



**MAKHUDUTHAMAGA**  
LOCAL MUNICIPALITY

Annual Financial Statements  
for the year ended June 30, 2024

These annual financial statements were prepared by:  
Chief Financial Officer  
Makhuduthamaga Local Municipality

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act 117 of 1998 read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	The provision of services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
<b>Executive committee</b>	
Municipal Mayor	ClIr Mahlase M.M
Councillors	ClIr Mahlase N.E (Deputy Head of BTO Portfolio Committee) ClIr Malaka M.S (Head of EDP Portfolio Committee) ClIr Matjomane N.M (Head of Corporate Services Portfolio Committee) ClIr Moretsele LP (Deputy Head of Corporate services Portfolio Committee) ClIr Mohlala M.J (Head of Infrastructure Development Portfolio Committee) ClIr Machaba M.G. (Deputy Head of EDP Portfolio Committee) ClIr Morwamokoti M (Deputy Head of Infrastructure Development Portfolio Committee) ClIr Phala M (Head of BTO Portfolio Committee) ClIr Rankoe T.P (Head of Community Services Portfolio Committee)
<b>Council Speaker</b>	ClIr Mphelane M.J
<b>Council Chief Whip</b>	ClIr Thamaga M.M
<b>Accounting Officer</b>	Mr Moganedi R.M
<b>Grading of local Authority</b>	Grade 4
<b>Acting Chief Financial Officer</b>	Mr Mathabathe CS
<b>Registered office</b>	Makhuduthamaga Municipality LIM473 No 1 Groblersdal Road Next to Jane Furse Plaza 1085
<b>Business address</b>	No 1 Groblersdal Road Next to Jane Furse Plaza Jane Furse 1085 <a href="http://www.makhuduthamaga.gov.za">www.makhuduthamaga.gov.za</a>
<b>Postal address</b>	Private Bag x 434 Jane Furse 1085 Tel:013 265 8600 Fax:013 265 1975
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General South Africa
<b>Attorneys</b>	Marweshe attorneys

# **Makhuduthamaga Local Municipality**

Annual Financial Statements for the year ended June 30, 2024

## **General Information**

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Kwena Mahlakoana attorneys

# Makhuduthamaga Local Municipality

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### Abbreviations used:

COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
WIP	Work In Progress
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
ME's	Municipal Entities
MEC	Member of the Executive Council
mSCOA	Municipal Standard Chart of Accounts
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDM	Sekhukhune District Municipality
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
MIG	Municipal Infrastructure Grant (Previously CMIP)
CRR	Capital Replacement Reserve
ANC	African National Congress
EFF	Economic Freedom Fighters
EDP	Economic Development Planning
EPWP	Expanded Public Works Programme
SMME	Small, Medium and Macro Enterprises
BTO	Budget and Treasury Office
MM	Municipal Manager
CFO	Chief Financial Officer
JSE	Johannesburg Stock Exchange
CPI	Consumer Price Index
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
SALGBC	South African Local Government Bargaining Council

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# Makhuduthamaga Local Municipality

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LGSETA	Local Government Sector Education and Training Authority
VAT	Value Added Tax
DLTC	Driving License and Testing Centre

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Accounting Officer's Report

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be 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 municipality has a Council of 62 Councillors with ANC as the majority party, EFF as the official opposition and four (4) other opposition parties. The mayor of the municipality is Cllr Mahlase MM who was appointed on the 16th of November 2023 after the resignation of the Mayor Cllr Maitula BM on the 15th of November 2023 and the Council has elected (9) executive committee members to assist the mayor in the execution of her full time responsibilities as the political head of the municipality. All departments of the municipality have portfolio committees that meet on a monthly basis to review the reports on implementation of the approved IDP, Budget and SDBIP for the year ended 30 June 2024, all portfolio committees were functional and managed to meet monthly. Council has appointed an Audit and performance Committee and Municipal Public Accounts Committee to assist the council on effective, efficient and high level of governance in the municipality and the committees were functional during the year ended 30 June 2024. The Audit and performance committee and the municipal public accounts committee were functional during the year under review and managed to have meetings and to execute their responsibilities adequately.

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

I am 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.

I have 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, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of councillors disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

I further certify that the salaries, allowances and benefits of the Municipal Manager and Manager directly accountable to the Municipal Manager as disclosed in note 27 of these annual financial statements are within the upper limits as set out in the Upper Limits of total remuneration packages payable to Municipal Manager and Manager directly accountable to the Municipal Manager as issued by the Minister for Cooperative Governance and Traditional Affairs in November 2023.

The Auditor General of South Africa are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report shall be presented to council when finalised and signed.

# **Makhuduthamaga Local Municipality**

Annual Financial Statements for the year ended June 30, 2024

## **Accounting Officer's Report**

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The annual financial statements set out on page 10 to 79 and appendixes as set out on pages 80 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

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**Accounting Officer**  
**Mr Moganedi R.M**

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Audit and Performance Committee Report

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

### Audit and performance committee members and attendance

The audit and performance committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year eight (08) meetings were held, four (4) ordinary and four (4) special meetings.

Name of member	Number of meetings attended
Chuene V.K (Chairperson)	8
Ramutsheli M.P.(Member)	8
Mabula R.A.(Member)	8
Majuta M.S(CA)SA(Member)	8
Komane T.R(Member)	8

### Audit and performance committee responsibility

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

The audit and performance 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 quality of in-year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act were satisfactory. The audit and performance committee took resolutions and made recommendations to management during the year under review to strengthen the internal controls of the municipality and to improve service delivery and all resolutions and recommendations were implemented by management.

### Evaluation of annual financial statements, Risk Management & Performance Management

The audit and performance committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General for external audit and the accounting officer and senior management of the municipality;
- reviewed the Auditor-General of South Africa's management report and management's response thereto; and discussed the progress on implementation of the management's remedial action plans on a quarterly basis for the year ended June 30, 2024
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended June 30, 2024 and is satisfied with the functionality of the risk management committee and the risk management committee and the risk management unit of the municipality.;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed the quarterly performance management reports and annual performance reports for the year ended June 30, 2024 and discussed the reports with management on a quarterly basis.

The audit and performance committee concur with and accept the annual financial statements of the municipality presented for external audit and are of the opinion that the unaudited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa after completion of the external audit.

### Internal audit

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

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Chairperson of the Audit and performance Committee

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# **Makhuduthamaga Local Municipality**

Annual Financial Statements for the year ended June 30, 2024

## **Audit and Performance Committee Report**

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

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# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	627,611	707,345
Receivables and other from exchange transactions	6	3,086,464	1,333,924
Prepayments	56	1,117,253	1,393,934
VAT receivable	7	18,587,291	24,034,529
Receivables and other from non-exchange transactions	5	19,362,665	20,577,094
Cash and cash equivalents	3	13,919,985	6,644,381
		<b>56,701,269</b>	<b>54,691,207</b>
<b>Non-Current Assets</b>			
Investment property	9	539,289	513,500
Property, plant and equipment	10	484,104,750	427,396,601
Intangible assets	8	1,633,977	-
		<b>486,278,016</b>	<b>427,910,101</b>
Non-Current Assets		486,278,016	427,910,101
Current Assets		56,701,269	54,691,207
<b>Total Assets</b>		<b>542,979,285</b>	<b>482,601,308</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	142,418,669	45,460,150
Unspent conditional grants and receipts	13	7,157,929	71,404
Long service awards	12	531,915	813,000
		<b>150,108,513</b>	<b>46,344,554</b>
<b>Non-Current Liabilities</b>			
Post employment medical aid benefit	12	7,047,000	5,387,000
Long service awards	12	4,962,085	3,760,000
Provision - Rehabilitation of landfill site	14	9,717,660	8,037,416
		<b>21,726,745</b>	<b>17,184,416</b>
Non-Current Liabilities		21,726,745	17,184,416
Current Liabilities		150,108,513	46,344,554
<b>Total Liabilities</b>		<b>171,835,258</b>	<b>63,528,970</b>
Assets		542,979,285	482,601,308
Liabilities		(171,835,258)	(63,528,970)
<b>Net Assets</b>		<b>371,144,027</b>	<b>419,072,338</b>

\* See Note 49

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Refuse removal	19	349,435	175,122
Rental of facilities and equipment	15	262,732	159,924
Licences & permits	21	6,261,884	5,669,320
Other income	16	475,395	428,176
Interest received - investment	20	3,784,346	7,216,512
Gain on disposal of assets and liabilities	24	-	23,977
Actuarial gains	23	-	1,362,059
Leave Gain	57	154,077	452,262
<b>Total revenue from exchange transactions</b>		<b>11,287,869</b>	<b>15,487,352</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	39,627,958	46,259,082
Interest on outstanding debtors	17	12,574,615	13,627,125
Reversal of debt impairment loss	51	-	29,688,337
Traffic fines	18	667,650	1,092,620
<b>Transfer revenue</b>			
Government grants & subsidies	26	456,581,475	428,858,636
Public contributions and donations	59	19,595	3,093,765
Fair value adjustment-Investment property	58	25,789	304,000
<b>Total revenue from non-exchange transactions</b>		<b>509,497,082</b>	<b>522,923,565</b>
		11,287,869	15,487,352
		509,497,082	522,923,565
<b>Total revenue</b>	22	<b>520,784,951</b>	<b>538,410,917</b>
<b>Expenditure</b>			
Employee related costs	27	(116,453,931)	(102,010,352)
Remuneration of councillors	28	(28,318,097)	(24,227,652)
Administration	31	(14,983,300)	(15,966,821)
Depreciation and amortisation	29	(34,936,639)	(28,667,320)
Finance costs	30	(2,232,000)	(2,685,404)
Debt Impairment	60	(20,361,730)	-
Bad debts written off	52	-	(26,174,865)
Contracted services	32	(67,251,089)	(63,286,588)
Transfers and Subsidies	33	(2,144,561)	(2,027,497)
Loss on disposal of assets	24	(983,843)	-
Actuarial losses	23	(637,834)	-
General Expenses	34	(83,424,903)	(82,395,135)
Auditors remuneration	35	(4,844,497)	(4,818,095)
Repairs and maintenance	36	(70,876,753)	(72,365,834)
Capital expenditure write-off (D-Roads)	37	(119,704,748)	(85,876,873)
Transfer to Eskom ( Electrification)	38	(2,085,630)	(5,217,391)
<b>Total expenditure</b>		<b>(569,239,555)</b>	<b>(515,719,827)</b>
		-	-

\* See Note 49

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Operating surplus/deficit		-	-
(Deficit) surplus before taxation		(48,454,604)	22,691,090
Taxation		-	-
<b>(Deficit) surplus for the year</b>		<b>(48,454,604)</b>	<b>22,691,090</b>

\* See Note 49

# Makhuduthamaga 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
Opening balance as previously reported	393,360,839	393,360,839
Adjustments		
Prior period error: (Bad debts write off)	(20,562,941)	(20,562,941)
<b>Balance at July 1, 2020 as restated</b>	<b>372,797,898</b>	<b>372,797,898</b>
Prior period error: Provision for impairment	18,732,395	18,732,395
<b>Balance at July 1, 2021 as restated</b>	<b>391,530,293</b>	<b>391,530,293</b>
Prior period error (Donation for Artificial turf and Clubhouse)	8,438,137	8,438,137
Prior period error (Cummulative depreciation Artificial turf and club house till 2022)	(3,594,247)	(3,594,247)
Prior period error: Receivable from exchange transaction 49	640,986	640,986
Prior period error (Receivables from non exchange transactions) 49	(195,196)	(195,196)
Prior period error (Interest on receivables from exchange transactions 49)	91,916	91,916
<b>Balance at July 1, 2022 as restated*</b>	<b>396,911,889</b>	<b>396,911,889</b>
Changes in net assets		
Surplus/(Deficit) for the year as previously reported	6,385,743	6,385,743
Prior period error: Provision for impairment	16,670,193	16,670,193
Prior period error: SITA	(65,821)	(65,821)
Prior period error: Solid misallocation	56,160	56,160
Prior period error: Depreciation - Review of useful lives	(28,500)	(28,500)
Prior period error: IEMAS advance payment	1,152	1,152
Prior period error: Depreciation of Intangible assets	4,343	4,343
Prior period error: depreciation - Cost of Artificial turf and Club house	(336,528)	(336,528)
Restated* Surplus/(Deficit) for the year	22,686,742	22,686,742
<b>Restated* Balance at July 1, 2023</b>	<b>419,598,734</b>	<b>419,598,734</b>
Changes in net assets		
Surplus (deficit) for the year	(48,454,604)	(48,454,604)
Total changes	(48,454,604)	(48,454,604)
<b>Balance at June 30, 2024</b>	<b>371,144,027</b>	<b>371,144,027</b>
Note(s)		

\* See Note 49

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates, VAT and traffic fines		33,722,922	48,630,042
Cash received from consumers and other sources of revenue		5,135,460	4,876,306
Grants		463,668,000	428,930,040
Interest income		3,784,346	7,216,512
Other receipts		738,127	588,100
		<u>507,048,855</u>	<u>490,241,000</u>
<b>Payments</b>			
Employee costs		(115,428,931)	(100,978,352)
Suppliers		(141,320,697)	(264,402,037)
Capital expenditure written-off (D Roads)		(121,790,378)	(91,094,264)
Councillors' allowances	51	(28,318,097)	(24,227,652)
		<u>(406,858,103)</u>	<u>(480,702,305)</u>
Total receipts		507,048,855	490,241,000
Total payments		(406,858,103)	(480,702,305)
<b>Net cash flows from operating activities</b>	39	<b><u>100,190,752</u></b>	<b><u>9,538,695</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(91,877,933)	(107,920,408)
Proceeds from sale of property, plant and equipment	10	963,722	54,457
Purchase of other intangible assets	8	(2,000,937)	-
<b>Net cash flows from investing activities</b>		<b><u>(92,915,148)</u></b>	<b><u>(107,865,951)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,275,604</b>	<b>(98,327,256)</b>
Cash and cash equivalents at the beginning of the year		6,644,381	104,971,637
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>13,919,985</u></b>	<b><u>6,644,381</u></b>

\* See Note 49

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Statement of comparison of Budget and actual amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2024</b>										
<b>Financial Performance</b>										
Property rates	62,000,000	-	62,000,000	-	62,000,000	52,202,573		9,797,427	84 %	84 %
Service charges	250,000	-	250,000	-	250,000	349,435		(99,435)	140 %	140 %
Investment revenue	6,590,000	(1,590,000)	5,000,000	-	5,000,000	3,784,346		1,215,654	76 %	57 %
Transfers recognised - operational	371,709,000	10,000,000	381,709,000	-	381,709,000	348,209,000		33,500,000	91 %	94 %
Other own revenue	17,260,000	2,778,000	20,038,000	-	20,038,000	7,867,122		12,170,878	39 %	46 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>457,809,000</b>	<b>11,188,000</b>	<b>468,997,000</b>	-	<b>468,997,000</b>	<b>412,412,476</b>		<b>56,584,524</b>	<b>88 %</b>	<b>90 %</b>
Employee costs	(101,092,000)	(10,234,000)	(111,326,000)	(5,127,931)	(116,453,931)	(116,453,931)	-	-	100 %	115 %
Remuneration of councillors	(27,054,738)	(1,127,000)	(28,181,738)	(136,359)	(28,318,097)	(28,318,097)	-	-	100 %	105 %
Debt impairment	(5,729,264)	(2,106,736)	(7,836,000)	7,836,000	-	(20,361,730)	-	(20,361,730)	DIV/0 %	355 %
Depreciation and asset impairment	(31,160,218)	(1,990,000)	(33,150,218)	(1,786,421)	(34,936,639)	(34,936,639)	-	-	100 %	112 %
Finance charges	-	-	-	(2,232,000)	(2,232,000)	(2,232,000)	-	-	100 %	DIV/0 %
Transfers and grants	(8,462,000)	(643,000)	(9,105,000)	6,960,439	(2,144,561)	(2,144,561)	-	-	100 %	25 %
Other expenditure	(197,707,000)	(29,631,264)	(227,338,264)	(5,513,728)	(232,851,992)	(243,002,219)	-	(10,150,227)	104 %	123 %
<b>Total expenditure</b>	<b>(371,205,220)</b>	<b>(45,732,000)</b>	<b>(416,937,220)</b>	-	<b>(416,937,220)</b>	<b>(447,449,177)</b>	-	<b>(30,511,957)</b>	<b>107 %</b>	<b>121 %</b>
Total revenue (excluding capital transfers and contributions)	457,809,000	11,188,000	468,997,000	-	468,997,000	412,412,476	-	56,584,524	88 %	90 %
Total expenditure	(371,205,220)	(45,732,000)	(416,937,220)	-	(416,937,220)	(447,449,177)	-	(30,511,957)	107 %	121 %
<b>Surplus/(Deficit)</b>	<b>86,603,780</b>	<b>(34,544,000)</b>	<b>52,059,780</b>	-	<b>52,059,780</b>	<b>(35,036,701)</b>		<b>26,072,567</b>	<b>(67)%</b>	<b>(40)%</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council MFMA)	Final budget (i.t.o. approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	93,912,000	17,347,000	111,259,000	-	111,259,000	108,372,475		2,886,525	97 %	115 %
Cashbacked reserved	64,700,000	-	64,700,000	-	64,700,000	55,475,037		9,224,963	86 %	86 %
Surplus/(Deficit)	86,603,780	(34,544,000)	52,059,780	-	52,059,780	(35,036,701)	-	(87,096,481)	(67)%	(40)%
Capital transfers and contributions	158,612,000	17,347,000	175,959,000	-	175,959,000	163,847,512	-	(12,111,488)	93 %	103 %
Surplus (Deficit) after capital transfers and contributions	245,215,780	(17,197,000)	228,018,780	-	228,018,780	128,810,811	-	99,207,969	56 %	53 %
<b>Surplus/(Deficit) for the year</b>	<b>245,215,780</b>	<b>(17,197,000)</b>	<b>228,018,780</b>	-	<b>228,018,780</b>	<b>128,810,811</b>		<b>99,207,969</b>	<b>56 %</b>	<b>53 %</b>
<b>Capital expenditure and funds sources</b>										
Total capital expenditure	(236,116,080)	10,696,412	(225,419,668)	-	(225,419,668)	(197,094,328)		28,325,340	87 %	83 %
<b>Sources of capital funds</b>										
Transfers recognised - capital	(236,116,080)	10,696,412	(225,419,668)	-	(225,419,668)	(197,094,328)		28,325,340	87 %	83 %

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the council MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>										
Net cash from (used) operating	228,922,753	(30,197,000)	198,725,753	-	198,725,753	100,190,752		(98,535,001)	50 %	44 %
Net cash from (used) investing	(271,533,492)	36,389,000	(235,144,492)	-	(235,144,492)	(92,915,148)		142,229,344	40 %	34 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(42,610,739)</b>	<b>6,192,000</b>	<b>(36,418,739)</b>	-	<b>(36,418,739)</b>	<b>7,275,604</b>		<b>43,694,343</b>	<b>(20)%</b>	<b>(17)%</b>
Cash and cash equivalents at the beginning of the year	101,006,930	-	101,006,930	-	101,006,930	6,644,381		(94,362,549)	7 %	7 %
Net increase / (decrease) in cash and cash equivalents	(42,610,739)	6,192,000	(36,418,739)	-	(36,418,739)	7,275,604	-	(43,694,343)	(20)%	(17)%
Cash and cash equivalents at the beginning of the year	101,006,930	-	101,006,930	-	101,006,930	6,644,381	-	94,362,549	7 %	7 %
<b>Cash and cash equivalents at year end</b>	<b>58,396,191</b>	<b>6,192,000</b>	<b>64,588,191</b>	-	<b>64,588,191</b>	<b>13,919,985</b>		<b>50,668,206</b>	<b>22 %</b>	<b>24 %</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Appropriation Statement

Figures in Rand

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Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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### Debt impairment

The material differences for debt impairment is because the debt impairment was not budgeted for since management anticipated a reversal of debt impairment because of the data cleansing that was effected during the current financial year and the debt write-off approved by the municipal council during August 2024.

### General expenditure

The unauthorised expenditure R30 292 387 was as a result of the under-budgeting on repairs and maintenance of infrastructure assets, ICT equipments and Other assets, thus resulting in the over-spending.

### Property rates

The material differences for property rates billing was as the result of data cleansing that was performed by management during the current financial year that resulted also with a debt that council wrote-off.

### Transfers recognised-Operational

The material difference for transfers recognised- Operational was caused by the Unspent grant for INEP, SDM water reticulation and underspending on overheads.

### Other own revenue

Under collection for own revenue was caused by over budgeting for Traffic fines, loss on disposal of assets and actuarial loss that occurred during the current financial year.

### Capital Expenditure

The material variances on under spending on the capital expenditure is caused by the delays occurred during the current financial year on the projects appointed and also the underspending on the INEP grant.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

We draw attention to the fact that as at 30 June 2024, the municipality had an accumulated surplus of R371 144 027 and that the municipality's total assets exceed its liabilities by R371 144 027.

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.

Management believes that the municipality has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on the basis of going concern. Management is satisfied that the municipality is in sound financial position and as at year end, there were no any new material conditions that may impact the municipality's ability to continue as a going concern

#### 1.3 Materiality

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

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

#### 1.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdraft are carried at amortised cost

For the purpose of the cashflow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks, net of bank overdrafts.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.4 Cash and cash equivalents (continued)

#### Accounting by principals and agent

##### Sekhukhune District Municipality

The municipality is party to a principal-agent arrangement for water reticulation. In terms of the arrangement the municipality is the agent and is responsible for Repairs and Maintenance of the water reticulation within Makhuduthamaga.

##### Department of Roads and Transport

The municipality is party to a principal-agent arrangement for Licences and permits. In terms of the arrangement the municipality is the agent and is responsible for issuing licences and permits

### 1.5 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.6 Investment property

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

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

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

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

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

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

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

#### Fair value

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

### 1.7 Property, plant and equipment

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

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.7 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:

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Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	25 years
Plant and machinery	Straight-line	5-10 years
Furniture and fixtures	Straight-line	5-10 years
Motor vehicles	Straight-line	12 years
Office equipment	Straight-line	8 years
IT equipment	Straight-line	5-8 years
Prime coat	Straight-line	15 years
Pavement layers	Straight-line	15 years
Double seal	Straight-line	15 years
Pitching, stonework and protection	Straight-line	15 years
Gabions	Straight-line	25 years
Guardrails	Straight-line	25 years
Road signs	Straight-line	15 years
Road markings	Straight-line	12 months
Concrete block paving for roads	Straight-line	15 years
Concrete for structures	Straight-line	15 years
Street lighting	Straight-line	15 years
High mast lights	Straight-line	15 years
capital work in progress	Straight-line	Not depreciated
Asphalt surface	Straight-line	15 years
Landfill Assets	Straight-line	49 years
Concrete kerbing, channeling, chutes and downpipes	Straight-line	40 years
Mass earthworks	Straight-line	80 years
Prefabricated culverts	Straight-line	15 years
Loose tools	Straight-line	5-10 years
Bridges	Straight-line	15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

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

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.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

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

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.

### 1.8 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.

### 1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.9 Intangible assets (continued)

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

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

Intangible assets are 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.10 Comparative of actual information to budgeted information

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.10 Comparative of actual information to budgeted information (continued)

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2023 to 30 June 2024. 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 financial statements in determining whether a difference between the budgeted and actual amount is material.

### 1.11 Segment reporting

The municipality is organised and reports to management and council on the basis of six (06) major functional areas: Executive Support, Corporate Services, Budget and Treasury Office, Community Services, Infrastructure Development services and Economic Development and Planning.

The departments are centralised to provide service delivery function to all the geographical areas namely Ward 1 to Ward 31 on implementation of infrastructure requirements of the municipality. Based on how the budget of the municipality is determined, annually the communities from all wards are consulted on their needs through the Integrated Development Plan processes. This information is then used to allocate resources available to implement these needs. Resources are not allocated based on how the unit has performed or the activity within the unit has performed, but based on the needs priorities and the available funds at the time that the municipality holds.

Municipal revenue, expenditure and assets are not reviewed as per geographical area, these are the same services across all wards and presented as a consolidated figure. The service provided to communities are the same for all wards, therefore the level of information of each ward within the municipal jurisdiction may not be relevant for decision making purposes, as such reporting of segments is deemed not applicable.

### 1.12 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

#### Initial recognition and measurement.

A financial instrument is recognised, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

#### Subsequent measurement – financial assets.

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.12 Financial instruments (continued)

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance. .

#### Subsequent measurement – financial liabilities.

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

### 1.13 Current year comparatives

#### Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and /or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods.

### 1.14 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

#### Municipality as Lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

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

#### 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.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.15 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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.

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.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

### 1.16 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

#### Recognition and measurement

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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

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

### 1.17 Grants

#### Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year.

#### Conditional Grants

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.17 Grants (continued)

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

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.18 Related parties and related party transactions

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

### 1.19 Accumulated Surplus

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated, the nature and reasons for the reclassification is disclosed, where accounting 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.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparative are restated accordingly.

### 1.20 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.20 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

### 1.21 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.21 Provisions and contingencies (continued)

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 the municipality 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 41.

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

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

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

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

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.22 Commitments

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

Commitments are not recognized in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- a) Approved and contracted commitments.
- b) Where the expenditure has been approved and the contract has been awarded at the reporting date, and
- c) Where disclosure is required by a specific standard of GRAP.

### 1.23 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 party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability, 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.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.23 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

Interest is recognised 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.

### 1.24 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.

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.

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

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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

#### Measurement

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

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

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.

A government grant is recognised only when there is reasonable assurance that the municipality will comply with any conditions if any attached to the grant and the grant will be received.

The grant is recognised as income over the period necessary to match it with related costs, for which they are intended to compensate on a systematic basis.

A grant received from conditional grant is recorded as a liability as unspent grant and grant recognised when expenditure is incurred.

#### Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

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

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.25 Value Added Tax (VAT)

#### Initial recognition and measurement.

Value added Tax is accounted for on an invoice basis and a liability is recognised in the statement of Financial Position when VAT output is more than the VAT input. An asset is recognised in the statement of Financial Position when VAT input exceeds the VAT output. In terms of paragraph 5 of GRAP 108. 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.

#### Subsequent measurement .

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### 1.26 Investment income

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

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Summary of Significant Accounting Policies

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### 1.27 Comparative figures

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

### 1.28 Unauthorised expenditure

Unauthorised expenditure means:

- any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality's approved budget.
- Expenditure from a vote unrelated to the department or functional area covered by the vote.
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

A note with details of the incidences that resulted in the unauthorised expenditure is disclosed in the notes to the financial statements of the municipality.

### 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

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

### 1.30 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 entity's supply chain management policy.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 Events after reporting date

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

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

The municipality 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.

# Makhuduthamaga 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 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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2024	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	April 1, 2024	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2024	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2	52
Bank balances	13,919,983	6,644,329
	<b>13,919,985</b>	<b>6,644,381</b>

Balance of cash and cash equivalent did not include any amount pledged as security.

#### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
ABSA BANK-4050384145 ( Primary Cheque Account)	12,693,549	5,412,875	12,693,549	5,495,235
ABSA BANK-4076690079 (Salaries)	500	500	500	500
ABSA BANK-2078073033 (Term Deposit Investment)	1,023,486	945,046	1,023,486	945,046
Municipal Covid 19 Solidarity fund	202,448	203,548	202,448	203,548
<b>Total</b>	<b>13,919,983</b>	<b>6,561,969</b>	<b>13,919,983</b>	<b>6,644,329</b>

### 4. Inventories

Consumable stores	627,611	707,345
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#### 4.1 Reconciliation of Inventory

Opening balance	707,345	986,807
Add: Receipts	2,385,675	2,989,240
Less: Issues	(2,465,409)	(3,268,702)
	<b>627,611</b>	<b>707,345</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	115,036,405	96,306,744
Traffic fines	2,286,490	1,868,850
	<b>117,322,895</b>	<b>98,175,594</b>
<b>Less: Allowance for impairment</b>		
Rates	(95,897,550)	(75,730,400)
Traffic fines	(2,062,680)	(1,868,100)
	<b>(97,960,230)</b>	<b>(77,598,500)</b>
<b>Net balance</b>		
Rates	19,138,855	20,576,344
Traffic fines	223,810	750
	<b>19,362,665</b>	<b>20,577,094</b>
<b>Summary of debtors by customer classification</b>		
<b>Traffic Fines</b>		
Current (0 -30 days)	57,000	51,750
31 - 60 days	82,250	71,800
61 - 90 days	49,600	64,800
91 - 120 days	56,750	23,250
121 - 365 days	2,040,890	1,657,250
	2,286,490	1,868,850
Less: Allowance for impairment	(2,062,680)	(1,868,100)
	<b>223,810</b>	<b>750</b>
<b>Property rates - commercial</b>		
Current (0 -30 days)	2,602,377	1,840,708
31 - 60 days	1,241,033	1,138,682
61 - 90 days	1,272,537	2,299,320
91 - 120 days	1,163,273	946,070
> 365 days	68,413,169	55,050,974
	74,692,389	61,275,754
Less: Allowance for impairment	(58,627,877)	(50,199,667)
	<b>16,064,512</b>	<b>11,076,087</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3,010,937	3,998,139
31 - 60 days	1,389,581	1,842,891
61 - 90 days	1,326,410	1,748,006
91 - 120 days	1,235,867	1,655,600
> 365 days	33,381,221	25,786,354
	40,344,016	35,030,990
Less: Allowance for impairment	(37,463,503)	(25,530,733)
	<b>2,880,513</b>	<b>9,500,257</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>5. Receivables from non-exchange transactions (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	5,670,314	5,866,963
31 - 60 days	2,712,864	3,054,596
61 - 90 days	2,648,547	4,113,341
91 - 120 days	2,455,890	2,626,118
> 365 days	103,835,280	82,514,538
	<u>117,322,895</u>	<u>98,175,556</u>
Less: Allowance for impairment	(97,960,230)	(77,598,500)
	<u><b>19,362,665</b></u>	<u><b>20,577,056</b></u>
<b>Reconciliation of allowance for impairment</b>		
Reversal of allowance	-	29,688,337

### Property rates

Property rates are levied in accordance with section 2 of the local Government: Municipal Property Rates, 2004 (Act No. 6 of 2004). All properties that are within the jurisdiction of the municipality are required to be charged a property rates levy. The value of all properties are recorded in the municipal valuation roll. The municipality calculates the property rates levy by using the value of the property as well as the relevant tariff obtained from the council approved property rates policy. The tariff used in the calculation is based on the nature of the property ( residential, commercial, state, businesses and farms ).The property rates are charged to the owner of the property on a monthly basis. At the end of the reporting period, the municipality assesses the collectability of the outstanding debts owing from customers in respect of property rates. The assessment includes a trend analysis per customer account in order to estimate the recoverability of the outstanding debt at the financial year end. The uncollectable portion is considered to be impaired and is included in an allowances for impairment account. The effects of discounting estimated future cash flows are considered immaterial as property rates are short term receivables and the initial credit period granted is consistent with the terms used in the public sector.

### Traffic fines.

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008. Interest is not charged on outstanding traffic fines. In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

### 6. Receivables and other from exchange transactions

Other debtor- Caseware	62,425	-
Trade debtors (IEMAS)	-	1,152
Refuse removal	210,425	-
SDM water reticulation	2,227,092	-
Accrued Income ( Interest on investment )	81,806	308,547
Accrued Income ( Primedia)	11,401	13,334
Other debtors - Employee	115,051	63,273
Other debtors-ABSA BANK	378,264	947,618
	<u><b>3,086,464</b></u>	<u><b>1,333,924</b></u>

### 7. VAT receivable

VAT	18,587,291	24,034,529
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# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>7. VAT receivable (continued)</b>		
<b>Reconciliation</b>		
Balance at the beginning of the year	24,034,529	20,828,011
Add: Net refunds as per VAT receivable	58,597,258	51,183,888
Add: current year VAT suspense - retention amount	5,678,536	5,473,330
Less: Prior year suspense- retention amount	(5,473,330)	(4,717,517)
Less: VAT Payments by SARS- Current year	(48,830,656)	(35,764,841)
Less: VAT payment by SARS - Previous year	(15,419,046)	(12,968,342)
	<b>18,587,291</b>	<b>24,034,529</b>

The municipality account for VAT on an invoice basis and the VAT receivable or VAT payable is accounted for on accrual basis as required by GRAP.

Statutory VAT receivable	12,908,755	18,561,199
VAT accrual receivable	5,678,536	5,473,330
	<b>18,587,291</b>	<b>24,034,529</b>

Statutory VAT receivable relates to receivables that arise from the legislation. i.e "VAT act" and are confirmed by SARS.

VAT accrual receivable represent the accrual VAT that is still to be collected from SARS and it is not yet confirmed.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,000,937	(366,960)	1,633,977	8,215,070	(8,215,070)	-

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	-	2,000,937	(366,960)	1,633,977

#### Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	76,552	(76,552)	-

During the year the Municipality procured Therefore System that is used for storing and managing Municipal documents.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	539,289	-	539,289	513,500	-	513,500

#### Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	513,500	25,789	539,289
	<b>513,500</b>	<b>25,789</b>	<b>539,289</b>

#### Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	209,500	304,000	513,500
	<b>209,500</b>	<b>304,000</b>	<b>513,500</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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Figures in Rand

2024

2023

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### 9. Investment property (continued)

#### Pledged as security

No investment was pledged as a security for liabilities

Investment property was valued by Modhope valours, an independent professional valuer with registration number 1988/001677/07 and a fair value adjustment of R 25 789 and the Investment Property was adjusted accordingly. The municipal valuer has experience in property within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market for existing use.

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. No revenue was earned from the investment property as the property is vacant land held for the long term capital appreciation.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,265,000	-	1,265,000	1,265,000	-	1,265,000
Buildings	69,935,853	(22,436,012)	47,499,841	63,975,084	(19,588,911)	44,386,173
Land (Landfill assets)	3,468,857	(1,539,185)	1,929,672	2,706,613	(1,513,466)	1,193,147
Motor vehicles	47,036,627	(25,811,978)	21,224,649	44,121,712	(25,743,432)	18,378,280
Office equipment	9,148,473	(5,935,000)	3,213,473	10,510,221	(6,863,682)	3,646,539
IT equipment	30,135,030	(17,240,929)	12,894,101	33,436,215	(18,736,746)	14,699,469
Infrastructure	509,595,207	(186,744,377)	322,850,830	405,426,924	(164,273,078)	241,153,846
Loose tools	6,840,692	(3,563,757)	3,276,935	5,611,011	(3,125,938)	2,485,073
Community assets	33,894,567	(9,108,682)	24,785,885	32,573,127	(7,653,665)	24,919,462
Capital work in progress	45,164,364	-	45,164,364	75,269,612	-	75,269,612
<b>Total</b>	<b>756,484,670</b>	<b>(272,379,920)</b>	<b>484,104,750</b>	<b>674,895,519</b>	<b>(247,498,918)</b>	<b>427,396,601</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	Transfers from WIP	Disposal Accumulated depreciation	Other changes, movements	Depreciation	Total
Land	1,265,000	-	-	-	-	-	-	1,265,000
Buildings	44,386,173	5,960,770	-	-	-	-	(2,847,102)	47,499,841
Land (Landfill Asset)	1,193,147	-	-	-	-	762,244	(25,719)	1,929,672
Motor vehicles	18,378,280	7,136,868	(4,221,953)	-	3,124,530	-	(3,193,076)	21,224,649
Office equipment	3,646,539	264,150	(1,625,828)	-	1,592,873	-	(664,261)	3,213,473
IT equipment	14,699,469	2,033,567	(5,334,752)	-	4,698,792	-	(3,202,975)	12,894,101
Infrastructure	241,153,846	1,006,500	(449,695)	103,611,479	255,001	-	(22,726,301)	322,850,830
Loose tools	2,485,073	777,400	(23,998)	476,279	17,408	-	(455,227)	3,276,935
Community Assets	24,919,460	-	-	1,321,440	-	-	(1,455,015)	24,785,885
Capital work in progress	75,269,612	64,986,558	-	(105,409,198)	-	-	-	34,846,972
Capital Work in progress - Electricity infrastructure	-	12,403,022	-	(2,085,630)	-	-	-	10,317,392
	<b>427,396,599</b>	<b>94,568,835</b>	<b>(11,656,226)</b>	<b>(2,085,630)</b>	<b>9,688,604</b>	<b>762,244</b>	<b>(34,569,676)</b>	<b>484,104,750</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Disposal Accumulated Depreciation	Other changes, movements	Depreciation	Total
Land	265,000	1,000,000	-	-	-	-	-	1,265,000
Buildings	41,182,583	1,432,195	-	4,203,270	-	-	(2,431,875)	44,386,173
Land (Landfill Asset)	12,731,165	-	-	-	-	(11,283,395)	(254,623)	1,193,147
Motor vehicles	14,817,613	6,089,010	-	-	-	-	(2,528,343)	18,378,280
Office equipment	3,359,769	932,610	-	-	-	-	(645,840)	3,646,539
IT equipment	10,608,586	6,415,549	(30,480)	-	10,123	-	(2,304,309)	14,699,469
Infrastructure	226,376,430	-	-	33,958,289	-	-	(19,180,873)	241,153,846
Loose tools	1,628,109	1,127,200	-	-	-	-	(270,236)	2,485,073
Community Assets	15,898,873	94,120	-	9,684,176	-	-	(757,707)	24,919,462
Capital work in progress	29,232,976	93,882,371	-	(47,845,735)	-	-	-	75,269,612
Capital Work in progress - Electricity infrastructure	-	5,217,391	-	(5,217,391)	-	-	-	-
	<b>356,101,104</b>	<b>116,190,446</b>	<b>(30,480)</b>	<b>(5,217,391)</b>	<b>10,123</b>	<b>(11,283,395)</b>	<b>(28,373,806)</b>	<b>427,396,601</b>

An amount of R108 215 492 was transferred from WIP as its attributed projects were completed as at year end. Included in this amount, R106 129 862 was capitalised and the remaining R2 085 630 was expensed as the transaction relates to electricity projects that were transferred to Eskom after completion

#### Other changes, movements

The amount included in 'other changes movement', represent an increase/decrease from provision amount that was reported in the previous financial year

762,244 (11,283,394)

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>10. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment under development/construction or halted(WIP)</b>		
<b>Building Plan</b>		
Included in WIP, there is a building plan that has been halted for longer period due to Budget re-prioritisation: The municipality bought the land next to the main office building to continue with the project for additional space for administrative offices. The project will be allocated budget in the 2025/2026 MTREF.	1,127,383	1,127,383
	-	-
	<b>1,127,383</b>	<b>1,127,383</b>
<b>Construction of Thusong centre</b>		
Included in WIP there is an expenditure amount for the design and fencing of the Thusong centre. Due to budget constraints the municipality decided to make the project a multi year project and will be allocated budget in the 2025/2026 MTREF.	2,257,493	2,257,493
	-	-
	<b>2,257,493</b>	<b>2,257,493</b>
	-	-
<b>Installation of High mast at various villages</b>		
The project is halted due to insufficient capacity on the existing Eskom network	3,565,320	3,565,320
	-	-
	<b>3,565,320</b>	<b>3,565,320</b>
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>11. Payables from exchange transactions</b>		
Trade payables	89,687,505	2,204,336
Income received in advance	1,193,299	991,212
Creditor: Ward committee	13,201	13,201
Accrued: SDL	99,287	2,734
Accrued Union	48,101	-
Leave provision	10,920,938	11,404,563
Accrued: PAYE	2,061,242	-
Accrued: Pension Fund	1,769,884	5,324
Accrued: Salary	654,154	298,616
Accrued Medical Aid	852,096	12,063
Accrued UIF	76,634	-
Bonus provision	2,579,925	3,254,982
Unknown Deposits	308,125	305,675
Accrued - Employee Deduction	368,231	-
Retentions	28,958,721	26,759,910
SDM water reticulation	2,619,792	-
Solidarity Fund	207,534	207,534
	<b>142,418,669</b>	<b>45,460,150</b>

# Makhuduthamaga 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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### 11. Payables from exchange transactions (continued)

In the prior financial year 2022/2023 the Solidarity fund was included in the Trade payables with a balance of R 207 534 and in the current financial year 2023/2024 it was shown separately to achieve fair presentation.

### 12. Defined benefit obligations

#### Post employment medical aid benefits liability

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	5,387,000	5,167,000
Current year service cost	557,000	575,000
Interest charges	731,000	645,000
Actuarial (Gain) Loss	372,000	(1,000,000)
	<b>7,047,000</b>	<b>5,387,000</b>

#### Net expense recognised in the statement of financial performance

Current year service cost	557,000	575,000
Interest cost	731,000	645,000
Actuarial gain (loss)	372,000	(1,000,000)
	<b>1,660,000</b>	<b>220,000</b>

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(7,047,000)	(5,387,000)
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#### Key assumptions used

Assumptions used at the reporting date:

	2024	2023
Expected retirement age	63	63

The nominal and real zero curves were used as at June 30, 2024 supplied by the JSE to determine the disclosed rates and CPI assumptions at each relevant prime period.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>12. Defined benefit obligations (continued)</b>		
<b>Long service awards</b>		
<b>Long-service awards liability</b>		
Long-service awards - current liability	531,915	813,000
Long-service awards - Non-current liability	4,962,085	3,760,000
	<b>5,494,000</b>	<b>4,573,000</b>
<b>Movements in the long service awards liability</b>		
Opening balance	4,573,000	4,392,000
Current year service cost	468,000	457,000
Interest cost	583,000	537,000
Benefits paid	(395,834)	(450,941)
Actuarial (gain)/loss	265,834	(362,059)
	<b>5,494,000</b>	<b>4,573,000</b>
<b>Expense and income recognition in surplus for the year</b>		
Current year service cost	468,000	457,000
Interest cost	583,000	537,000
Actuarial (gain)/loss	265,834	(362,059)
	<b>1,316,834</b>	<b>631,941</b>

### Other assumptions

A percentage point change in the normal salary inflation assumption would have the following effects:

	+1% Normal salary inflation	-1% Normal salary inflation
Effect on the current service cost	579,000	422,000
Effect on the interest cost	628,000	499,000
Effect on the defined benefit obligation	5,494,000	4,094,000

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

	2024	2023	2022	2021
Long service awards	5,494,000	4,573,000	4,392,000	3,693,000

### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>	
LG SETA Discretionary Grant	71,404
INEP grant	7,086,525
	<b>7,157,929</b>

# Makhuduthamaga 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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### 13. Unspent conditional grants and receipts (continued)

#### Movement during the year

Balance at the beginning of the year	71,404	-
Additions during the year	21,350,000	170,041
Income recognition during the year	(14,263,475)	(98,637)
	<b>7,157,929</b>	<b>71,404</b>

The unspent conditional grant of INEP were caused by the re-designing challenges experienced on the installation of KV line from Mamatshekele to Ga Moloji and as the result the project was not completed as at year end.

The municipality received a grant from LG SETA for their implementation of the learnership programme. Learners were deployed to the municipality under the learnership programme and the grant was utilized to pay their monthly stipend.

### 14. Provision - Rehabilitation of landfill site

The cost of rehabilitating the Landfill Site was determined to be R9,717,660 as at June 30, 2024 and the change in landfill closure provision was recognised as property, plant & equipment in the statement of financial position at the amount of R762,244. A non-current liability of R9,717,660 was also recognised in the statement of the financial position for the year ended June 30, 2024.

#### Reconciliation - Landfill Site Provision

Opening balance	8,037,416	17,667,406
Interest charge	918,000	1,653,404
Change in Landfill closure provision	762,244	(11,283,394)
	<b>9,717,660</b>	<b>8,037,416</b>

### 15. Rental of facilities and equipment

Site rental -Premises	201,905	144,654
Venue hire	60,827	15,270
	<b>262,732</b>	<b>159,924</b>

The amount of site rentals is for the advertising billboards from Primedia around Makhuduthamaga municipal area.

### 16. Other income

Tender Documents	41,879	69,635
Sale of goods and rendering of services	433,516	358,541
	<b>475,395</b>	<b>428,176</b>

In the total amount for sale of goods and rendering of services is the amount for approval of building plans, clearance certificates, LG SETA and approvals of Permission to occupy.

### 17. Interest on outstanding debtors

Interest charged on trade and other receivables - Property rates	12,574,615	13,627,125
	<b>12,574,615</b>	<b>13,627,125</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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Figures in Rand	2024	2023
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### 17. Principal agents (continued)

Receivables are recorded when invoices are issued out to the customers for the services rendered or for non exchange transactions and must be settled within 60 days from the date of the invoice. Interests are charged on outstanding receivables at prime rate + 1 when they fall over due and are accounted for as revenue as required by GRAP.

### 18. Traffic Fines

Traffic fines	667,650	1,092,620
	<u>667,650</u>	<u>1,092,620</u>

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008.

Interest is not charged on outstanding traffic fines.

In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

### 19. Refuse removal

Refuse removal	349,435	175,122
	<u>349,435</u>	<u>175,122</u>

### 20. Interest received (Investment revenue)

#### Interest revenue

Bank and investments	3,784,346	7,216,512
	-	-

### 21. Licenses and permits

Agency fee for Sekhukhune and Nebo DLTCs	6,261,884	5,669,320
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The municipality is rendering service of licenses and permits on behalf of the department of transport and community safety and is retaining an agency fees in terms of the signed service level agreement with the department.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>22. Revenue</b>		
Refuse removal	349,435	175,122
Rental of facilities and equipment	262,732	159,924
Licences & permits	6,261,884	5,669,320
Actuarial Gain	-	1,362,059
Other income	475,395	428,176
Interest received - investment	3,784,346	7,216,512
Property rates	39,627,958	46,259,082
Interest on outstanding debtors	12,574,615	13,627,125
Traffic fines	667,650	1,092,620
Government grants & subsidies	456,581,475	428,858,636
Gain on disposal of assets	-	23,977
Reversal of debt impairment allowance	-	29,688,337
Leave Gain	154,077	452,262
Fair value adjustment-Investment property	25,789	304,000
Public contributions and donations	19,595	3,093,765
	<b>520,784,951</b>	<b>538,410,917</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Refuse removal	349,435	175,122
Rental of facilities and equipment	262,732	159,924
Licences & permits	6,261,884	5,669,320
Gain on disposal of assets	-	23,977
Other income	475,395	428,176
Actuarial gains/losses	-	1,362,059
Interest received - investment	3,784,346	7,216,512
Leave Gain	154,077	452,262
	<b>11,287,869</b>	<b>15,487,352</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	39,627,958	46,259,082
Property rates - Interest on outstanding debtors	12,574,615	13,627,125
Traffic fines	667,650	1,092,620
<b>Transfer revenue</b>		
Government grants & subsidies	456,581,475	428,858,636
Reversal of debt impairment allowance	-	29,688,337
Fair value adjustment-Investment property	25,789	304,000
Public contributions and donations	19,595	3,093,765
	<b>509,497,082</b>	<b>522,923,565</b>
<b>23. Actuarial (Gain)/loss</b>		
Long service awards - Actuarial (Gain)/loss	265,834	(362,059)
Post employment medical aid - Actuarial (Gain)/loss	372,000	(1,000,000)
	<b>637,834</b>	<b>(1,362,059)</b>
<b>24. Gain(Loss) on disposal of assets</b>		
Loss on the disposal of assets resulted from the municipal public auction held on the 4th of October 2023. The proceeds received were less than the carrying amount of the assets disposed.	(983,843)	23,977

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Property rates</b>		
<b>Rates received</b>		
Commercial	12,264,634	13,089,146
State	26,404,590	30,660,684
Agricultural	958,734	2,509,252
	<b>39,627,958</b>	<b>46,259,082</b>

# Makhuduthamaga 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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### 26. Government grants & subsidies

#### Operating grants

Equitable share	344,706,000	324,200,000
Municipal Infrastructure Grant (MIG)	94,109,000	94,915,000
Finance Management Grant (FMG)	1,720,000	1,720,000
Integrated National Electrification (DOE Grant)	14,263,475	6,000,000
EPWP Grant	1,783,000	1,925,000
LG-SETA - Discretionary Grant	-	98,636
	<b>456,581,475</b>	<b>428,858,636</b>

#### LG-SETA - Discretionary Grant

Balance unspent at beginning of year	71,404	-
Current-year receipts	-	170,041
Conditions met - transferred to revenue	-	(98,637)
	<b>71,404</b>	<b>71,404</b>

The municipality received a grant from LG SETA to be used for training of learners identified within Makhuduthamaga Municipality jurisdictions.

All conditions were met and the grant was recognized as revenue. As at 30 June 2024 an amount of R 71 404 was not yet spent and a liability was disclosed as per note 13.

#### Finance Management Grant

Current-year receipts	1,720,000	1,720,000
Conditions met - transferred to revenue	(1,720,000)	(1,720,000)
	-	-

All conditions were met and the grant was recognized in full as revenue.

#### Municipal Infrastructure Grant

Current-year receipts	94,109,000	94,915,000
Conditions met - transferred to revenue	(94,109,000)	(94,915,000)
	-	-

All conditions were met and the grant was recognized in full as revenue.

The Municipal Infrastructure Grant was used to fund the construction of access roads approved by Cogta and the municipal council under the Infrastructure Development Vote.

#### EPWP Grant

Current-year receipts	1,783,000	1,925,000
Conditions met - transferred to revenue	(1,783,000)	(1,925,000)
	-	-

All conditions were met and the grant was recognized in full as revenue.

#### INEP Grant

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>26. Government grants &amp; subsidies (continued)</b>		
Current-year receipts	21,350,000	6,000,000
Conditions met - transferred to revenue	(14,263,475)	(6,000,000)
	<b>7,086,525</b>	<b>-</b>

All conditions were met and the grant was recognized as revenue. As at 30 June 2024 an amount of R 7 086 525 was not yet spent and a liability was disclosed as per note 13.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs</b>		
Basic salary	66,685,623	57,989,149
Bonus	5,420,594	4,679,968
Medical aid - company contributions	6,218,338	5,482,746
UIF	455,617	400,947
SDL	956,355	836,421
Leave pay provision charge	327,027	22,151
Pension contributions	12,077,767	10,842,753
Overtime payments	2,290,219	2,145,837
Long-service awards - Current service cost(Post employment benefits)	1,025,000	1,182,000
Acting allowances	138,883	-
Car allowance	14,547,251	12,847,585
Housing benefits and allowances	3,501,789	3,144,013
Bargaining council	28,767	24,689
Clothing allowance	61,197	32,248
Cellphone allowance	2,719,504	2,379,845
	<b>116,453,931</b>	<b>102,010,352</b>
<b>Remuneration of municipal manager ( Ms Rampedi M.N )</b>		
UIF contribution	-	199
SDL	-	1,044
Remote Allowance	-	1,804
Backpay Basic Salary	-	9,608
Non Pension Fund contribution	-	20,340
Backpay Travel allowance	-	8,013
Backpay Cellphone allowance	-	289
	-	<b>41,297</b>
<b>Remuneration of Chief Financial Officer ( Mr Moganedi R.M )</b>		
Basic Salary	-	223,612
Travel Allowance	-	111,806
Cellphone Allowance	-	18,634
Travel Claim	-	3,164
Contribution Medical Aid	-	18,634
Contribution UIF	-	1,112
SDL	-	5,592
SALGBBE	-	65
Remote Allowance	-	13,963
Acting	-	25,971
B/P Acting-MM	-	17,314
B/P Basic	-	21,547
Non Pen	-	40,680
B/P Travel	-	8,771
B/P Cell	-	1,462
B/P Medical	-	1,462
B/P Remote	-	12,393
	-	<b>526,182</b>
<b>Acting Chief Financial Officer Mr Makgalemane T.M</b>		
Acting allowance	-	11,924
Backpay acting allowance	16,348	10,047

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs (continued)</b>		
Remote allowance	-	6,052
Non-Pensionable	5,085	-
Backpay Remote allowance	-	3,299
Gratuity	-	5,085
SDL	-	94
	<b>21,433</b>	<b>36,501</b>
<b>Acting Chief Financial Officer Mr Mothapo KT</b>		
Acting allowance	32,697	15,874
Backpay acting allowance	-	28,069
Remote allowance	-	5,367
Backpay Remote allowance	2,180	14,979
Gratuity	-	10,170
SDL	-	189
Non Pensionable	10,170	-
	<b>45,047</b>	<b>74,648</b>
<b>Acting Chief Financial Officer Mr Mathabathe CS</b>		
Remote allowance	17,220	6,052
Acting allowance	4,698	-
Backpay Remote allowance	363	3,299
Graduity	-	5,085
SDL	-	13
Backpay Acting allowance	836	-
	<b>23,117</b>	<b>14,449</b>
<b>Senior manager: Corporate services ( Ms Mahlare M.A )</b>		
Basic Salary	-	540,022
Travel Allowance	-	232,512
Medical Aid Contribution	-	126,396
Backpay Contribution to UIF	708	2,125
Backpay SDL	1,945	11,341
SALGBE	-	130
Travel Claim	-	38,615
Remote Allowance	-	37,277
Leave payout	20,932	-
Backpay Performance Bonus	45,393	-
Leave payout	-	174,283
Acting allowance	-	6,392
Backpay non pension	20,340	-
Backpay Basic Salary	65,395	29,088
Non Pension Fund	-	40,680
Backpay Travel Allowance	27,520	12,392
Backpay Medical Aid	16,076	22,154
Backpay Remote	4,360	1,090
	<b>202,669</b>	<b>1,274,497</b>
<b>Acting Senior manager: Corporate services (Ms Make M.M)</b>		
Backpay Acting allowance	32,307	-
Backpay Remote	10,525	-
	<b>42,832</b>	<b>-</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs (continued)</b>		
<b>Senior manager: Community services ( Ms Marishane M.E )</b>		
Basic Salary	-	494,629
Car Allowance	-	181,468
Cellphone allowance	-	24,446
Contribution Pension	-	60,783
Backpay UIF	531	1,961
SALGBE	-	119
Backpay SDL	1,394	10,473
Remote allowance	-	33,825
Travel Claim	-	21,048
Backpay Leave payout	20,923	174,283
Backpay basic salary	59,945	27,727
Backpay travel allowance	20,481	9,884
Backpay cellphone allowance	3,747	2,162
Backpay housing allowance	7,993	3,690
Non Pension Fund contribution	18,645	38,985
Housing allowance	-	65,953
Backpay remote	3,996	999
Backpay pension	7,743	1,748
	<b>145,398</b>	<b>1,154,183</b>
<b>Acting Senior manager: community services (Mr Matsimela M.J)</b>		
Backpay acting allowance	26,962	-
Backpay Remote	10,169	-
	<b>37,131</b>	<b>-</b>
<b>Acting senior manager: community services (Mrs Make M.M for December 2022)</b>		
Acting allowance	-	4,883
Backpay Acting allowance	-	1,257
Remote allowance	-	2,752
Backpay remote allowance	-	84
	<b>-</b>	<b>8,976</b>
<b>Senior manager: Infrastructure Development ( Mr Segale M.A )</b>		
Basic Salary	140,265	540,022
Travel Allowance	51,122	196,175
Performance Bonuses	45,393	-
Contributions to Medical Aid	35,066	134,873
Contribution UIF	1,240	2,125
SALGBE	34	130
SDL	6,589	10,321
Remote allowance	9,351	36,851
Cellphone allowance	7,522	27,861
Leave Payout	200,665	-
Backpay Basic Salary	123,051	29,088
Backpay Non Pension fund	20,340	40,680
Backpay travel allowance	26,395	12,348
Backpay Cellphone allowance	5,963	2,414
Backpay Medical Aid	4,085	7,633
Backpay Remote	5,177	1,089

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs (continued)</b>		
	<b>682,258</b>	<b>1,041,610</b>
<b>Senior manager: Infrastructure Development (Lubisi N.B)</b>		
Basic salary	93,510	-
Travel allowance	31,165	-
Cellphone allowance	7,794	-
Contribution to medical aid	15,587	-
Contribution to UIF	354	-
SALGBE	23	-
SDL	1,320	-
Remote allowance	6,234	-
Housing allowance	7,794	-
	<b>163,781</b>	<b>-</b>
<b>Senior manager Economic Development and planning ( Mr Thabela A.P )</b>		
Basic Salary	284,618	540,022
Travel Allowance	88,527	135,006
Cellphone Allowance	12,352	19,251
Contributions to Pension Funds	77,239	120,378
Contribution to Medical Aid	57,955	86,104
Leave payout	170,805	-
Contribution to UIF	1,063	2,125
SALGBE	68	130
SDL	7,513	10,548
Travel claim	36,620	24,696
Remote Allowance	18,884	36,851
Non Pension Fund contribution	20,340	40,680
Backpay Medical Aid	2,649	8,632
Backpay Travel Allowance	4,085	7,272
Backpay Cellphone Allowance	583	1,085
Backpay Basic Salary	16,342	29,088
Backpay Remote	5,813	1,089
Backpay Pension	3,577	3,577
	<b>809,033</b>	<b>1,066,534</b>
<b>Acting Senior manager: Economic Development and Planning ( Ms Tong KT)</b>		
Acting allowance	26,962	-
Backpay Remote allowance	10,169	-
	<b>37,131</b>	<b>-</b>
<b>Remuneration of municipal manager ( Mr Moganedi RM )</b>		
Basic Salary	785,012	377,659
Travel Allowance Allowance	391,364	188,830
Cellphone Allowance	65,227	31,472
Travel Claim	-	11,081
Contribution Medical Aid	65,227	31,472
UIF	2,125	1,240
SDL	13,953	6,247
SALGBE	137	76
Remote Allowance	52,182	25,684

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>27. Employee related costs (continued)</b>		
Performance Bonus	64,550	-
Backpay Cellphone Allowance	1,516	1,082
Backpay Basic Salary	18,187	12,979
Backpay Travel Allowance	9,093	6,490
Backpay Medical Aid	1,516	1,082
Backpay Remote Allowance	1,212	759
Backpay Non- Pension	20,341	-
	<b>1,491,642</b>	<b>696,153</b>
<b>Remuneration of Chief Financial Officer (Mr Chuene MV)</b>		
Basic Salary	254,214	-
Car Allowance	63,553	-
Cellphone allowance	8,474	-
Medical aid contribution	42,369	-
Housing	12,710	-
Pension	42,369	-
UIF	886	-
Leave Payout	32,534	-
SALGBE	57	-
SDL	4,605	-
Travel Claim	4,449	-
Remote	16,948	-
	<b>483,168</b>	-
<b>Remuneration of director corporate (Mr Matsetse P.E)</b>		
Basic Salary	457,585	-
Car Allowance	152,528	-
Medical aid contribution	76,264	-
Pension fund	68,264	-
Cellphone	8,000	-
Travel claim	25,800	-
UIF	1,594	-
SALGBE	102	-
SDL	7,626	-
Toll gate	540	-
Remote	30,506	-
	<b>828,809</b>	-
<b>Remuneration of director community services (Ms Mashao A.M)</b>		
Basic salary	457,585	-
Car Allowance	152,528	-
Pension	76,264	-
Medical aid contribution	68,264	-
Cellphone	8,000	-
UIF	1,594	-
SALGBE	102	-
SDL	7,627	-
Travel claim	12,899	-
Remote	30,506	-
	<b>815,369</b>	-

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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Figures in Rand

2024

2023

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**27. Employee related costs (continued)**

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# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>28. Remuneration of councillors</b>		
Mayor	1,309,161	935,138
Council speakers	887,419	756,405
Executive Committee Members	5,498,017	4,759,880
Other councillors basic salary	11,232,606	9,879,285
Councillors pension contribution	1,980,105	1,743,733
Travel allowance	4,403,693	3,879,966
Travel claims	169,559	56,316
Cellphone allowance	2,291,912	2,077,400
Skills development levy	158,970	139,529
Data cards ( 62 councillors )	386,656	-
	<b>28,318,098</b>	<b>24,227,652</b>

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

The municipal council consists of 62 councillors and none of the councillors owe the municipality any amounts in a form of unpaid rates and taxes or any other services.

### Remuneration and allowances of selected members of the council

#### Mayor- Cllr Mahlase M.M

Basic salary	490,808	-
Car allowance	48,862	-
Travel Claim	6,559	-
Cell phone allowance	47,502	-
Contributions to pension	230,225	-
SDL and Data card	12,305	-
	<b>836,261</b>	<b>-</b>

#### Former Mayor - Cllr Maitula BM

Basic Salary	282,567	565,269
Cellphone allowance	24,764	40,800
Contributions to pension	161,790	320,098
SDL and Data card	3,780	8,971
	<b>472,901</b>	<b>935,138</b>

#### Council speaker - Cllr Mphelane MJ

Basic salary	530,061	462,210
Cell phone allowance	45,600	40,800
Contributions to pension	297,137	246,286
SDL and Data card	14,621	7,109
	<b>887,419</b>	<b>756,405</b>

### Remuneration and allowances of members of the executive committee

Basic salary	3,065,714	2,659,048
Travel allowance	1,236,808	1,079,090
Cell phone allowance	417,200	388,000
Pension fund & SDL	601,492	504,090
Travel claims and Data card	176,803	129,652
	<b>5,498,017</b>	<b>4,759,880</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>28. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, speaker of council, chief whip of council, Head of corporate service portfolio committee, Head of Budget and Treasury Office Portfolio, Head of Infrastructure Development Portfolio and MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council.		
The Mayor and the Speaker of council each has the use of separate Council owned vehicles for official duties.		
The Mayor has one full-time Chauffeur. The Speaker of council has one full-time Chauffeur.		
The Mayor has personal security at the cost of council.		
The speaker has personal security at the cost of council.		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	34,569,679	28,590,768
Intangible assets	366,960	76,552
	<b>34,936,639</b>	<b>28,667,320</b>
<b>30. Finance costs</b>		
Interest cost: Employee benefit obligations	1,199,000	1,032,000
Interest cost: Landfill site provision	1,033,000	1,653,404
	<b>2,232,000</b>	<b>2,685,404</b>
<b>31. Administrative expenditure</b>		
Ward committee incentives	5,580,800	5,701,100
Administration and management fees	9,402,500	10,265,721
	<b>14,983,300</b>	<b>15,966,821</b>
<b>32. Contracted services</b>		
Cash collection services	217,137	138,426
Financial system support	-	88,357
Operating Leases	5,939,629	5,054,514
Cleaning Services	6,589,636	5,732,278
Security services	28,310,994	26,424,000
Solid waste collection	26,193,693	25,849,013
	<b>67,251,089</b>	<b>63,286,588</b>
	-	-
	-	-
<b>33. Transfer and subsidies</b>		
Indigent grants (Free Basic Electricity)	2,144,561	2,027,497

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>33. Transfer and subsidies (continued)</b>		
The municipality subsidises the indigent households that are on the eskom FBE beneficiary list with the allocation of the free basic electricity at 50kwh per household on a monthly basis.		
<b>34. General expenses</b>		
Advertising	3,044,003	2,697,759
Bank charges	346,777	279,445
Consulting and professional fees	4,878,799	11,563,209
Consumables	2,552,809	3,268,702
Insurance	2,346,495	1,732,790
Marketing	1,661,667	1,043,685
Promotions and sponsorships	8,480,131	5,235,971
Fleet Management & system	196,299	54,609
Fuel and oil	6,244,774	6,232,489
Promotions	2,679,201	2,142,222
Protective clothing	148,000	1,619,180
Telephone and fax	1,901,636	1,751,831
Training	5,041,745	5,371,862
Travel and Accommodation	5,013,752	5,943,468
Spatial planning-Demarcation of sites	981,225	688,600
Water and Electricity	5,811,899	3,990,779
SMME support	148,125	10,650
Publications	5,142,620	8,952,840
Audit committee support	769,502	428,600
Bursary fund	4,132,693	2,434,824
Legal costs and Development of by-laws	6,378,988	4,489,822
Customer care	227,100	378,315
Financial system support (Implementation of mSCOA)	6,842,498	3,942,220
Vehicle tracking	106,807	95,156
Disaster Relief Fund	2,509,775	2,291,546
EPWP	5,837,583	5,754,561
	<b>83,424,903</b>	<b>82,395,135</b>
<b>35. Auditors' remuneration</b>		
Current Year Audit fees	4,844,497	4,818,095
	<b>4,844,497</b>	<b>4,818,095</b>
<b>36. Repairs and maintenance</b>		
Repairs and maintenance: Infrastructure( Roads & Bridges)	32,042,587	37,803,734
Repairs and maintenance :Electrical infrastructure	1,443,672	2,786,216
Repairs and maintenance: Municipal facilities	3,549,946	3,973,590
Repairs and maintenance: Other assets	19,020,817	10,981,591
Repairs and maintenance:ICT infrastructure	14,819,731	16,820,703
	<b>70,876,753</b>	<b>72,365,834</b>
<b>Reclassification of Repairs and maintenance</b>		
In the prior year 2022/2023 the Repairs and maintenance was combined into the following categories:		
Repairs and maintenance: Infrastructure - R 40 589 950		

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>36. Repairs and maintenance (continued)</b>		
Repairs and maintenance: Municipal facilities - R 31 710 063		
In the current year Repairs and maintenance was separated into their respective line items in order to achieve fair presentation.		
<b>37. Capital expenditure write-off (D-Roads)</b>		
Capital expenditure write-off (D-Roads)	119,704,748	85,876,873
	<b>119,704,748</b>	<b>85,876,873</b>
The capital expenditure write-off (D-Roads) amount of R 119 704 748 relates to the D-roads projects which are completed and transferred to RAL ( Road Agency Limpopo ).		
<b>38. Transfer to Eskom ( Electrification)</b>		
Transfer to Eskom ( Electrification)	2,085,630	5,217,391
	<b>2,085,630</b>	<b>5,217,391</b>
Department of Energy transferred an amount of R 21 350 000 to the municipality to construct electrification projects at various villages around Makhuduthamaga local municipality for the year 2023/2024 and the municipality spent R 14 263 475 on the capital electrification projects and transferred the assets to Eskom at year end as per the conditions of the INEP grant. The total amount is recorded under WIP and project for Phokwane to the amount of R 2 085 630 has been completed and transferred to Eskom. The municipality has transferred assets to the value of R 5 217 391 to eskom in the prior year.		
<b>39. Cash generated from operations</b>		
(Deficit) surplus	(48,454,604)	22,691,090
<b>Adjustments for:</b>		
Depreciation and amortisation	34,936,639	28,667,320
(Gain)/Loss on disposal of assets	983,843	(23,977)
Fair value adjustments	(25,789)	(304,000)
Leave Gain	(154,077)	(452,262)
Debt impairment	20,361,730	-
Current service cost - Post employment benefits & Long service awards	1,025,000	1,032,000
Interest costs - Post employment benefits & Long service awards	1,314,000	1,182,000
Actuarial ( Gain/Loss-Post employment medical aid benefits & Long service awards	637,834	(1,362,059)
Interest costs- Landfill site	918,000	1,653,404
Non-cash donations and other in-kind benefits	(19,595)	(3,093,765)
Long service awards paid	-	-
Reversal of debt impairment allowance	-	(29,688,337)
<b>Changes in working capital:</b>		
Inventories	79,734	279,462
Receivables and other from exchange transactions	(1,752,540)	424,646
Receivables from non exchange transactions	(19,147,301)	(6,277,902)
Payables from exchange transactions	96,958,519	(659,877)
VAT	5,447,238	(3,206,518)
Unspent conditional grants and receipts	7,086,525	71,404
Increase/(decrease) in Long service awards	(281,085)	-
(Increase)/Decrease in Prepayments	276,681	(1,393,934)
	<b>100,190,752</b>	<b>9,538,695</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>40. Commitments</b>		
<b>Authorised operating and capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operational commitment	94,039,648	115,037,528
	<b>94,039,648</b>	<b>115,037,528</b>
<b>Already contracted for but not provided for</b>		
• Capital commitment	-	171,362,750
• Building facilities	4,069,876	-
• Electrical infrastructure	10,920,195	-
• Roads & Bridges	198,476,493	-
	<b>213,466,564</b>	<b>171,362,750</b>
<b>Total capital commitments</b>		
Operational commitment	94,039,648	115,037,528
Capital Commitment	213,466,564	171,362,750
	<b>307,506,212</b>	<b>286,400,278</b>

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at June 30, 2024 amount to R 94 935 635 for operational commitments and R 213 466 565 for capital commitments. Contracts of which the amount disclosed is for more than one financial year.

The capital commitments mainly relates to Roads and Electrical infrastructure.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>41. Contingent Liabilities</b>		
Masenya Construction vs Makhuduthamaga Local Municipality	175,551	175,551
Alfred Malekane vs Makhuduthamaga Local Municipality	5,655,584	4,627,790
Ratale Mashifane attorneys vs Makhuduthamaga Local Municipality	65,519	65,519
Onnica Sehlola vs Makhuduthamaga Local Municipality	81,459	81,459
City Patrick vs Makhuduthamaga Local Municipality	2,400,000	2,400,000
	<b>8,378,113</b>	<b>7,350,319</b>

### Masenya Construction vs Makhuduthamaga Local Municipality

The Municipality penalised Masenya construction for an amount of R 175 551 the reason for the penalties was that Masenya construction failed to complete its work on time as per the contract it entered into with the Municipality. The company has challenged the Municipality in court, the power of attorney was filed and served at Nebo Magistrate Court on the 12th of November 2019 by the Municipality's legal representatives. Judgement was granted in favour of the applicant (Masenya Construction) in respect of costs but the main application was postponed to an unknown date. The Municipality's attorneys filed a review application to the high court of Polokwane in respect of the cost judgement and for now we are still waiting for response on the review application; and as at year end the case was not yet finalised

### Mr Alfred Malekane vs Makhuthamaga Local Municipality

Mr Alfred Malekane was dismissed as an employee of the Municipality on grounds of financial misconduct following the conclusion of the disciplinary processes by the municipality. Mr Malekane has since challenged his dismissal arguing that he was unfairly dismissed by the Municipality. The commission of the CCMA ruled in Malekana's favour and the municipal Council took a resolution to review the Commission's ruling at Labour Court. As at year end the matter was not yet finalized. The estimated expenditure on this matter to date is R 5 655 584.

### Ratale Mashifane Attorneys vs Makhuduthamaga Municipality

Ratale Mashifane Attorneys has issued the summons against Municipality wherein he demanded to be paid an amount of R 65 519 from services which were not rendered. The plaintiff obtained a default judgement - which we have filed an application to rescind it. As at year end the case was not yet finalised.

### Onicca mathabathe sehlola VS Makhuduthamaga Municipality

Onica Mathabathe Sehlola has sued the Municipality an amount of R 81 549 for the damage caused by pothole. The plaintiff has not served the Municipality with a notice of bar, Marweshe Attorneys had prepared a notice of exception to the summons, had been served filed at Nebo court. The exception is unopposed the matter shall be set down on unopposed roll for hearing.

### City Patrick Maphutha Vs Makhuduthamaga municipality

City Patrick Maphutha issued summons against the Municipality demanding that he be appointed in the position of senior manager community services which was re-advertised in 2018. The Municipality opposed the application in court of law and as year end the matter was still on. The amount of R 2 400 000 contingent liability was informed by Mr Maphutha CP's settlement request amount that was sent to the Municipality.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>42. Related parties</b>		
<b>Related party transactions</b>		
<b>Section 57 Employees</b>		
Municipal Manager (Ms Rampedi M.N)	-	41,297
Municipal Manager (Mr Moganedi R.M)	1,491,642	696,153
Senior Manager: Corporate Services(Ms Mahlare M.A)	202,669	1,274,497
Senior Manager: Corporate Services(Mr Matsetse P.E)	828,809	-
Senior Manager: Community Services(Ms Marishane M.E)	145,398	1,154,182
Senior Manager: Community Services(Ms Mashao A.M)	815,369	-
Senior Manager: Budget & Treasury (CFO) (Mr Chuene M.V)	483,168	-
Senior Manager: Budget & Treasury (CFO) (Mr Moganedi R.M)(Former)	-	526,182
Senior Manager: Economic Development & Planning (Mr Thabela A.P)	809,033	1,066,534
Senior Manager: Infrastructure Development (Mr Segale M.A)	682,258	1,041,610
Senior Manager: Infrastructure Development (Ms Lubisi N.B)	163,781	-

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

#### Remuneration of councillors

##### Councillors

##### 2024

Name	Basic salary	Cellphone Allowance	Car Allowance	Pension, SDL, data cards and travel claims	Total
Cllr Mahlase MM(Mayor)	490,808	47,502	48,862	249,088	836,260
Cllr Mphelane MJ (Speaker)	530,061	45,600	-	311,758	887,419
Cllr Thamaga MM (Chief Whip)	489,894	45,600	192,115	106,220	833,829
Cllr Mokomane ML	265,280	45,600	104,031	58,074	472,985
Cllr Phala M	489,894	45,600	192,115	109,869	837,478
Cllr Mapheto MT	137,500	30,092	53,922	33,354	254,868
Cllr Mahlase NE	273,292	45,600	107,173	66,395	492,460
Cllr Diketane S.P (MPAC Chairperson)	471,603	45,600	184,943	103,587	805,733
Cllr Mogide LS	206,711	45,600	81,063	47,050	380,424
Cllr Leokana MD	206,711	45,600	81,063	47,050	380,424
Cllr Matjomane NM	489,894	45,600	192,115	147,975	875,584
Cllr Masemola ME	206,711	45,600	81,063	48,928	382,302
Cllr Maitula BM	286,487	24,764	-	165,569	476,820
Cllr Aphane MN	206,711	45,600	81,063	47,050	380,424
Cllr Moretsele MA	206,711	45,600	81,063	47,050	380,424
Cllr Lethuba MP	206,711	45,600	81,063	54,407	387,781
Cllr Mohlala MJ	489,894	45,600	192,115	100,354	827,963
Cllr Mohlakwane SS	206,711	45,600	81,063	50,683	384,057
Cllr Rankoe TP	273,292	45,600	107,173	67,015	493,080
Cllr Maapea RS	206,711	45,600	81,063	105,281	438,655
Cllr Machaba MG	273,292	45,600	107,173	64,342	490,407
Cllr Tau TT	206,711	45,600	81,063	49,744	383,118
Cllr Ngwato OM	206,711	45,600	81,063	47,050	380,424

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

Cllr Lerobane MM	206,711	45,600	81,063	48,912	382,286
Cllr Monakedi MJ	206,711	45,600	81,063	47,050	380,424
Cllr Malaka MS	273,292	45,600	107,173	83,642	509,707
Cllr Masemola TP	206,711	45,600	81,063	47,050	380,424
Cllr Mmotong ML	206,711	45,600	81,063	47,050	380,424
Cllr Tshehla MB	206,711	45,600	81,063	48,788	382,162
Cllr Kgatuke LD	206,711	45,600	81,063	47,050	380,424
Cllr Machai MJ	206,711	45,600	81,063	49,413	382,787
Cllr Malatjie BT	206,711	45,600	81,063	48,788	382,162
Cllr Maepa KJ	206,711	45,600	81,063	48,397	381,771
Cllr Makuwa SS	206,711	45,600	81,063	52,871	386,245
Cllr Matsomane EM	206,711	45,600	81,063	47,050	380,424
Cllr Mashegoana MC	206,711	45,600	81,063	49,752	383,126
Cllr Tshehla MZ	206,711	45,600	81,063	47,050	380,424
Cllr Moretsele LP	273,292	45,600	107,173	63,740	489,805
Cllr Morwamakoti M	269,642	45,600	105,742	58,934	479,918
Cllr Kgaphola RK	206,711	45,600	81,063	48,928	382,302
Cllr Ngoanatsobane MG	206,711	45,600	81,063	48,389	381,763
Cllr Sebowane SH	206,711	45,600	81,063	48,928	382,302
Cllr Nkadimeng KT	206,711	45,600	81,063	48,767	382,141
Cllr Hleko K	206,711	45,600	81,063	47,050	380,424
Cllr Mashabane D	206,711	45,600	81,063	56,617	389,991
Cllr Thokwane GA	206,711	45,600	81,063	48,606	381,980
Cllr Mothupi SM	206,711	45,600	81,063	47,050	380,424
Cllr Selala PT	206,711	45,600	81,063	47,050	380,424
Cllr Vilakazi SM	206,711	45,600	81,063	47,050	380,424
Cllr Rantho PK	206,711	45,600	81,063	47,050	380,424
Cllr Thokwane KZ	265,280	45,600	104,031	58,074	472,985
Cllr Makobe PA	206,711	45,600	81,063	47,050	380,424
Cllr Boshielo MP	206,711	45,600	81,063	48,686	382,060
Cllr Piitjo MH	265,280	45,600	104,031	89,353	504,264
Cllr Maduana HD	206,711	45,600	81,063	47,050	380,424
Cllr Mampane MA	224,042	38,400	87,860	49,600	399,902
Cllr Morodi PE	206,711	45,600	81,063	47,050	380,424

## Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

### Notes to the Annual Financial Statements

Figures in Rand

#### 42. Related parties (continued)

Cllr Mosoane EM	269,950	45,600	104,031	65,231	484,812
Cllr Ntobeng ML	206,711	45,600	81,063	49,434	382,808
Cllr Tsatsi MD	206,711	45,600	81,063	47,050	380,424
Cllr Mogashoa KJ	206,711	45,600	81,063	55,591	388,965
Cllr Mokalapa SM	211,183	47,200	82,817	45,026	386,226
Cllr Mokalapa MS	12,277	1,800	4,092	3,055	21,224
Cllr Mankge PR	72,576	14,958	29,765	15,256	132,555
Cllr Laka LE	72,576	16,262	28,461	15,270	132,569
	<b>15,645,732</b>	<b>2,820,178</b>	<b>5,670,496</b>	<b>4,181,691</b>	<b>28,318,097</b>

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

2023

Name	Basic salary	Cellphone allowance	Car allowance	Pension, SDL, data cards and travel claims	Total
Cllr Thamaga MM(Chief whip)	423,947	40,800	166,254	81,232	712,233
Cllr Maitula B.M(Mayor)	565,269	40,800	-	329,076	935,145
Cllr Mahlase NE	236,512	40,800	92,750	48,762	418,824
Cllr Mogide LS	178,884	40,800	70,151	34,119	323,954
Cllr Mphelane MJ(Speaker)	452,210	40,800	-	263,395	756,405
Cllr Aphane M.N	178,884	40,800	70,151	37,392	327,227
Cllr Mohlala M.J	423,947	40,800	166,254	80,302	711,303
Cllr Diketane S.P (MPAC Chairperson)	415,429	40,800	162,914	82,492	701,635
Cllr Masemola ME	178,884	40,800	70,151	34,119	323,954
Cllr Mapheto M.T	178,884	40,800	70,151	34,119	323,954
Cllr Mokalapa S.B	29,814	6,800	11,692	5,679	53,985
Cllr Phala M	423,947	40,800	166,254	99,728	730,729
Cllr Mokomane M.L	229,568	40,800	90,027	43,671	404,066
Cllr Matjomane N.M	423,947	40,800	166,254	135,492	766,493
Cllr Rankoe T.P	236,512	40,800	92,750	50,434	420,496
Cllr Thokwane K.Z	229,568	40,800	90,027	43,671	404,066
Cllr Mosoane E.M	229,568	40,800	90,027	50,747	411,142
Cllr Mahlase M.M	236,512	40,800	92,750	53,565	423,627
Cllr Marodi P.E	178,884	40,800	70,151	34,119	323,954
Cllr Makobe P.A	178,884	40,800	70,151	34,119	323,954
Cllr Makua S.S	178,884	40,800	70,151	35,683	325,518
Cllr Lethuba M.P	178,884	40,800	70,151	36,586	326,421
Cllr Masemola P.T	178,884	40,800	70,151	37,619	327,454
Cllr Mmotong M.L	178,884	40,800	70,151	34,119	323,954
Cllr Tshehla M.B	178,884	40,800	70,151	34,119	323,954
Cllr Kgatuke L.D	178,884	40,800	70,151	34,119	323,954
Cllr Machai M.J	178,884	40,800	70,151	34,119	323,954

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

Cllr Malatjie B.T	178,884	40,800	70,151	35,052	324,887
Cllr Maepa K.J	178,884	40,800	70,151	37,584	327,419
Cllr Matsomane E.M	178,884	40,800	70,151	34,119	323,954
Cllr Mashegoana M.C	178,884	40,800	70,151	35,697	325,532
Cllr Tshehla M.Z	178,884	40,800	70,151	34,904	324,739
Cllr Moretsele L.P	236,518	40,800	92,750	46,148	416,216
Cllr Morwamakoti M	229,568	40,800	90,027	43,671	404,066
Cllr Kgapola R.K	178,884	40,800	70,151	34,119	323,954
Cllr Ngwanatsoba M.G	178,884	40,800	70,151	34,119	323,954
Cllr Sebowane SH	178,884	40,800	70,151	34,119	323,954
Cllr Nkadimeng K.T	178,884	40,800	70,151	34,125	323,960
Cllr Hleko K	178,884	40,800	70,151	36,659	326,494
Cllr Moshabane D	178,884	40,800	70,151	35,111	324,946
Cllr Thokwane G.A	178,884	40,800	70,151	34,119	323,954
Cllr Mothupi S.M	178,884	40,800	70,151	34,128	323,963
Cllr Selala P.T	178,884	40,800	70,151	34,119	323,954
Cllr Vilakazi S.M	178,884	40,800	70,151	34,119	323,954
Cllr Rantho P.K	178,884	40,800	70,151	34,119	323,954
Cllr Mokalapa M.S	134,169	30,600	52,613	25,599	242,981
Cllr Boshielo M.P	178,884	40,800	70,151	34,119	323,954
Cllr Piitjo M.H	229,568	40,800	90,027	45,291	405,686
Cllr Maduana H.D	178,884	40,800	70,151	34,119	323,954
Cllr Mampana M.A	229,568	40,800	90,027	43,660	404,055
Cllr Ntobeng M.L	178,884	40,800	70,151	34,119	323,954
Cllr Tsatsi M.D	178,884	40,800	70,151	34,119	323,954
Cllr Mogashoa K.J	178,884	40,800	70,151	34,635	324,470
Cllr Lekoana M.D	178,884	40,800	70,151	34,119	323,954
Cllr Machaba M.G	236,512	40,800	92,750	46,322	416,384
Cllr Moretsele M.A	178,884	40,800	70,151	36,210	326,045
Cllr Mohlakwane S.S	178,884	40,800	70,151	36,293	326,128
Cllr Maapea R.S	178,884	40,800	70,151	44,968	334,803
Cllr Malaka M.S	236,512	40,800	92,750	87,245	457,307
Cllr Tau T.T	178,884	40,800	70,151	36,744	326,579
Cllr Ngwato O.M	178,884	40,800	70,151	34,119	323,954

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Related parties (continued)

Cllr Lerobane M.M	164,257	40,800	70,151	34,119	309,327
Cllr Monakedi M.J	178,884	40,800	70,151	34,119	323,954
	<b>13,587,666</b>	<b>2,526,200</b>	<b>4,935,239</b>	<b>3,178,547</b>	<b>24,227,652</b>

### 43. Risk management

#### 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.

#### Credit risk

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

Financial instrument	2024	2023
Receivables from non-exchange transactions	20,355,135	20,577,094
Receivables from exchange transactions	3,993,292	2,727,858
Cash & cash equivalents	13,919,985	6,644,381
VAT Receivable	18,585,291	24,034,529
Maximum Risk Exposure	56,853,703	57,533,387

### 44. Unauthorised expenditure

Opening balance as previously reported	23,008,909	7,049,638
Add: Unauthorised expenditure - current	30,511,957	23,008,909
Less: Written off - current	(23,008,909)	(7,049,638)
<b>Closing balance</b>	<b>30,511,957</b>	<b>23,008,909</b>

# Makhuduthamaga 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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### 44. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	20,361,730	22,999,547
Cash	10,150,227	9,362
	<b>30,511,957</b>	<b>23,008,909</b>

#### Analysed as follows: non-cash

Depreciation and amortisation	-	772,111
Finance charges	-	5,558,298
Provision of impairment	20,361,730	16,669,138
	<b>20,361,730</b>	<b>22,999,547</b>

#### Analysed as follows: cash

Repairs and maintenance( other assets)	9,032,256	-
General expenses(wet fuel and advertising)	1,117,971	-
Remuneration of Councillors	-	9,362
	<b>10,150,227</b>	<b>9,362</b>

#### Unauthorised expenditure: Budget overspending – per municipal department:

Executive support	-	9,362
Budget and treasury Office	30,511,957	22,999,547
	<b>30,511,957</b>	<b>23,008,909</b>

#### Council Approval on unauthorised expenditure

During the current year ended June 30, 2024, MPAC investigated all Unauthorised expenditure and council has written off the unauthorised expenditure as irrecoverable. The amount of R 23 008 909 was approved by council to be written off as irrecoverable. And the amount of R 30 511 957 was realised by management during the current year as unauthorised expenditure and was disclosed accordingly.

### 45. Fruitless and wasteful expenditure

Opening balance as previously reported	64,753	64,753
<b>Closing balance</b>	<b>64,753</b>	<b>64,753</b>

The amount of R 64 753 is the balance of Fruitless and wasteful expenditure of the previous years starting from 2014/2015 financial year, the municipality did not incur any fruitless and wasteful expenditure in the current year of 2023/2024 financial year.

MPAC investigated the fruitless & wasteful expenditure and recommended to council to recover the amount from the responsible official and council approved the recommendation. As at year end the amount was not yet recovered, however efforts to recover the money were taken.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>46. Irregular expenditure</b>		
Opening balance as previously reported	65,100	60,372,864
Add: Irregular expenditure - current	1,471,039	6,661,732
Less: Amount written off - current	(1,536,139)	(66,969,496)
<b>Closing balance</b>	<b>-</b>	<b>65,100</b>

As per MFMA circular no 68 municipalities are advised to record their irregular expenditure in the irregular expenditure register and consequently disclose it in the annual financial statements inclusive of VAT the circular became into existence in October 2021. The latter is due to the amount of the transgression from the provisions of the applicable legislation as contained in the definition of the irregular expenditure is the full value of the transaction involved and not just a portion of the transaction and the adjustment is effected from the financial year 2023/24. The irregular expenditure disclosed above is VAT inclusive.



# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>47. Reconciliation between budget and statement of financial performance</b>		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net (deficit) surplus per the statement of financial performance	(48,454,604)	22,691,090
<b>Adjusted for:</b>		
Investment revenue-Under collection/(over collection)	1,215,654	416,512
Transfers recognised-under collection/over collection	33,500,000	-
Other own revenue-under collection/over collection	12,170,878	18,202,783
Depreciation-over spending/ (Under spending )	-	772,111
Employee related costs-over spending/ (over spending)	-	139,825
Remuneration of councillors-over spending/ (under spending)	-	(9,362)
Reversal of debt impairment provision allowance	-	(13,018,144)
Debt impairment -over spending/under spending	20,361,730	(16,669,138)
Other expenditure overspending/underspending	10,150,227	(5,558,298)
Transfers and grants	2,085,630	2,027,497
Bad debt write off	-	26,174,865
Property rates-under collection/(over collection)	9,797,427	1,532,614
Interest expense-Non -current provisions & overdue accounts	-	(2,685,404)
Interest on outstanding debtors	-	(13,535,301)
Service charges	(99,435)	-
Government grants & subsidies (Capital )	(108,372,475)	-
Capital expenditure write-off (C-roads)	119,704,748	-
<b>Net surplus per approved budget</b>	<b>52,059,780</b>	<b>20,481,650</b>
<b>48. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Amount paid - current year	(4,844,497)	(4,818,095)
<b>PAYE and UIF</b>		
Opening balance	-	202,858
Current year subscription / fee	24,575,743	21,366,990
Amount paid - current year	(22,437,867)	(21,569,848)
<b>Outstanding balance as at year end</b>	<b>2,137,876</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	17,387	91,031
Current year subscription / fee	31,048,652	27,001,457
Amount paid - current year	(28,478,833)	(27,075,101)
<b>Outstanding balance as at year end</b>	<b>2,587,206</b>	<b>17,387</b>

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

#### VAT

VAT receivable	18,587,291	24,034,529
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

#### Supply chain management regulations

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

#### Incident

Deviation as per section 36(1)(a)(i) of the SCM regulations (Emergency)	255,506	-
Deviation as per section 36(1)(a)(ii) of the SCM regulations (Single provider)	867,534	1,748,177
Deviation as per section 36(1)(v) of the SCM regulations (Impractical to follow SMC processes)	9,942,684	10,000,675
	<b>11,065,724</b>	<b>11,748,852</b>

### 49. Prior period errors

#### Depreciation and Amortisation of Intangible Assets.

During the 2023/2024 financial year the municipality's management realised that depreciation for intangible assets was erroneously posted in the financial year 2022/2023 to the amount of R 4 343 and was retrospectively adjusted.

During the 2023/2024 financial year the municipality's management realised that depreciation for Artificial turf donated was erroneously omitted in the financial year 2012/2013 to the amount of R 267 865 and was retrospectively corrected.

#### Accumulated Depreciation and Amortisation.

During the 2023/2024 financial year the municipality's management realised that Accumulated depreciation for Intangible assets was erroneously over stated in the financial year 2022/2023 by R 4 343 and was retrospectively corrected.

During the 2023/2024 financial year the municipality's management realised that accumulated depreciation for Artificial turf and Club House was erroneously omitted in the financial year 2012/2013 by R 3 594 247 and was retrospectively corrected.

#### Donation ( Non-current Assets )

During the 2023/2024 financial year the municipality's management realised that the Donation received during 2012/2013 financial year of the Artificial turf and a club house was erroneously omitted from donations and Non-current assets to the amount of R 6 697 351 and R 1 740 786 respectively and was retrospectively corrected.

#### Solid waste

During the 2023/2024 financial year the municipality's management realised that the solid waste was erroneously expensed to the amount of R 56 101 and was retrospectively corrected

#### Trade debtors (IEMAS Advance payment)

An advance payment on the IEMAS montly payment was made to the amount of R 1 152 and was erroneously omitted in the prior year 2022/2023 financial year and retrospectively corrected in the current financial year.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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### 49. Prior period errors (continued)

#### Office equipment( Accumulated depreciation)

During the 2023/2024 financial year the municipality's management realised that the accumulated depreciation for Office equipment was erroneously expensed and was retrospectively corrected with the amount of R 50 905.

#### SITA ( Repairs and maintenance ICT)

During the 2023/2024 financial year the municipality's management realised that the repairs and maintenance ICT for SITA to the amount of R 65 821 was omitted and was retrospectively corrected in the current year.

#### Expenditure (Hire Charges)

During the 2023/2024 financial year the municipality's management realised that an expenditure to the amount of R 28 500 was erroneously omitted and was retrospectively corrected in the current year.

#### Receivables from non-exchange transaction

During the 2023/2024 financial year the municipality's management realised that the receivables balance was overstated by R 20 562 941 in 2020/2021.

During the 2023/2024 financial year the municipality's management realised that the provision for impairment of receivable was overstated by R 18 732 395 in 2021/2022 and R 16 670 193 in 2022/2023 respectively.

The municipality wrote off the property rates debtors which were billed in contravention with property rates policy as a result of data cleansing performed by management.

Consequently provision for impairment was overstated by this accounts and was adjusted accordingly.

#### Interest on debtors

During the 2023/2024 financial year the municipality's management realised that the interest from debtors is understated by R 21 354 in 2021/2022 and by R 91 916 in 2022/2023.

Interest was erroneously mistated as the result of discrepancies in the billing system and was retrospectively corrected.

#### Revenue from non-exchange transactions

During the 2023/2024 financial year the municipality's management realised that the revenue was understated by R 640 986 in 2021/2022 financial year and overstated by R 195 196 during the 2022/2023 financial year due to incorrect billing.

#### Statement of financial position

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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### 49. Prior period errors (continued)

#### 2023

	Note	As previously reported	Restated	Adjustments
Inventories		707,345	707,345	-
Receivables and other from exchange transactions		2,726,706	2,727,858	(1,152)
Prepayments		-	-	-
VAT receivable		24,034,529	24,034,529	-
Receivables and other from non-exchange transactions		24,126,619	20,577,094	3,549,525
Cash and cash equivalents		6,644,381	6,644,381	-
Investment property		513,500	513,500	-
Property, plant and equipment		422,441,678	427,396,601	(4,954,923)
Intangible assets		-	-	-
Payables from exchange transactions		45,460,150	45,460,150	-
Unspent conditional grants and receipts		71,404	71,404	-
Long service awards-current liabilities		813,000	813,000	-
Post employment medical aid benefit		5,387,000	5,387,000	-
Long service awards-non-current liabilities		3,760,001	3,760,001	-
Provision-Rehabilitation of landfill site		8,037,416	8,037,416	-
		<b>544,723,729</b>	<b>546,130,279</b>	<b>(1,406,550)</b>

#### Statement of financial performance

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023		
<b>49. Prior period errors (continued)</b>				
<b>2023</b>				
	Note	As previously reported	Restated	Adjustments
Refuse removal		175,122	175,122	-
Rental of facilities and equipment		159,924	159,924	-
Licenses & permits		5,669,320	5,669,320	-
Other income		428,176	428,176	-
Interest received-Investment		7,216,512	7,216,512	-
Gain on disposal of assets and liabilities		23,977	23,977	-
Actuarial gains		1,362,059	1,362,059	-
Leave Gain		452,262	452,262	-
Property rates		46,454,278	46,259,082	195,196
Interest outstanding debtors		13,535,209	13,627,125	(91,916)
Reversal of debt impairment loss		13,018,144	29,688,337	(16,670,193)
Traffic fines		1,092,620	1,092,620	-
Government grants & subsidies		428,858,636	428,858,636	-
Public contributions and donations		3,093,765	3,093,765	-
Fair value adjustment-investment transactions		304,000	304,000	-
Employee related costs		(102,010,352)	(102,010,352)	-
Remuneration of councillors		(24,227,652)	(24,227,652)	-
Administration		(15,995,321)	(15,966,821)	(28,500)
Depreciation and amortisation		(28,386,915)	(28,667,320)	280,405
Finance costs		(2,685,404)	(2,685,404)	-
Debt impairment		-	-	-
Bad debts written off		(26,174,865)	(26,174,865)	-
Contracted services		(63,342,748)	(63,286,588)	(56,160)
Transfers and Subsidies		(2,027,497)	(2,027,497)	-
General expenses		(82,395,135)	(82,395,135)	-
Auditors remuneration		(4,818,095)	(4,818,095)	-
Repairs and maintenance		(72,300,013)	(72,365,834)	65,821
Capital expenditure write-off (D-roads)		(85,876,873)	(85,876,873)	-
Transfer to Eskom (Electrification)		(5,217,391)	(5,217,391)	-
<b>Surplus for the year</b>		<b>6,385,743</b>	<b>22,691,090</b>	<b>(16,305,347)</b>

## 50. Events after the reporting date

### Debtors debt write-off

The municipality took a resolution to write-off the debt for debtors to an amount of R 20 562 941 which was approved by council after year end but before the Financial statements could be finalised for reporting. The transaction constitute an adjusting event after the reporting date and the Annual financial statements for the year ended 30 June 2024 were adjusted with this amount.

### Appointment of the senior manager

The council of Makhuduthamaga local municipality appointed new senior manager permanently on the 28th of August 2024 after the resignation of the previous senior manager and the new senior manager appointed is as follows:

- Senior manager Budget and treasury (CFO) - Mr Mothapo Kole Thabiso

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>51. Reversal of debt impairment loss</b>		
Opening balance - Provision for debt impairment	-	105,418,737
Closing balance - Provision for debt impairment	-	(75,730,400)
		<b>29,688,337</b>

The transaction resulted in a net reversal of provision for impairment allowance recognised to the amount of R 29 688 337 for the year ended 30 June 2023..

### 52. Bad debts written off

Bad debts written off	-	26,174,865
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The municipality has written off the debt for the businesses and department of public works in the current year to an amount of R 26 174 865 and therefore the impairment was reversed as per GRAP 104 paragraph 63. This was as a result of the collectability assessment, settlement agreements and the revaluation of public works properties.

### 53. Contingent assets

Agency fee	-	81,770
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The contingency asset raised for Agency fee is for the outstanding deposit as at 30th June 2023 to the amount of R 81 770 of the cash collection made by the Fedility cash solutions was deposited into the municipality primary account.

### 54. Operating lease-as lessee (expense)

- Within one year of the reporting date	2,371,257	-
More than one year but less than five years of the reporting date	2,766,466	709,419
	<b>5,137,723</b>	<b>709,419</b>

The operational lease commitment relates to Lease of photocopy machines.

### 55. Principal agents

The municipality has signed a binding memorandum of agreement with Limpopo Department of transport and public safety for the administration of learners, drivers licenses and vehicle registrations, and the municipality earns Agency fees. The amount collected on behalf of the Limpopo Department of transport and public safety is ( R 13 406 927 ) for the current year and ( R 10 498 389 ) for the prior year.

The municipality has signed a memorandum of agreement with Sekhukhune District municipality for repairs and maintenance of water reticulation whereby Makhuduthamaga local municipality serves as an agent in this relationship.t

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 55. Principal agents (continued)

#### Limpopo Department of transport and public safety

Revenue recognised for transactions carried out on behalf of the principal  
Revenue received on behalf of the principal

6,261,884 5,669,320  
13,406,927 10,498,389

**19,668,811 16,167,709**

#### Receivables on behalf of the principal

Addition  
Cash paid

13,406,927 10,498,389  
(13,406,927) (10,498,389)

- -

#### SDM Water reticulation

Expenditure for transactions carried out on behalf of the principal  
Amounts received from principal

(21,147,518) -  
21,540,218 -

**392,700 -**

#### Receivables from SDM as at year end

Outstanding invoice  
Outstanding retention

1,164,646 -  
1,062,446 -

**2,227,092 -**

#### Payables to SDM as at year end

VAT received on behalf of principal

2,619,792 -

### 56. Prepayments (SALGA Levy)

Prepayments

1,117,253 1,393,934

SALGA levy relates to prepayments of Annual membership fee to SALGA.

### 57. Leave Gain

Leave Gain

154,077 452,262

### 58. Fair value adjustment- Investment property

Opening balance  
Change during the year

304,000 -  
25,789 304,000

**329,789 304,000**

### 59. Public contributions and donations

Donation Income

19,595 3,093,765

The Municipality has received a donation in kind of computer equipment from the Department of Economic development, Environment & Tourism.

# Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2024

## Notes to the Annual Financial Statements

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Figures in Rand

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### 60. Debt Impairment (Debtors)

Debt Impairment	(20,361,730)	-
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