,321,333.09	Accumulated surplus
-4,321,333.09	Accumulated surplus
-3,068,610.05	Accumulated surplus
1,633,531.46	Property, plant and equipment
490,758,969.50	Property, plant and equipment
-276,696,880.57	Property, plant and equipment
-446,398,103.05	Property, plant and equipment
234,255,219.42	Property, plant and equipment
-942,832,494.01	Property, plant and equipment
-877,316,147.11	Property, plant and equipment
-284,846,363.76	Property, plant and equipment
11,962,290.49	Property, plant and equipment
-877,316,147.10	Property, plant and equipment
-349,552,772.65	Property, plant and equipment
-29,323,955.07	Property, plant and equipment
11,005,552.20	Property, plant and equipment
-7,023,374.70	Property, plant and equipment
-895,263.15	Property, plant and equipment
3,068,610.05	Property, plant and equipment
-4,015,977.74	Property, plant and equipment
212,679.76	Property, plant and equipment
-2,587,079.92	Property, plant and equipment
2,587,079.92	Accumulated surplus
-212,679.76	Accumulated surplus
-1,008,692.56	Accumulated surplus
-1,111,604,010.07	Accumulated surplus
4,015,977.74	Accumulated surplus
-350,833,945.08	Accumulated surplus
1,008,692.56	Property, plant and equipment
1,111,604,010.07	Property, plant and equipment
350,833,945.08	Property, plant and equipment

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45. Prior period error and reclassification (continued)

Error 6

Balancing debtors vote due to prior period errors

1,852,758.10	Accumulated surplus
-290,782,449.60	Receivables from non-exchange transactions
17,323,675.97	Receivables from non-exchange transactions
102,115,280.42	Receivables from non-exchange transactions
4,881,996.95	Receivables from non-exchange transactions
96,507.69	Receivables from non-exchange transactions
71,976,439.66	Receivables from non-exchange transactions
5,738,268.57	Receivables from non-exchange transactions
22,041,066.67	Receivables from non-exchange transactions
79,726,453.39	Receivables from non-exchange transactions
-2,739,942.07	Receivables from exchange transactions
1,851,070.46	VAT receivable
-18,985,576.21	Payables from exchange transactions
-576,115,570.25	Receivables from exchange transactions
605,976,710.46	VAT receivable
-11,024,034.88	Receivables from exchange transactions
16,531,812.54	VAT receivable
182,879,735.91	Receivables from exchange transactions
22,971,331.69	VAT receivable
-194,763,016.21	Receivables from exchange transactions
-6,891,052.51	VAT receivable
-28,707,937.15	Receivables from exchange transactions
-5,953,529.60	VAT receivable
-107,672,065.80	Accumulated surplus
107,672,065.80	VAT receivable
563,190,992.89	Receivables from exchange transactions
-563,190,992.89	VAT receivable

Error 7

Allocation of understated Eskom interest

19,716,435.25	Payables from exchange transactions
-19,716,435.25	Finance costs

Irregular expenditure

Opening balance	1,081,899,506	950,602,108
Adjustments made	55,423,846	94,576,488
Restated opening balance	1,137,323,352	1,045,178,596

Adjustment made to opening balance of irregular expenditure is due to communication of audit findings raised by the AG.

Reclassifications

The municipality reclassified to align the annual financial statements to the section 71 reports. Detail of account movement can be obtained from the register available at the municipality.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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46. 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.

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, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Trade and other payables	9,459,573,638	-	-	-
Consumer deposit	25,329,794	-	-	-
At June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Trade and other payables	9,205,555,636	-	-	-
• Consumer deposit	25,329,794	-	-	-
• Unspent conditional grant and receipt	4,715,046	-	-	-

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.

Financial instrument	2024	2023
Trade and other receivables from exchange transactions	545,996,682	1,129,243,527
Trade and other receivables from non-exchange transactions	216,445,719	659,887,752
Bank and cash balances	87,957,780	182,641,246

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47. Going concern

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

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

We draw attention to the fact that at June 30, 2024, the municipality had a deficit for the year of R (1,085,747,298) and that the municipality's total liabilities exceed its assets by R (7,478,358,402).

The municipality owed Eskom R7 840 843 288 (2023: R7 840 843 288) and the water board R492 686 678 (2023: R560 546 955) as at 30 June 2024.

The Special Master appointed through a court ruling is busy recalculating the balance presented by DWS applying the legislated and published tariffs, the provided volumes as well as the applicable VAT rate.

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

The municipality has been experiencing significant challenges that have impacted on the on-going financial sustainability and basic service delivery of the municipality. These challenges have also contributed in the municipality not being able to honour its financial commitments.

The municipality therefore developed a funding plan to address the challenges. The five strategies namely, Strengthen Governance, Human Resource and Organisation restructuring, Restructuring of the Budget, Improved control environment and improved cash flow management and improved financial sustainability, Infrastructure Planning and Service Delivery. These strategies have numerous key activities listed below them among other revenue enhancement, debt management, tariff ect.

48. 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.

49. Unauthorised expenditure

Opening balance as previously reported	3,863,482,514	3,858,155,304
Add: Unauthorised expenditure - current	99,199,551	5,327,210
Closing balance	3,962,682,065	3,863,482,514

The incidents relating 2023/2024 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.

50. Fruitless and wasteful expenditure

Opening balance as previously reported	2,438,507,662	2,230,429,350
Add: Fruitless and wasteful expenditure identified - current	263,955,855	384,625,452
Add: Fruitless and wasteful expenditure identified - prior period	-	(176,547,140)
Closing balance	2,702,463,517	2,438,507,662

The incidents relating 2023/2024 for fruitless and wasteful expenditure still needs to be investigated. No disciplinary actions has been taken up to date.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

Notes to the Annual Financial Statements

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51. Irregular expenditure		
Opening balance as previously reported	1,081,899,506	950,602,108
Add: Irregular expenditure - current	55,423,846	94,576,486
Add: Irregular expenditure - prior period	18,157,050	36,720,912
Closing balance	1,155,480,402	1,081,899,506

The incidents relating 2023/2024 for irregular expenditure still needs to be investigated. No disciplinary actions has been taken up to date.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	7,383,813	6,575,717
Current year subscription / fee	8,246,419	7,383,813
Amount paid - current year	(13,415)	-
Amount paid - previous years	(7,383,813)	(6,575,717)
	8,233,004	7,383,813

Compensation Commissioner

Opening balance as previously reported	2,360,041	-
Current year subscription / fee	465,756	2,360,041
Amount paid - previous years	(465,756)	-
Amount paid - current year	(2,360,041)	-
	-	2,360,041

Audit fees

Opening balance	2,522,083	2,796,336
Current year subscription / fee	12,162,934	9,445,976
Amount paid - current year	(2,399,048)	(6,923,893)
Amount paid - previous years	(12,162,934)	(2,796,336)
	123,035	2,522,083

PAYE and UIF

Current year subscription / fee	86,987,717	90,585,401
Amount paid - current year	(86,987,717)	(90,585,401)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	127,745,584	113,181,731
Amount paid - current year	(127,745,584)	(113,181,731)
	-	-

VAT

VAT receivable	1,142,752,968	1,020,561,190
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All VAT returns have been submitted by the due date throughout the year.

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Figures in Rand	2024	2023
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52. 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, 2023:

June 30, 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
FX QUINTA	19,444	234,475	253,919
TR THEBE	2,970	28,492	31,462
MW DLAMINI	1,319	22,263	23,582
N MAHLAMBI	6,986	107,746	114,732
MJ LEBESA	2,961	10,853	13,814
MJ LEBESA	1,319	11,778	13,097
MM SEJAKE	-	6,475	6,475
MM SEJAKE	2,338	85,392	87,730
MJ TSEEKE	1,856	17,548	19,404
PJ TITELI	3,353	16,087	19,440
MJ RALETHOHLANE	2,794	10,346	13,140
MC MOLOI	150	-	150
MJ MELATO	-	10,828	10,828
MJ MELATO	4,039	87,194	91,233
P A MOTLOUNG	-	13,239	13,239
P A MOTLOUNG	3,531	116,398	119,929
MI MAHAMOTSA	-	39,152	39,152
MI MAHAMOTSA	3,380	51,705	55,085
MA NHLAPO	2,017	56,023	58,040
ML NCHOCHO	-	44,684	44,684
ML NCHOCHO	2,553	65,434	67,987
MD MOLEFE	2,106	3,961	6,067
MB MOKOENA	1,295	14,702	15,997
MB BOHLALE	-	6,671	6,671
MB BOHLALE	1,613	15	1,628
ME HLALELE	150	-	150
JM MOKOENA	1	-	1
TG MOKOTSO	150	-	150
MJ MALAONE	450	-	450
KP MOLOI	600	-	600
EM MOFOKENG	150	-	150
TA LESENYEHO	150	-	150
DE SEFATSA	150	-	150
MF NGOZO	150	-	150
TJ NTHINYA	150	-	150
A RAMOCHELA	150	-	150
LB SESOAI	150	-	150
NI LETLALA	150	-	150
MJ MOPELOA	600	-	600
MS MKHWANAZI	600	-	600
HF MDAKANE	150	-	150
MM MOSIA	600	-	600
JM MOKOENIHI	150	-	150
PG MAKAE	150	-	150
ME MOLOI	150	-	150
NP MOKOENA	150	-	150
MA MOFOKENG TSOEU	150	-	150
KL MOTAUNG	150	-	150
ML MOKOENA	600	-	600
ME LEBUSA	150	-	150
SS MOLISANE	1	-	1

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
S MKHWANAZI	150	-
SJ MOTAUNG	150	-
DJ NHLAPO	600	-
NV MAKHALEMELE	150	-
A SOTHOANE	150	-
PK KHUMALO	150	-
IN RAMOHLOKI	150	-
MI NALEDI	150	-
TE THULO	150	-
J RANTSANE	150	-
	74,126	1,061,461
		1,135,587

June 30, 2024	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N MAHLAMBI	1,954	130,947	132,901
AN MOTAUNG	2,915	130,388	133,303
GROOTFONTEIN 153 PTN 0	498	-	498
OATE'S DALE 1873 PTN0	568	-	568
MJ LEBESA	821	14,093	14,914
M J LEBESA	370	4,204	4,574
MM SEJAKE	656	89,076	89,732
MJ TSEEKE	708	23,392	24,100
PJ TITELI	942	18,513	19,455
MJ RALETHOHLANE	858	10,214	11,072
MC MOLOI	150	150	300
F.D.C	1,324	42,068	43,392
MJ MELATO	1,107	98,023	99,130
P A MOTLOUNG	2,090	138,061	140,151
MI MAHAMOTSA	1,543	75,950	77,493
MA NHLAPO	1,042	59,771	60,813
ML NCHOCHO	1,147	64,299	65,446
MD MOLEFE	876	4,156	5,032
MB BOHLALE	539	423	962
DJ MOKOENA	150	151	301
ME HLALELE	1	-	1
JM MOKOENA	150	1	151
TG MOKOTSO	150	305	455
MJ MALAONE	317	2,283	2,600
KP MOLOI	154	613	767
EM MOFOKENG	150	152	302
TA LESENYEHO	150	152	302
DE SEFATSA	150	152	302
MF NGOZO	150	152	302
TJ NTHINYA	150	152	302
A RAMOCHELA	150	152	302
LB SESOAI	150	152	302
NI LETLALA	150	152	302
MJ MOPELOA	154	613	767
HF MDAKANE	151	305	456
MM MOSIA	154	613	767
JM MOKOENIHI	150	152	302
PG MAKAE	150	152	302
ME MOLOI	150	152	302
NP MOKOENA	150	152	302
MA MOFOKENG TSOEU	150	152	302
KL MOTAUNG	150	152	302
ML MOKOENA	154	613	767

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
ME LEBUSA	150	152
SS MOLISANE	156	906
S MKHWANAZI	162	1,518
SJ MOTAUNG	150	152
DJ NHLAPO	154	613
NV MAKHALEMELE	150	152
A SOTHOANE	150	152
PK KHUMALO	150	152
IN RAMOHLOKI	151	305
MI NALEDI	163	1,671
TE THULO	151	302
J RANTSANE	150	152
	25,580	917,580
		943,160

53. 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	10,127,531	2,847,839
Impractical/ impossible to follow procurement process	41,657,969	97,956,240
Sole provider	3,161,258	2,125,378
Less: Corretion of prior period (moved to Irregular expenditure)	-	(8,239,885)
	54,946,758	94,689,572

54. Segment information

General information

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2024

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54. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Segmental reporting was based and identified on the MFMA s71 monthly budget statements/reports that are reviewed by senior management and Council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18..

Separate financial and other relevant information on geographical areas in which the municipality operates is not available as the municipality only operates in the Freestate Province, and within its demarcated boundaries.

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community and public safety	Primary services providing community safety, crime prevention and law enforcement
Economic and environmental services	Urban and developmental planning in accordance with the relevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary basic service provision including water, electricity, sanitation and refuse.
Governance and administration	Support services in relation to financial management and financial and governance decision making.

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54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
Revenue					
Revenue from non-exchange transactions	4,931,953	21,361,692	214,761,737	899,331,361	1,140,386,743
Revenue from exchange transactions	2,525,253	2,233,918	497,191,382	3,124,940	505,075,493
Interest on investments	-	-	-	393,520	393,520
Interest earned from receivables	-	-	-	15,308,029	15,308,029
Total segment revenue	7,457,206	23,595,610	711,953,119	918,157,850	1,661,163,785
Entity's revenue					1,661,163,785
Expenditure					
Total segment expenses	101,479,753	87,776,976	1,022,809,623	458,532,793	1,670,599,145
Other expenses	-	-	-	(122)	(122)
Total segment expenditure	101,479,753	87,776,976	1,022,809,623	458,532,671	1,670,599,023
Total segmental surplus/(deficit)	(94,022,547)	(64,181,366)	(310,856,504)	459,625,179	(9,435,238)
Assets					
Segment assets	3,274,655	11,377,129	229,219,142	3,142,508	247,013,434
Total assets as per Statement of financial Position					247,013,434
Liabilities					
Segment liabilities	(124,795)	-	-	488,722,408	488,597,613
Total liabilities as per Statement of financial Position					488,597,613

2023

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

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54. Segment information (continued)

	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
Revenue					
Revenue from non-exchange transactions	19,016,618	25,610,893	235,228,265	865,109,204	1,144,964,980
Revenue from exchange transactions	3,141,516	235,320	322,152,065	8,480,630	334,009,531
Interests on investments	-	-	-	4,359,741	4,359,741
Interest earned from receivables	-	-	2	-	2
Total segment revenue	22,158,134	25,846,213	557,380,332	877,949,575	1,483,334,254
Entity's revenue	1,483,334,254				
Expenditure					
Total segment expenses	141,389,119	57,145,930	1,339,869,426	485,019,300	2,023,423,775
Total segmental surplus/(deficit)	(119,230,985)	(31,299,717)	(782,489,094)	392,930,275	(540,089,521)
Assets					
Segment assets	18,024,350	13,460,016	224,209,940	3,000,132	258,694,438
Total assets as per Statement of financial Position	258,694,438				
Liabilities					
Segment liabilities	(1,081)	-	23,938,322	1,209,907,348	1,233,844,589
Total liabilities as per Statement of financial Position	1,233,844,589				

55. Budget differences

Budget information

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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55. Budget differences (continued)

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained in the statement of comparison of budget and actual amounts.