



EMALAHLENI MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2021

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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EMALAHLENI MUNICIPALITY

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General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (Electricity and Refuse) to communities in a sustainable manner, To promote social and economic development; and to promote a safe and healthy environment
Legislation governing the entity's operations	The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007)

Executive mayor and chairperson of mayoral committee

Portfolio	Councillor
Mayor	NF Koni
Speaker	DS Kalolo
Chief Whip	N Lali
Executive Councillor	N Mtyobile
Executive Councillor	S Liwani
Executive Councillor	T Kulashe
Executive Councillor	M Limba
Executive Councillor	MX Oyiya

Executive management

Position	Name
Municipal Manager	VC Makedama
Chief Financial Officer (CFO)	X Sikobi
Director - Corporate Services	T Javu
Director - Infrastructure Development and Human Settlements	D Njilo
Director - Planning, Economic Development Tourism and Agriculture	N Mntuyedwa

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General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
	Mrwebi	T		Mjezu	K
	Sixishe	T		Mondile	T
	Kama	N		Kulashe	T
	Ziduli	N		Oyiya	M
	Njadu	X		Mahola	Z
	Tyulu	N		Nkuzo	F
	Mapete	L		Ndlela	T
	Bongo	S		Kraqa	N
	Koni	N		Lali	N
	Liwani	S		Qomoyi	M
	James	N		Mtyobile	N
	Zama	S		Mthandeki	L
	Kalolo	D		Greyling	P
	Nqono	N		Paul	L
	Fatyela	L		Limba	M
	Moshani	Z		Makatesi	M
	Twala	B		Bobotyana	C

Grading of local authority

Category 2

Municipal manager

VC Makedama

Chief Financial Officer (CFO)

XC Sikobi

Executive Mayor

NF Koni

Speaker

DS Kalolo

Registered head office

Emalahleni Municipality
37 Indwe Road
Lady Frere
5410

Postal address

Private Bag X1161
Lady Frere
5410

Bankers

Standard Bank, 92 Cathcart RD; Komani; 5320

Auditors

Auditor-General of South Africa (AGSA)

Demarcation code

EC136

Attorneys

NT Vuba Attorneys and Consultants
Ntsika Pakade Attorneys and Consultants

Preparer

The annual financial statements were internally compiled by:
XC Sikobi / M Madikizela / S Boniwe

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Accounting Officer's Statement

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

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

I, as the Accounting Officer acknowledges that I am ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity 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 entity's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, I am satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

I would like to bring the following material matters to your attention:

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

The annual financial statements set out on page, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 27 January 2022.

VC Makedama
Municipal Manager

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
ABSA	Amalgamated Banks of South Africa
ASB	Accounting Standards Board
CPI	Consumer Price Index
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
LSA	Long Service Award
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSA	Municipal Systems Act
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Services
ELM	Emalahleni Local Municipality
SETA	Sector Education and Training Authority
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
CHDM	Chris Hani District Municipality
AFS	Annual Financial Statements

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	2	464 690 354	436 555 019
Investment property	3	4 144 681	4 147 080
Intangible assets	4	219 243	298 891
Heritage assets	5	182 536	182 536
		469 236 814	441 183 526
Current Assets			
Receivables from exchange transactions	6	714 250	16 450 066
Receivables from non-exchange transactions	7	7 193 022	8 123 214
Other current assets	8	4 271 778	3 558 571
Cash and cash equivalents	10	63 850 996	5 791 133
		76 030 046	33 922 984
Total Assets		545 266 860	475 106 510
Liabilities			
Non-Current Liabilities			
Employee benefits	12	13 558 000	9 916 000
Provisions	11	-	2 225 333
		13 558 000	12 141 333
Current Liabilities			
Provisions	11	15 409 076	11 631 782
Employee benefits	12	10 157 256	12 388 912
Payables from exchange transactions	13	14 909 892	9 900 032
Payables from non-exchange transactions	14	11 740 258	1 488 104
Lease liabilities	15	-	371 872
		52 216 482	35 780 702
Total Liabilities		65 774 482	47 922 035
Net Assets		479 492 378	427 184 475
Net assets presented by:			
Accumulated surplus	50	502 810 810	433 029 542

* See Note

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance for the year ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Non-exchange revenue			
Property rates	17	9 892 776	7 769 937
Transfers and subsidies	18	228 120 113	164 607 384
Fines, penalties and forfeits	19	1 032 112	154 603
Interest on receivables	20	1 608 405	2 033 161
Other Non-Exchange Revenue 3		-	134 319 513
Total non-exchange revenue		240 653 406	308 884 598
Exchange revenue			
Services charges - Electricity	23	14 040 644	15 242 912
Services charges - Waste management	23	9 570 214	8 188 347
Rental	25	208 275	541 020
Interests on investments	21	2 273 913	1 384 885
Interest earned from receivables	20	3 657 132	4 352 330
Licences or permits	22.1	1 436 210	1 744 161
Agency services	26	2 929 178	686 945
Operational revenue	27	557 115	1 220 048
Sales of goods and rendering of services	24	90 714	112 715
Actuarial gains	51	-	2 324 633
Other Exchange Revenue 3		-	134 319 513
Total exchange revenue		34 763 395	170 117 509
Total revenue		275 416 801	479 002 107
Expenditure			
Employee related cost	28	(88 164 274)	(86 209 803)
Remuneration of councillors	29	(14 306 846)	(13 480 877)
write-off		(8 324 004)	(1 849 678)
Debt impairment		(9)	(14 994 882)
Depreciation, amortisation and impairment	30	(34 340 321)	(28 923 318)
Finance costs	31	(1 366 301)	(2 136 253)
Bulk purchases	32	(13 184 856)	(12 868 035)
Inventory consumed	33	(3 710 053)	(2 212 970)
Contracted services	34	(16 245 360)	(21 107 948)
Transfers and subsidies	35	(348 625)	(222 266)
Operational cost	36	(22 824 162)	(21 921 843)
Operating leases	9	(438 792)	(41 995)
Loss on disposal of assets	37	(275 633)	(1 466 555)
Total expenditure		(203 529 236)	(207 436 423)
Surplus for the year		71 887 565	271 565 684

* See Note

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Cash Flow Statement for the year ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Rate Payers and other		41 149 179	28 962 867
Transfers and Subsidies – Capital		71 496 134	33 258 484
Transfers and Subsidies – Operational		166 876 135	131 303 943
Interest		2 913 528	1 384 885
Payments			
Suppliers and Employees		(160 437 870)	(162 928 817)
Finance charges		(1 366 301)	(67 288)
Unauthorised Debit Orders		-	(700 000)
Net cash from(used) operating activities	38	120 630 805	31 214 074
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	(1 466 555)
Payments			
Purchase of capital assets		(56 365 281)	-
Net cash flows from investing activities		(56 365 281)	(1 466 555)
Cash flows from financing activities			
Receipts			
Increase in other liabilities		-	7 098 000
Payments			
Decrease in short term loans		(371 872)	(407 365)
Repayment of current portion of longterm liability		(5 833 789)	-
Net cash flows from financing activities		(6 205 661)	6 690 635
Net increase/(decrease) in cash		58 059 063	1 646 192
Cash and cash equivalents at year begin		5 791 133	4 144 940
		63 850 196	5 791 132

* See Note

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Annual Financial Statements for the year ended 30 June 2021

Statement of changes in net assets for the year ended 30 June 2021

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	405 939 242	405 939 242
Adjustments		
Correction of errors - Impairment	7 724 233	7 724 233
Balance at 01 July 2019 as restated*	413 663 475	413 663 475
Surplus for the year	271 565 684	271 565 684
Total changes	271 565 684	271 565 684
Opening balance as previously reported	416 590 133	416 590 133
Adjustments		
Correction of errors	5 423 985	5 423 985
Restated* Balance at 01 July 2020 as restated*	422 014 118	422 014 118
Surplus for the year	71 887 565	71 887 565
Prior period errors posted in the current year	(2 549 382)	(2 549 382)
Total changes	69 338 183	69 338 183
Balance at 30 June 2021	491 352 301	491 352 301
Note(s)		

* See Note

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Annual Financial Statements for the year ended 30 June 2021

Comparison of Budget and Actual Amounts for the year ended 30 June 2021

	Original budget	*Budget adjustments	Final adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget
Figures in Rand							
2021							
Statement of financial performance							
Revenue							
Property rates	9 167 109	-	9 167 109	9 167 109	9 892 776	725 667	107,92 %
Service charges	26 686 612	3 000 000	29 686 612	29 686 612	23 610 858	(6 075 754)	79,53 %
Investment revenue	1 791 677	3 557 798	5 349 475	5 349 475	2 273 913	(3 075 562)	42,51 %
Transfers recognised – operational	148 748 950	16 225 549	164 974 499	164 974 499	165 107 731	133 232	100,08 %
Other own revenue	14 319 510	1 095 001	15 414 511	15 414 511	11 519 142	(3 895 369)	74,73 %
Total revenue (excl capital transfers and contributions)	200 713 858	23 878 348	224 592 206	224 592 206	212 404 420	(12 187 786)	94,57 %
Expenditure							
Employee cost	(93 823 939)	2 665 363	(91 158 576)	(91 158 576)	(88 164 274)	2 994 302	96,72 %
Remuneration of councillors	(14 749 283)	(10)	(14 749 293)	(14 749 293)	(14 306 846)	442 447	97,00 %
Depreciation and asset impairment	(19 384 161)	-	(19 384 161)	(19 384 161)	(31 341 284)	(11 957 123)	161,69 %
Finance charges	(280 000)	(787 057)	(1 067 057)	(1 067 057)	(1 366 301)	(299 244)	128,04 %
Materials and bulk purchases	(18 721 000)	(2 575 000)	(21 296 000)	(21 296 000)	(16 894 909)	4 401 091	79,33 %
Transfers and grants	-	-	-	-	(348 625)	(348 625)	- %
Other expenditure	(51 855 475)	4 707 475	(47 148 000)	(47 148 000)	(90 553 769)	(43 405 769)	192,06 %
Total expenditure	(198 813 858)	4 010 771	(194 803 087)	(194 803 087)	(243 095 096)	(48 172 921)	124,79 %
Deficit	1 900 000	27 889 119	29 789 119	29 789 119	(30 690 676)	(60 360 707)	(103,03)%
Transfers and subsidies - Capital	31 653 050	41 491 026	73 144 076	73 144 076	62 689 808	(10 454 268)	85,71 %
Surplus after capital transfers and contributions	33 553 050	69 380 145	102 933 195	102 933 195	31 999 132	(70 814 975)	31,09 %
Statement of financial position							
Total non-current assets	449 946 525	32 277 203	482 223 728	482 223 728	469 236 814	(12 986 914)	97,31 %
Total current assets	36 056 211	1 345 884	37 402 095	37 402 095	76 030 046	38 627 951	203,28 %
Total non-current assets	(13 900 000)	(1)	(13 900 001)	(13 900 001)	(13 558 000)	342 001	97,54 %
Total current liabilities	(30 532 543)	67 098 407	36 565 864	36 565 864	(52 216 482)	(88 782 346)	(142,80)%
Community wealth/equity	(408 018 083)	(123 813 811)	(531 831 894)	(531 831 894)	(479 492 378)	52 339 516	90,16 %

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Annual Financial Statements for the year ended 30 June 2021

Comparison of Budget and Actual Amounts for the year ended 30 June 2021

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand								
	33 552 110	(23 092 318)		10 459 792	10 459 792	-	(10 459 792)	- %
Cash flow statement								
Net cash from (used) operating	222 367 000	-	-	222 367 000	222 367 000	120 630 805	(101 736 195)	54,25 %
Net cash from (used) investing	(33 553 000)	-	-	(33 553 000)	(33 553 000)	(56 365 281)	(22 812 281)	167,99 %
Net cash from (used) financing	-	-	-	-	-	(6 205 661)	(6 205 661)	- %
	188 814 000	-	-	188 814 000	188 814 000	58 059 863	(130 754 137)	30,75 %

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Comparison of Budget and Actual Amounts for the year ended 30 June 2021

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual out
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Figures in Rand

Reasons for material differences

*Budget adjustments done in terms of section 28 and section 31 of the MFMA

**Shifting of funds done in terms of section 31 of the MFMA

***Virement in terms of Council Approve Policy, virements must offset each other so that virements in Total Expenditure column equals zero

Property rates - Variance due to the budget being based on realistic revenue to be collected, whereas the billing is based on number of properties in the valuation roll qualifying to be in the billable category.

Transfers and subsidies - Budget is based on allocated funds for the year, while Actual amount is based on funds spent in terms of grant conditions. The municipality had unspent grants at year end, which resulted in the identified difference.

Fines, penalties and forfeits - The increase was due to monies forfeited to the municipality which were not anticipated at the budget stage. These arose out of events that occurred which are not in the ordinary course of municipal business. For example, contract terminations.

Interest on receivables - Budget amount includes both exchange and non-exchange revenue. Therefore the actual amounts must be combined to compared with the budget amount.

Service charges electricity - Budget is based on previous collection targets, whereas current year amount is based on actual collection. Difference is based on overestimation of collection, especially billing on electricity.

Service charges waste management - Difference due to inflational increase on tariff charges.

Rental - Budget based on previous accounts that were billed and in the previous audit cycle, these were deemed uncollectable and were written off and billing was stopped.

Interest on investments - Budget was adjusted at mid-term based on the interest generated in the 1st half of the year. There was decline in investment returns due to increased expenditure trends in the 2nd half of the year, this result in less than anticipated revenue.

Interest earned from receivables - Budget amount includes both exchange and non-exchange revenue. Therefore the actual amounts must be combined to compared with the budget amount.

License and permits - Difference was due to non-operational status of the vehicle registration centre, which was anticipated to be functional during the year and increase revenue collection.

Agency fees - Performance of the unit was affected by COVID-19 disruptions when services had to be halted due to higher alert levels, this resulted in less than anticipated revenue being generated.

Operational revenue - Actual amount is vat exclusive, whereas the budget amount is vat inclusive. Included in the budget amount is the revenue included in sale of goods line item.

Sale of good and services - Budget is included under operational revenue line item, so it should be combined to reflect the accurate picture.

Actuarial gains - Budget was based on the previous actuarial report which reflected gains whereas the actual report reflected a loss which is recorded under expenditure.

Expenditure

Bad debts written off - Write of accounts that were deemed irrecoverable based on the previous audit cycle which were not anticipated at budget stage.

Depreciation and amortisation - Difference is due to additional assets that were depreciated in the current year.

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Annual Financial Statements for the year ended 30 June 2021

Comparison of Budget and Actual Amounts for the year ended 30 June 2021

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual out
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Figures in Rand

Impairment loss on fixed assets - Conditional assessment was not performed at budget stage due to cost implications, this function is outsourced to experts, as such no impairment budget was prepared.

Finance costs - Budget was based on anticipated repayments by end of the lease term, whereas the actual amount includes the payments made in the extended portion of the lease contract.

Bulk purchases - Budget was based on average monthly bulk purchases invoices, whereas the actual amount is based on actual consumption which increased in the current year.

Inventory consumed - Items budgeted under this line item were recorded in other expenditure classes upon correct application of mSCOA chart.

Contracted services -Budget amount includes items that have been recorded as part of Operational costs due to mSCOA chart implementation.

Operational costs - Variance due to year end entries like Actuarial Losses that were not budgeted for.

Operating leases - Budget included in other expenditure, it is not seperated in the face of the budget. There is no significant fluctuation as the instalments for 9 months were budgeted for.

Loss on disposal of assets - Item not budgeted for as it is an year end AFS journal that was not anticipated at the budget stage.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

The unaudited annual financial statements of Emalahleni Local Municipality for the year ended 30 June 2021 were authorised for issue by the Director on 30 September 2021.

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

1. Summary of significant accounting policies

These standards are summarised as follows:

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures (Revised)
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IFRS 4	Insurance contracts
IAS 12	Income taxes
IGRAP 1	Applying The Probability Test On Initial Recognition Of Revenue
IGRAP 2	Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Additional content (continued)

IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements where Grantor Controls Significant Residual Interest
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IFRIC 12	Service Concession Arrangements
SIC 25	Income Taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure Service Concession
Directive 1	Deletion of Transitional Provisions in Standards of GRAP
Directive 2	Amended Transitional Provisions for Public Entities
Directive 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Administered by SARS
Directive 7	The Application of Deemed Cost
Directive 8	Transitional Provisions for Parliament and Provincial Legislatures
Directive 9	The Application Of The Standards Of Grap By Trading Entities
Directive 10	Application Of The Standards Of GRAP By Public Further Education And Training Colleges
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP
Directive 12	The Selection of an Appropriate Reporting Framework by Public Entities
Directive 13	Transitional Provisions for CET colleges
Directive 14	Directive 14 on Application of Standards of GRAP by Public Entities
Guideline	Accounting for Arrangements Undertaken i.t.o the National Housing Programme

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 New standards and interpretations

Standards, amendments to standards and interpretations effective and adopted in the current year

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

GRAP 18 on Segment Reporting is effective for the reporting periods beginning on or after 1 July 2020. GRAP 18 establishes principles for the reporting of financial information by segments. The entity has adopted this Standard in the current reporting period.

GRAP 20 on Related Party Disclosures is effective for the reporting periods beginning on or after 1 July 2019. GRAP 20 identifies disclosures necessary for the users of the annual financial statements to consider the impact (if any) that transactions and outstanding balances with related parties have on the entity's surplus or deficit and financial position. The entity has already based its accounting policies and disclosures on this standard, and there is therefore no further impact on the annual financial statements when this standard becomes effective.

GRAP 32 on Service Concession Arrangements: Grantor is effective for the reporting periods beginning on or after 1 July 2019. GRAP 32 prescribes the accounting for service concession arrangements by the grantor (a entity). The entity has not entered into any service concession arrangements to date and will therefore not be immediately affected by the Standard when it becomes effective.

GRAP 108 on Statutory Receivables is effective for the reporting periods beginning on or after 1 July 2019. GRAP 108 prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of receivables that arise from legislation, supporting regulation for similar means and require settlement by another entity in cash or another financial asset. The entity has already based its accounting policies and disclosures on this standard, and there is therefore no further impact on the annual financial statements when this standard becomes effective.

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Accounting Policies

1.1 New standards and interpretations (continued)

GRAP 109 on Accounting by Principals and Agents is effective for the reporting periods beginning on or after 1 July 2019. GRAP 109 outlines principles to be used in assessing whether the entity is a party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such arrangement. The application of this standard will require additional disclosures, as prescribed, when effective.

IGRAP 17 on Service Concession Arrangements is effective for the reporting periods beginning on or after 1 July 2019. This interpretation has no impact on the entity as it has not entered into any service concession arrangements.

IGRAP 18 on Recognition and Derecognition of Land is effective for the reporting periods beginning on or after 01 April 2019. This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in the entity's annual financial statements. It also considers joint control of land by more than one entity. When the entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. The entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP. In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

IGRAP 19 on Liabilities to Pay Levies is effective for the reporting periods beginning on or after 1 July 2019. This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the annual financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity and all values are rounded to the nearest hundred.

1.3 Going concern assumption

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

1.4 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.

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Accounting Policies

1.5 Comparative of actual information to budgeted information

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 01 July 2020 to 30 June 2021.

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

1.6 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.

1.7 Significant judgements and estimates

In the application of the entity's accounting policies, which are described below, outstanding balances is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered too reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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Accounting Policies

1.7 Significant judgements and estimates (continued)

1.7.1 Judgements

The following are the critical judgements, apart from those involving estimations, that the outstanding balances have made in the process of applying the entity's Accounting Policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these annual financial statements.

In preparation of the annual financial statements materiality has been considered in:

- Deciding what to report in the annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the annual financial statements

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

Based on professional judgement the quantitative value of materiality for the 2020 financial year is set at 1% of total expenditure.

The entity has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the entity.

Lease classification – Entity as lessor

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – Entity as lessee

The entity has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the entity.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The entity has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Criteria for the classification of properties as investment property rather than property, plant and equipment, when classification is difficult

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment property.

Land held for currently undetermined future use

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Accounting Policies

1.7 Significant judgements and estimates (continued)

Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment property. The rental revenue generated is incidental to the purposes for which the property is held.

Componentisation of infrastructure assets

Repairs and maintenance is based on outstanding balances's own judgement of costs incurred in cost centres responsible for the maintenance and repair of entity owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Determination of repairs and maintenance cost

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

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Accounting Policies

1.7 Significant judgements and estimates (continued)

1.7.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by outstanding balances. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the outstanding balances of the entity in the classification of financial assets and liabilities.

In making the above-mentioned judgement, outstanding balances considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the outstanding balances of the entity considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The outstanding balances of the entity is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on the debtors collection rate percentage method and is used to calculate impairment losses.

The formula used per individual debtor is as follows:

Receipts for the year/Opening balance + Annual levies + Adjustments = Payment rate

None payment Rate = 100% - Payment rate. Municipal and Government accounts have 0% impairment as no risk prevails

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on outstanding balances's estimation. Outstanding Balances considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Impairment of property, plant and- equipment, intangible assets and heritage assets

The Accounting Policies on impairment of cash and non-cash generating assets describes the conditions under which non-financial assets are tested for potential impairment losses by the outstanding balances of the entity. Significant estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets .

In making the above-mentioned estimates and judgement, outstanding balances considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-cash generating assets.

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Accounting Policies

1.7 Significant judgements and estimates (continued)

Provisions and contingent liabilities

Outstanding Balances judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the outstanding balances's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the Statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the outstanding balances of the entity. In making their judgement, the outstanding balances considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue from exchange transaction - when goods are sold, whether the outstanding balances had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered.

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the entity is entitled to collect was calculated as 10,0% of the value of the fines issued, whereas it was estimated that 10,0% of the value of the fines issued were impaired. The outstanding balances of the entity is satisfied that recognition of the revenue in the current year is appropriate.

Presentation of Budget information

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %.

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, ie 1 July 2020 to 30 June 2020. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

Explanations for differences between the approved and final budget are included in the Statement of Comparison between budget and actual amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the statement of Comparison of budget and actual Amounts. Material differences are being defined by management as 10% of a specific line-item with a minimum of R1 million.

Disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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Accounting Policies

1.8 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.

1.9 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

Investment property is recognised as an asset when, and only 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 includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 20-100 year period. All useful lives of investment properties are reviewed annually on an indicator basis. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and impairment - Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

	Investment Property	Years
Buildings	-	20 - 100

Accounting Policies

1.9 Investment property (continued)

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.10 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and if the cost or fair value of the item can be measured reliably.

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

EMALAHLENI MUNICIPALITY

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Accounting Policies

1.10 Property, plant and equipment (continued)

Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the entity. 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 rates are based on the following estimated useful lives:

Asset class	Useful lives (Years)
Buildings	5 - 110 years
Infrastructure assets	
• Landfill site	10 - 100 years
• Electricity	1 - 75 years
• Water	12 – 182 years
• Roads	1-120 years
• Security Measures	1 – 50 years
Community assets	
• Cemeteries & Fencing	1 – 100 years
• Halls	5 -100 years
• Library	5 -100 years
• Buildings Other	5–100 years
• Parks and Gardens	1 - 50 years
• Sportfields and Stadia	1- 100 years
Leased assets	3 years
Heritage Asset	Indefinite
Other assets	
• Computer Hardware	1 - 25 years
• Plant and Equipment	1 – 25 years
• Furniture and Other Office Equipment	1 – 40 years
• Markets	1 - 35 years
• Vehicles and Specialised Vehicles	1 – 55 years
• Land	Infinity

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the entity's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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Accounting Policies

1.10 Property, plant and equipment (continued)

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

Assets which the entity 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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

Site rehabilitation and restoration costs

Where the entity has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As 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 entity 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.

1.11 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

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Accounting Policies

1.11 Heritage assets (continued)

Initial recognition and measurement

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Dererecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the entity, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 2 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

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1.12 Intangible assets (continued)

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.13 Borrowing costs

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

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the individual asset.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

Accounting Policies

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.15 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 entity determines the classification of its financial instruments at initial recognition.

The entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

1.15.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the entity are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;

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Accounting Policies

1.15 Financial instruments (continued)

- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The entity has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Finance lease receivables	Financial assets at amortised cost
Long-term receivables	Financial assets at amortised cost
Current portion of long-term receivables	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Receivables from exchange transactions	Financial assets at amortised cost
Receivables from non exchange transactions	Financial assets at amortised cost

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 that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The entity categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The entity has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Short-term loans	Financial liability at amortised cost
Payables from exchange transactions	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost.

1.15.2 Initial and subsequent measurement

Initial recognition and measurement

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

Accounting Policies

1.15 Financial instruments (continued)

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 taking into account 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 entity 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 in surplus or deficit. 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.

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.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to entity and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity 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).

1.15.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

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1.15 Financial instruments (continued)

1.15.4 Derecognition

Financial assets

The entity derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial assets, the entity continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The entity derecognises financial liabilities when, and only when, the entity's obligations are discharged, cancelled or they expire.

1.16 Provisions

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the outstanding balances of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

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1.16 Provisions (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result 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 be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

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

1.17 Employee benefits

The entity provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

Bonus provisions

The entity recognises the expected cost of bonuses as a provision only when the entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

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Accounting Policies

1.17 Employee benefits (continued)

Post-retirement health care benefits

The entity has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the entity is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the entity is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Long-service allowance

The entity has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the entity instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The entity's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

1.18 Leases

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

Entity 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.

Entity as lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the entity's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the entity's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

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1.19 Statutory receivables

1.19.1 Identification

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

The entity has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Rates debtors
- Availability charges debtors:
- Electricity;

1.19.2 Recognition

The entity recognises statutory receivables as follows:

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

1.19.3 Measurement

The entity initially measures statutory receivables at their transaction amount.

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

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

1.19.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the entity 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.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

1.19.5 Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; or

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Accounting Policies

1.19 Statutory receivables (continued)

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

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

1.20 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 entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity 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 entity 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 entity 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 entity 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.

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1.20 Revenue (continued)

1.20.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognised in total as an accrual as all billing in July pertains to services rendered prior to 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated surplus/ (deficit) to the Housing development fund or the Insurance reserve.

Traffic charges

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

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods

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

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

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Accounting Policies

1.20 Revenue (continued)

1.20.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

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 entity is entitled to collect.

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

Donations and contributions

Donations and funding are recognised as revenue to the extent that the entity 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.

Transfers and subsidies

Unconditional grants

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

Conditional grants

Conditional grants recognised as revenue to the extent that the entity 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 entity's interest it is recognised as interest earned in the Statement of financial performance.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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Accounting Policies

1.20 Revenue (continued)

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.21 Transfers and subsidies – non-exchange expenditure

The entity transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.22 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. Outstanding Balances 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.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the entity. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of outstanding balances includes remuneration derived for services provided to the entity in their capacity as members of the outstanding balances team or employees. Benefits derived directly or indirectly from the entity for services in any capacity other than as an employee or a member of outstanding balances do not meet the definition of remuneration.

In the case of permanent employees acting in outstanding balances positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of outstanding balances excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the entity.

The entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.23 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.24 Principal-agent arrangements

The entity is party to a principal-agent arrangement for Eastern Cape Department of Transport. In terms of the arrangement the entity is the principal and is responsible for Roads and Infrastructure.

Identification

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

Accounting Policies

1.24 Principal-agent arrangements (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.25 Value Added Tax

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

1.26 Grants-in-aid

The entity transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the entity does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;

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Accounting Policies

1.26 Grants-in-aid (continued)

- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the entity's approved budget;
- Overspending of the total amount appropriated for a vote in the 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 the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the entity otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a entity is divided for the appropriation of money for the different departments or functional areas of the entity; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The entity uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the entity's budget segments within the entity are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 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 entity's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. 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.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.30 Change in accounting policies, estimates and errors

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

Accounting Policies

1.30 Change in accounting policies, estimates and errors (continued)

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

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

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

1.31 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the entity.

1.32 Segment reporting

In applying GRAP 18 Segment Reporting, management makes judgements with regard to the identification of reportable segments of the municipality in a manner consistent with the internal reporting provided to Management.

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified by management.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure.

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Figures in Rand

2021

2020

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Figures in Rand	2021			2020		
2. Property, plant and equipment						
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33 770 866	-	33 770 866	33 770 866	-	33 770 866
Buildings	30 902 534	(5 681 842)	25 220 692	30 902 535	(5 138 624)	25 763 911
Electrical Infrastructure	25 404 333	(13 771 859)	11 632 474	25 404 332	(13 497 188)	11 907 144
Land and Building (WIP)	8 050 473	(8 050 473)	-	8 050 473	-	8 050 473
Plant and Equipment	1 378 671	(950 262)	428 409	1 196 691	(817 225)	379 466
Solid waste infrastructure	507 625	(59 900)	447 725	507 625	(50 763)	456 862
Infrastructure - WIP - Road	10 462 900	-	10 462 900	-	-	-
Electricity						
Infrastructure - WIP Road	35 356 668	-	35 356 668	29 724 294	-	29 724 294
Transport						
Furniture and Office	8 057 749	(4 731 538)	3 326 211	7 888 750	(4 105 730)	3 783 020
Equipment						
Computer Equipment	3 603 188	(1 925 754)	1 677 434	3 028 525	(1 724 910)	1 303 615
Transport Assets	20 432 239	(8 610 765)	11 821 474	19 333 721	(6 870 937)	12 462 784
Community Asset WIP	4 655 628	-	4 655 628	21 502 441	-	21 502 441
Leased Assets	1 205 956	(1 205 956)	-	1 205 956	(871 152)	334 804
Roads Infrastructure	434 817 422	(251 325 863)	183 491 559	-	(242 532 516)	(242 532 516)
Storm water Infrastructure	13 018 866	(4 641 761)	8 377 105	11 746 553	(4 496 311)	7 250 242
Community Assets	163 420 111	(21 553 067)	141 867 044	144 833 734	(35 989 001)	108 844 733
Other Assets	3 076 994	(668 664)	2 408 330	3 076 994	(582 205)	2 494 789
Solid waste WIP	198 804	-	198 804	198 804	-	198 804
Total	798 321 027	(323 177 704)	475 143 323	342 372 294	(316 676 562)	25 695 732

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2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	33 770 866	-	-	-	-	-	-	33 770 866
Building	25 763 982	-	-	-	(543 289)	-	-	25 220 693
Electrical Infrastructure	11 971 708	-	-	-	(339 234)	-	-	11 632 474
Land and Building (Work in progress)	8 050 473	-	-	-	-	(8 050 473)	-	-
Solid waste infrastructure	456 862	-	-	-	(9 136)	-	-	447 726
Infrastructure WIP-Road Electricity	-	10 462 900	-	-	-	-	-	10 462 900
Infrastructure - WIP Road Transport	21 444 712	39 439 530	-	(25 527 573)	-	-	-	35 356 669
Machinery and Equipment	379 466	181 980	-	-	(133 037)	-	-	428 409
Furniture and Office Equipment	3 782 007	167 500	-	-	(623 296)	-	-	3 326 211
Computer Equipment	1 308 368	623 908	(23 920)	-	(230 660)	(8)	-	1 677 688
Transport Assets	12 462 783	1 431 284	(222 602)	-	(1 655 574)	(194 417)	-	11 821 474
Leased Assets	334 804	-	-	-	(334 804)	-	-	-
Community Asset WIP	28 759 626	4 046 393	-	(18 586 376)	-	(9 564 015)	-	4 655 628
Roads Infrastructure	168 411 608	-	(29 112)	24 255 260	(9 146 197)	-	-	183 491 559
Storm water Infrastructure	7 250 242	-	-	1 272 313	(145 450)	-	-	8 377 105
Community Assets	116 017 744	-	-	18 586 377	(2 855 641)	(346 446)	12 041	131 414 075
Other Assets	2 494 860	-	-	-	(86 530)	-	-	2 408 330
Solid waste WIP	198 804	-	-	-	-	-	-	198 804
	442 858 915	56 353 495	(275 634)	1	(16 102 848)	(18 155 359)	12 041	464 690 611

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2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	33 770 866	-	-	-	-	-	33 770 866
Building	28 808 844	-	-	-	(550 074)	-	28 258 770
Electrical Infrastructure	12 696 040	25 652	(147 237)	-	(602 748)	-	11 971 707
Land and Building (Work in progress)	8 050 473	-	-	-	-	-	8 050 473
Solid waste infrastructure	-	507 625	-	-	(50 762)	-	456 863
Roads Infrastructure - WIP	26 340 249	22 710 136	-	(27 605 673)	-	-	21 444 712
Solid waste Infrastructure - WIP	198 804	-	-	-	-	-	198 804
Machinery and Equipment	530 876	23 800	(303)	-	(174 907)	-	379 466
Furniture and Office Equipment	4 265 540	261 001	(6 066)	-	(693 046)	(45 423)	3 782 006
Computer Equipment	1 156 437	584 626	(27 827)	-	(366 959)	(38 163)	1 308 114
Transport Assets	15 121 329	-	(1 307 216)	-	(1 209 648)	(141 682)	12 462 783
Leased Assets	737 891	-	-	-	(403 087)	-	334 804
Community Asset WIP	23 605 892	5 614 327	-	(460 593)	-	-	28 759 626
Roads Infrastructure	154 765 414	-	-	27 605 673	(13 959 479)	-	168 411 608
Storm water Infrastructure	7 397 711	-	-	-	(147 469)	-	7 250 242
Community Assets	125 945 925	-	-	460 593	(2 631 001)	(7 757 773)	116 017 744
Other Assets	2 588 855	-	-	-	(94 066)	-	2 494 789
Solid waste WIP	198 804	-	-	-	-	-	198 804
	446 179 950	29 727 167	(1 488 649)	-	(20 883 246)	(7 983 041)	445 552 181

2.1 Impairment of property, plant and equipment

The entity assessed its items of property, plant and equipment for any potential impairment losses or reversal of impairment losses on assets.

The following impairment losses were recognised during the year:

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Figures in Rand	2021	2020
2. Property, plant and equipment (continued)		
Impairments		
Work in Progress	17 614 488	-
In terms of GRAP 21 "Impairment of non-cash generating assets" , Emalahleni Local Municipality has assessed the impairment of work-in- progress for the financial year ended 30 June 2021. This assessment has resulted in an impairment loss of R17 614 488 as a result of loss in carrying amount of a Sports Field of R9 564 015 due to termination of the contract as a result of poor performance by the service provider. Furthermore the assessment has resulted in a carrying amount loss of R8 050 473 due to physical damage by whether of Municipal Offices.		
Community assets	-	7 757 773
Indwe sports field was found to be impaired due to bad condition on verification of the community asset. The impairment loss was recognised in respect to this impairment.		
Other assets	-	225 268
Impairment loss of R225 268 due loss in value for computer equipment, a grader and other movable assets due to poor condition of assets.		
Total	17 614 488	7 983 041

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2. Property, plant and equipment (continued)

2.2 Property, plant and equipment which is in a process of being constructed or Developed:

Infrastructure Assets

Infrastructure-Roads	35 368 322	22 209 076
Infrastructure-Electricity	10 964 921	7 474 417
Community	-	21 285 209
Buildings	4 655 628	8 050 473
Solid Waste	-	198 804
	50 988 871	59 217 979

Total property, plant and equipment under construction

The movements for the year can be reconciled as follows

Balance at the beginning of the year	59 059 975	58 195 428
Expenditure during the year	53 761 672	28 482 457
Assets unbundled during the year	(44 218 289)	(27 459 905)
Assets derecognised	(17 614 488)	-
	50 988 870	59 217 980

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Figures in Rand	2021	2020
2. Property, plant and equipment (continued)		
2.3 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure Assets		
Infrastructure-Electricity	-	7 474 417
Buildings	-	8 050 473
Community	2 717 212	-
	2 717 212	15 524 890

The project name is Cemetery Development Indwe (Ward 16) R 2 717 212.20

Land and Buildings: Construction to the municipal offices in the comparative year had been halted due to insufficient funds being available. Once funding became available, construction was expected to continue.

The project was incomplete because the service provider appointed to supply and deliver material did not complete the delivery of materials required. The project was then taken over by the municipality as an in house project. The estimated outstanding material cost and labour according to initial quantities is R 1 160 840. The remaining work is estimated to be completed by 29 February 2019 using in-house construction team

2.4 Restrictions on property, plant and equipment

There were no restrictions on Property Plant and Equipment of the municipality for the 2020/2021 and the 2019/2020 financial year.

Leased Property, Plant and Equipment of R 737 890 was secured for leases and the lease expired during the current financial year.

2.5 Maintenance of property, plant and equipment

2021

The following maintenance costs were incurred:

	Total
Other materials	2 689 765
Contracted services	1 841 053
Total	4 530 818

2020

The following maintenance costs were incurred:

	Total
Other Materials	1 209 560
Contracted services	5 783 060
Total	6 992 620

3. Investment property

3.1 Reconciliation of carrying value

Opening carrying value

Cost	4 226 300	4 226 300
Accumulated depreciation and impairment losses	(81 619)	(76 813)
	4 144 681	4 149 487
Depreciation	30	(2 407)

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Figures in Rand		2021	2020
3. Investment property (continued)			
Closing carrying value		4 144 681	4 147 080
Cost		4 226 300	4 226 300
Accumulated depreciation and impairment losses		(81 619)	(79 220)
		4 144 681	4 147 080
4. Intangible assets			
4.1 Reconciliation of carrying value			
2021			
		Computer software	Total
Opening carrying value as at 01 July 2020			
Cost		551 632	551 632
Accumulated amortisation and impairment		(252 741)	(252 741)
		298 891	298 891
Amortisation	30	(79 648)	(79 648)
Impairment loss / reversal of impairment	30	(79 648)	(79 648)
Closing carrying value as at 30 June 2021		139 595	139 595
Cost		551 632	551 632
Accumulated amortisation and impairment		(332 389)	(332 389)
		219 243	219 243
2020			
		Computer software	Total
Opening carrying value as at 01 July 2019			
Cost		551 632	551 632
Accumulated amortisation and impairment		(252 741)	(252 741)
		298 891	298 891
Amortisation	30	(79 808)	(79 808)
Closing carrying value as at 30 June 2020		219 083	219 083
Cost		551 632	551 632
Accumulated amortisation and impairment		(252 741)	(252 741)
		298 891	298 891

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Figures in Rand	2021	2020
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5. Heritage assets

5.1 Reconciliation of carrying value

2021

	Heritage assets measured at cost	Total
	-	-
Opening carrying value as at 01 July 2020		
Cost	182 536	182 536
Cost	182 536	182 536

2020

	Land and buildings	Total
Opening carrying value as at 01 July 2019		
Cost	182 536	182 536
Cost	182 536	182 536

5.1.1 Type of Heritage assets

2021

Monuments and parks	Total
182 536	182 536

2020

Monuments and parks	Total
182 536	182 536

5.2 Heritage assets contractual commitments

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

5.3 Restrictions on heritage assets

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

5.4 Heritage assets pledged as security

There are no Heritage Assets pledged as security for liabilities

5.5 Maintenance of heritage assets

There was no expenditure in the current year and comparative year spent on the repair and maintenance of heritage assets.

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Figures in Rand		2021	2020
6. Receivables from exchange transactions			
Consumer receivables from exchange transactions	6.1		
Electricity		9 064 830	6 238 552
Waste management		(4 883 469)	2 976 634
Service charges		-	66 997
		4 181 361	9 282 183
Other receivables from exchange transactions	6.2		
Prepayments and advances		170 286	-
Property rental debtors		(3 637 397)	7 167 883
		(3 467 111)	7 167 883
Total receivables from exchange transactions		714 250	16 450 066

The amount disclosed in this note is net of impairment. Refer to note 6.1 & 6.2 for the amount before the provision (gross) and the actual value of the provision.

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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6. Receivables from exchange transactions (continued)

6.1 Consumer receivables

Additional content

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

The outstanding balances of the entity is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the entity and consumer receivables as well as the current payment ratio's of the entity's consumer receivables.

	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	9 282 840	(218 010)	9 064 830	10 565 953	(4 327 401)	6 238 552
Waste management	70 409 634	(75 293 103)	(4 883 469)	60 208 734	(57 232 100)	2 976 634
Service charges	267	(267)	-	66 997	-	66 997
Total consumer receivables from exchange transactions	79 692 741	(75 511 380)	4 181 361	70 841 684	(61 559 501)	9 282 183

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6. Receivables from exchange transactions (continued)

6.1.1 Ageing of consumer receivables

2021

		Not due		Past due	
	Total	Current	30 days	60 days	90 days
Consumer receivables from exchange transactions					
Total by debt type					
Electricity	9 282 840	107 501	69 353	67 706	548 081
Waste management	70 409 634	1 052 572	1 025 516	1 018 026	58 264 899
Service charges	267	14 975	-	-	-
Total by debt type	79 692 741	1 175 048	1 094 869	1 085 732	58 812 980

2020

		Not due		Past due	
	Total	Current	30 days	60 days	90 days
Consumer receivables from exchange transactions					
Total by debt type					
Electricity	10 565 953	673 064	346 127	553 498	8 993 264
Waste management	60 208 734	1 057 812	1 038 514	1 023 401	55 401 408
Electricity	66 997	66 997	-	-	-
Total by debt type	70 841 684	1 797 873	1 384 641	1 576 899	64 394 672

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6. Receivables from exchange transactions (continued)

6.1.2 Impairment reconciliation of consumer receivables

	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables from exchange transactions								
Electricity	4 319 224	(4 119 832)	18 618	218 010	239 915	4 087 486	-	4 327 401
Waste management	56 680 102	10 302 986	8 310 015	75 293 103	49 130 479	6 414 023	1 687 598	57 232 100
Service charges	-	-	267	267	7 730	(7 730)	-	-
Total consumer receivables	60 999 326	6 183 154	8 328 900	75 511 380	49 378 124	10 493 779	1 687 598	61 559 501

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6. Receivables from exchange transactions (continued)

6.1.3 Ageing of impaired consumer receivables

2021

		Not due		Past due	
	Total	Current	30 days	60 days	90 days
Consumer receivables from exchange transactions					
Aging by debt type					
Electricity	199 392	27 051	17 445	17 031	137 865
Waste management	66 983 088	1 046 978	1 020 065	1 012 615	57 955 218
Total by debt type	67 182 480	1 074 029	1 037 510	1 029 646	58 093 083

2020

Consumer receivables from exchange transactions					
Aging by debt type					
Electricity					4 327 401
Waste management					55 544 502
Total by debt type					59 871 903

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6. Receivables from exchange transactions (continued)

6.2 Other receivables from exchange transactions

	Gross	Impairment	Total	Gross	Impairment	Total
Property rental debtors	537 491	(4 174 888)	(3 637 397)	256 003	6 911 880	7 167 883

6.2.1 Ageing of other receivables from exchange transactions

2021

	Total	Not due Current	30 days	Past due 60 days	90 days
Property rental debtors	537 491	14 975	14 854	14 806	336 967

2020

	Total	Not due Current	30 days	Past due 60 days	90 days
Property rental debtors	256 003	73 730	73 403	73 064	213 399

6.2.2 Impairment reconciliation of other receivables from exchange transactions

	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Property rental debtors	(3 247 191)	7 422 079	4 174 888	(3 247 191)	7 422 079	4 174 888

6.2.3 Ageing of other impaired receivables from exchange transactions

2021

	Total	Not due Current	30 days	Past due 60 days	90 days
Property rental debtors	4 174 888	8 483	8 414	8 387	190 883

2020

	Total
Property rental debtors	(6 911 880)

7. Receivables from non-exchange transactions

Consumer receivables

Property rates	7.1	7 193 022	8 121 421
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7. Receivables from non-exchange transactions (continued)

UIF refund	-	1 793
Total receivables	7 193 022	8 123 214

7.1 Receivables from non-exchange transactions

	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	30 883 713	(23 690 691)	7 193 022	29 399 006	(21 277 585)	8 121 421
Other receivables						
UIF refund	-	-	-	1 793	-	1 793
Total	30 883 713	(23 690 691)	7 193 022	29 400 799	(21 277 585)	8 123 214

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7. Receivables from non-exchange transactions (continued)

7.1.1 Ageing of receivables from non-exchange transactions

2021					
		Not due		Past due	
	Total	Current	30 days	60 days	90 days
Consumer receivables					
Property rates	30 883 713	112 839	413 848	393 422	22 377 691
2020					
	Total	Not due		Past due	
		Current	30 days	60 days	90 days
Consumer receivables					
Property rates	29 399 006	163 354	595 826	579 246	27 741 060
Other receivables					
UIF refund	1 793	1 793	-	-	-
	29 400 799	165 147	595 826	579 246	27 741 060

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7. Receivables from non-exchange transactions (continued)

7.1.2 Impairment reconciliation of receivables from non-exchange transactions

	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	20 768 283	2 249 910	672 498	23 690 691	19 126 500	1 835 763	315 322	21 277 585

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7. Receivables from non-exchange transactions (continued)

7.1.3 Ageing of impaired receivables from non-exchange transactions

2021

		Not due		Past due	
	Total	Current	30 days	60 days	90 days
Consumer receivables					
Property rates	23 690 691	111 676	409 585	389 369	22 107 564

2020

		Not due		Past due	
	Total	Current	30 days	60 days	90 days

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and EMALAHLENI MUNICIPALITY's Property Rates Policy. A general valuation is performed every 4 years, with supplementary valuations inbetween.

The average credit period for property rates receivables is 69 days. No interest is charged for the first 69 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The entity strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The outstanding balances of the entity is of the opinion that the carrying value of property rates receivables approximate their fair values.

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

In determining the recoverability of a receivable, the entity considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the outstanding balances believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

8. Other current assets

Operating lease - straight lining	29 465	29 465
Control, clearing and interface accounts	1 432 296	1 416 682
VAT receivable	2 810 017	2 112 424
Total	4 271 778	3 558 571

9. Operating leases

Furniture and Office Equipment	438 792	41 995
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10. Cash and cash equivalents

10.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Call deposits and investments

Deposit taking institutions	32 098	287 555
Special deposit for the payment of interest	51 306 103	1 528 600
	51 338 201	1 816 155

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Figures in Rand		2021	2020
10. Cash and cash equivalents (continued)			
Cash at bank			
Bank account		12 511 342	3 974 508
Cash on hand		1 453	470
Total cash and cash equivalents		63 850 996	5 791 133
Call deposits and investments by financial institution			
10.2 Difference between cash book and bank statement			
2021			
	Cash book	Bank statement	
Standard Bank - Primary Account - 082-665-958	10 466 930	10 466 930	
Standard Bank - Debit order Account -	271 201	271 201	
Standard Bank - Current Account - 082-630-631	1 773 211	1 773 211	
Investec 1100-465258	1 031 576	1 031 576	
Standard Bank Account Number: 08 879 9697 - 001	202 057	202 057	
Standard Bank Account Number: 08 879 9697 - 012	11 382	11 382	
ABSA Bank 93-6256-7503	44 713 995	44 713 995	
ABSA Bank 93 5890 7006	5 347 093	5 347 093	
Standardbank 08 8799 697-022	32 098	32 098	
	63 849 543	63 849 543	
2020			
	Cash book	Bank statement	
Standard Bank - Current Account - 082-665-958	2 126 301	2 126 301	
Standard Bank - Debit order Account -	(1)	(1)	
Standard Bank - Current Account - 082-630-631	1 848 208	1 848 208	
Investec Account Number: 451/465258	993 286	993 286	
Standard Bank Account Number: 08 879 9697 - 001	202 057	202 057	
Standard Bank Account Number: 08 879 9697 - 012	11 318	11 318	
Standard Bank Account Number: 08 879 9697 - 020	321 938	321 938	
	-	-	
Standardbank 08 8799 697-022	287 555	287 555	
	5 790 662	5 790 662	
11. Provisions			
Landfill sites	11.1	15 409 076	13 857 115
Transferred to current provisions		(15 409 076)	(11 631 782)
Total non-current provision		-	2 225 333
Non-current		-	2 225 333
Current		15 409 076	11 631 782
Total		15 409 076	13 857 115

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11. Provisions (continued)		
11.1 Landfill sites		
Opening Balance	13 857 116	12 811 980
Increases	-	507 625
Increases (Passage of Time/Discounted Rate)	-	537 510
Reductions (Payments, remeasurement etc.)	1 551 960	-
Closing balance	15 409 076	13 857 115
Transferred to current provisions	(15 409 076)	(11 631 782)
Total non-current provision	-	2 225 333

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset.]

The estimate cost and date of decommission of the sites are as follows:

Location	Proposed rehabilitation date		
Lady Frere landfill site is located approximately 2.0km west off Indwe road R394	30 June 2018	4 511 750	4 465 924
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	11 September 2016	8 436 634	6 895 858
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe		2 460 692	2 495 333
		15 409 076	13 857 115
	Dordrecht	Indwe	Lady Frere
Area (m2)	13 050	1 810	6 690
Preliminary and general (Rand)	821 540	148 965	408 289
Site Clearance and Preparation (Rand)	41 922	5 814	21 491
Storm Water Control Measure (Rand)	1 187 949	439 488	673 364
Capping (Rand)	2 911 753	410 976	1 963 772
Gas Management (Rand)	-	-	16 097
Leachate Management (Rand)	403 761	188 344	230 865
Fencing (Rand)	1 322 759	19 410	10 764
Environment Authorisation (Closure Licence)	-	4 438 691	-
Technical ROD	95 053	92 644	92 644
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment)	130 659	109 842	100 591
Water Licence	18 685	18 212	18 212
Topographical Survey	15 236	5 575	9 900
Landscape Architects	126 312	123 111	123 111
Contingencies (Rand)	668 968	121 300	332 464
Engineering (Rand)	427 958	53 274	263 290
Site Supervision Engineer Representative (Rand)	183 894	206 462	174 597
Site Supervision (Environmental Control Officer & OHS) (Rand)	80 184	78 583	72 299
	8 449 683	6 462 501	4 518 440

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12. Employee benefits			
Non-current employee benefits			
Post employment health care benefits	12.1	10 374 000	7 098 000
Long-service awards benefits	12.2	3 184 000	2 818 000
		13 558 000	9 916 000
Current employee benefits			
Post employment health care benefits	12.1	95 000	34 000
Long-service awards benefits	12.2	598 000	595 000
Bonus	12.3	1 838 071	1 716 689
Staff leave	12.5	7 626 185	10 005 224
Provision for performance bonus	12.6	-	37 999
		10 157 256	12 388 912
Total employee benefits		23 715 256	22 304 912

12.1 Post employment health care benefits

The entity provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the entity. According to the rules of the Medical Aid Funds, with which the entity is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the entity is liable for a certain portion of the medical aid membership fee. The entity operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Mr Julian Van Der Spuy of ZAQ Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	Number
In-service members (Employees)	100	124
In-service non-members (Employees)	-	95
Continuation members (Retirees)	2	1
Total members	102	220

The liability in respect of past service has been estimated as follows:

In-service members (Employees)	9 661 000	5 084 000
In-service non-members (Employees)	-	1 659 000
Continuation members (Retirees)	802 000	389 000
Total liability	10 463 000	7 132 000
Non-current	10 374 000	7 098 000
Current	95 000	34 000
Total liability	10 469 000	7 132 000

The entity makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Key Health
- LA Health
- Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

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12. Employee benefits (continued)

Rates of interest

Discount rate	Yield curve	11.36%
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	6.29%
Health care cost inflation rate	CPI+1%	7.29%
Net effective discount rate	Yield curve base	3.79%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follows:

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

The Actuaries used the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Normal retirement age

The average retirement age for all active employees was assumed to be x years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be x years.

Amounts recognised in the statement of financial position

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

Present value of future obligations	10 469 000	7 132 000
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Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance is as follows:

Current service cost	723 000	(604 886)
Interest cost	808 000	-
Actuarial loss/ (gain) recognised in the year	1 865 000	-
Total post-retirement benefit included in employee related costs	3 396 000	(604 886)

Movements in the present value of the defined benefit obligation

Opening balance	7 132 000	7 736 886
Current service cost	723 000	(604 886)
Interest cost	808 000	-
Actual employer benefit payments	(59 000)	-
Actuarial loss/ (gain) recognised in the year	1 865 000	-
Present value of fund obligation at the end of the year	10 469 000	7 132 000

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

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12. Employee benefits (continued)

	+1% Increase	-1% Decrease
Effect on the defined benefit obligation	12 494 000	8 847 000
Effect on the aggregate of the interest cost	1 389 000	979 000
Effect on the aggregate of the current service cost	1 092 000	722 000

12.2 Long-service awards benefits

Provision for long-service awards	12.2.1	3 782 000	3 413 000
Less: Transfer to current portion		(598 000)	(595 000)
Total non-current benefit		3 184 000	2 818 000
Non-current		3 184 000	2 818 000
Current		598 000	595 000
Total liability		3 782 000	3 413 000

Long-service awards

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	Yield curve	6.99%
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	2.74%
Normal salary increase rate	CPI+1%	3.74%
Net effective discount rate	Yield curve base	3.13%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

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

The Actuaries used the nominal and real zero curves as at 30 June 2021 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

Amounts recognised in the statement of financial position

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

Present value of future obligations	3 782 000	3 413 000
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Figures in Rand		2021	2020
12. Employee benefits (continued)			
Amounts recognised in the statement of financial performance			
The amounts recognised in the statement of financial performance are as follow:			
Current service cost		564 000	592 984
Interest cost		218 000	221 617
Actuarial losses / (gains) recognised		(136 000)	(126 995)
Total expense included in employee related costs	28	646 000	687 606
12.2.1 Provision for long service awards			
Movements in the present value of the defined benefit obligation			
Opening Balance		3 413 000	2 933 325
Increases		918 000	479 675
Reversals		(549 000)	-
Closing balance		3 782 000	3 413 000
12.2.2 Long-service awards payable			
		1% Decrease	1% Increase
Effect on the defined benefit obligation		3 587 000	3 993 000
Effect on the aggregate of the current service cost		538 000	608 000
Effect on the aggregate of the interest cost		383 000	430 000
		-20% Withdrawal rate	+20% Withdrawal rate
Effect on the defined benefit obligation		3 984 000	3 597 000
Effect on the aggregate of the current service cost		611 000	535 000
Effect on the aggregate of the interest cost		429 000	384 000
12.3 Bonus			
Provision for bonus	12.3.1	162 734	1 716 689
Bonus payable	12.3.2	1 675 337	-
Total liability		1 838 071	1 716 689
Less: Transfer to current portion		(1 838 071)	(1 716 689)
Total non-current benefit		-	-
Current		1 838 071	1 716 689
Amounts recognised in the statement of financial position			
The amounts recognised in the statement of financial position are as follow:			
Present value of future obligations		1 712 002	1 716 689

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12. Employee benefits (continued)		
12.3.1 Provision for bonus		
Movements in the present value of the defined benefit obligation		
Opening Balance	1 716 689	1 716 689
Increases	1 712 002	-
Reversals	(1 675 337)	-
Closing balance	1 753 354	1 716 689
12.3.2 Bonus payable		
12.4 Performance bonuses		
Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the Municipal Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. The performance bonuses have been provided as follow:		
12.5 Staff leave		
Leave accrual	12.5.1 7 626 185	10 005 224
Less: Transfer to current portion	(7 626 185)	(10 005 224)
Total non-current benefit	-	-
Current	7 626 185	10 005 224
Amounts recognised in the statement of financial position		
The amounts recognised in the statement of financial position are as follow:		
12.5.1 Leave accrual		
Movements in the present value of the defined benefit assets		
Opening Balance	10 005 224	8 207 067
Deposits	(1 830 039)	1 798 157
Withdrawals	(549 000)	-
Closing balance	7 626 185	10 005 224
12.6 Provision for performance bonus		
Provision for staff parity	12.6.1 -	37 999
Less: Transfer to current portion	-	(37 999)
Total non-current benefit	-	-
Current	-	37 999
12.6.1 Provision for staff parity		
Movements in the present value of the defined benefit obligation		
Opening Balance	-	134 633
Increases	-	(41 351)
Reductions (Payments, remeasurement etc.)	-	(55 283)
Closing balance	-	37 999

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Figures in Rand		2021	2020
13. Trade and other payables from exchange transactions			
Bulk purchases	13.1	1 369 130	(399 708)
Contractors	13.2	6 454 989	6 117 065
Other payables	13.3	6 245 251	3 731 556
Statutory payables	13.4	840 522	451 119
Total		14 909 892	9 900 032
13.1 Bulk purchases			
Bulk electricity		1 369 130	(399 708)
13.2 Contractors			
Retentions		6 454 989	6 117 065
13.3 Other payables			
Agency fees		591 157	(114 234)
Payables and accruals		4 387 139	3 279 378
Unallocated deposits		76 284	144 634
Advance payments		1 190 671	421 778
Total		6 245 251	3 731 556
13.4 Statutory payables			
Compensation commission (COID)		840 522	451 119

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14. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies

		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
Capital								
Monetary allocations	14.1	76 634 000	(67 893 742)	8 740 258	466 761	33 115 231	(33 036 000)	545 992
Operational								
Monetary allocations	14.2	9 041 000	(6 041 000)	3 000 000	1 066 300	6 091 000	(6 215 188)	942 112
Total		<u>85 675 000</u>	<u>(73 934 742)</u>	<u>11 740 258</u>	<u>1 533 061</u>	<u>39 206 231</u>	<u>(39 251 188)</u>	<u>1 488 104</u>

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14. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

14.1 Capital monetary allocations

	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
District municipalities							
Eastern Cape	-	-	-	466 761	(408 769)	488 000	545 992
National government							
Integrated National Electrification Programme Grant	7 224 000	(7 224 000)	-	-	-	-	-
Municipal Infrastructure Grant	41 410 000	(41 314 753)	95 247	-	33 524 000	(33 524 000)	-
Total	48 634 000	(48 538 753)	95 247	-	33 524 000	(33 524 000)	-
Provincial government							
Eastern Cape	28 000 000	(19 354 989)	8 645 011	-	-	-	-
Total capital monetary allocations	76 634 000	(67 893 742)	8 740 258	466 761	33 115 231	(33 036 000)	545 992

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14. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

14.2 Operational monetary allocations

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14. Trade and other payables from non-exchange transactions – Unspent transfers and subsidies (continued)

	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
National government							
Expanded Public Works Programme Integrated Grant	2 091 000	(2 091 000)	-	-	2 261 000	(2 261 000)	-
Local Government Financial Management Grant	3 000 000	(3 000 000)	-	-	2 880 000	(2 880 000)	-
Total	5 091 000	(5 091 000)	-	-	5 141 000	(5 141 000)	-
Provincial government							
Eastern Cape	3 950 000	(950 000)	3 000 000	1 066 300	950 000	(1 074 188)	942 112
Total operational monetary allocations	9 041 000	(6 041 000)	3 000 000	1 066 300	6 091 000	(6 215 188)	942 112

15. Lease liabilities

15.1 Carrying value of lease liabilities

2021

Carrying value as at 30 June 2021

Finance lease liability

2020

Carrying value as at 30 June 2020

Finance lease liability

Transferred to current liabilities

Total

Amortised cost	Total
371 872	-
371 872	371 872
743 744	371 872

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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15. (continued)

15.2 Finance lease payable

The entity as lessee

The obligations under finance leases are as follow:

Total future minimum lease payments

Payable within 1 year	-	389 128
Less: Unearned finance revenue	-	(17 256)
	-	371 872

Present value of minimum lease payments

Payable within 1 year	-	371 872
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Total contingent rents recognised as an expense

- -

Total contingent rents recognised as an expense

Supplier	Description of leases item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Xerox C405	4 x copiers	6,25%	0%	3 Years	30/04/2021
Xerox C7020/5	4 x copiers	3,17%	0%	3 Years	30/04/2021
Xerox WC7226	2 x copiers	6,25%	0%	3 Years	30/04/2021
Xerox C8070	4 x copiers	5,02%	0%	3 Years	30/04/2021
Xerox D95	1 copier	5,02%	0%	3 Years	30/04/2021
Subtotal	15	26	-	15	150
	15	26	-	15	150

16. Other liabilities

17. Property rates

Business and commercial properties	2 155 722	1 985 594
Farm properties	847 801	556 028
Public benefit organisations	2 346	7 920
Residential properties	2 197 355	2 020 934
State-owned properties	4 689 552	3 199 461
Total	9 892 776	7 769 937

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on . Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

18. Transfers and subsidies - Revenue

Operational

Monetary allocations	18.1	163 876 135	132 608 135
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Capital

Monetary allocations	18.2	64 243 978	31 999 249
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Total		228 120 113	164 607 384
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EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand		2021	2020
18. Transfers and subsidies - Revenue (continued)			
18.1 Monetary allocations: Operational			
Departmental agencies and accounts		116 288	-
District municipalities		1 363 915	383 416
National governments		7 646 932	7 386 178
National revenue fund		153 799 000	123 739 000
Provincial government		950 000	1 099 541
Total		163 876 135	132 608 135
18.2 Monetary allocations: Capital			
District municipalities		181 980	-
National government		45 982 822	31 999 249
Provincial governments		18 079 176	-
Total		64 243 978	31 999 249
19. Fines, penalties and forfeits			
Fines	19.1	83 061	154 603
Forfeits	19.2	949 051	-
Total		1 032 112	154 603
19.1 Fines			
Traffic fines			
Municipal fines		25 350	154 603
Other fines			
Pound fees		57 711	-
Total		83 061	154 603
19.2 Forfeits			
Retentions		949 051	-
20. Interest earned from receivables			
Exchange receivables	20.1	3 657 132	4 352 330
Non-exchange receivables	20.2	1 608 405	2 033 161
Total		5 265 537	6 385 491
20.1 Interest earned from exchange receivables			
Consumer receivables			
Electricity		291 407	889 188
Waste management		3 197 507	3 444 231
		3 488 914	4 333 419
Other receivables			
Property rental debtors		168 218	18 911
Total		3 657 132	4 352 330

EMALAHLENI MUNICIPALITY

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Figures in Rand		2021	2020
20. Interest earned from receivables (continued)			
20.2 Interest earned from non-exchange receivables			
Consumer receivables			
Property rates		1 608 405	2 033 161
21. Interests on investments			
Bank accounts		6 712	834 323
Short-term investments and call accounts		2 267 201	550 562
Total		2 273 913	1 384 885
22. Licences or permits			
Exchange revenue	22.1	1 436 210	1 744 161
22.1 Licenses and permits - Exchange revenue			
Road and transport		1 412 526	1 703 737
Trading		23 684	40 424
Total		1 436 210	1 744 161
23. Service charges			
Electricity			
Other - Electricity		14 040 644	15 242 912
Waste management			
Other - Waste management		9 570 214	8 188 347
Total service charges		23 610 858	23 431 259
24. Sales of goods and rendering of services			
Building Plan Approval		38 706	50 272
Camping Fees		-	139
Cemetery and Burial		42 771	54 093
Clearance Certificates		9 237	6 661
Computer Services		-	1 335
Photo copies, Faxes and Telephone charges		-	215
Total		90 714	112 715
25. Rental			
Market related		175 992	490 353
Non-market related		32 283	50 667
Total		208 275	541 020
25.1 Rental by asset class			
Market related			
Property, plant and equipment			
• Community assets		64 688	244 028
Investment property		111 304	246 325
Total		175 992	490 353

EMALAHLENI MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
25. Rental (continued)		
Non-market related		
Property, plant and equipment		
• Community assets	32 283	50 667
	32 283	50 667
Total rentals	208 275	541 020
25.2 Rental by type		
Market related		
Property, plant and equipment		
Community assets		
• Straight-lined operating	64 688	244 028
Investment property		
Straight-lined operating	111 304	246 325
Total	175 992	490 353
Non-market related		
Property, plant and equipment		
Community assets		
• Ad-hoc rentals	32 283	50 667
Total	32 283	50 667
26. Agency services		
Provincial	2 929 178	686 945
27. Operational revenue		
Administrative Handling Fees	-	(148 988)
Commission	108 900	100 278
Inspection fees	11 183	7 687
Insurance Refund	437 032	1 283 166
Staff and Councillors Recoveries	-	(22 095)
Total	557 115	1 220 048

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

28. Employee related cost

Senior management	28.1	9 324 882	8 632 712
Municipal staff	28.2	78 839 392	77 577 091
Total		88 164 274	86 209 803

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

28. Employee related cost (continued)

28.1 Senior management costs

2021

	Municipal manager - Mr VC Makedama	Chief financial officer - Mr XC Sikobi	Director Planning Economic Development Tourism and Agriculture - Mr N Mntuyedwa	Director Infrastructure Development and Human Settlements - Mr D Njilo	Director Corporate services - Mr T Javu	Director Community Services - Mrs N Nyezi	Total
Basic salary	1 083 750	1 098 659	998 345	1 067 548	458 421	831 954	5 538 677
Bonuses	-	-	-	-	-	46 719	46 719
Service-related benefits	-	-	4 356	-	-	24 959	29 315
Allowances	417 741	437 235	401 101	429 812	228 486	281 793	2 196 168
Bargaining council	29	-	-	-	21	-	50
Medical	78 170	81 654	33 333	-	48 744	77 184	319 085
Pension	292 613	30 000	265 791	319 858	55 000	221 492	1 184 754
Unemployment insurance	1 898	1 898	1 898	1 898	1 006	1 516	10 114
	1 874 201	1 649 446	1 704 824	1 819 116	791 678	1 485 617	9 324 882

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Figures in Rand

28. Employee related cost (continued)

2020

	Municipal manager - Mr VC Makedama	Chief financial officer - Mr XC Sikobi	Director Planning Economic Development Tourism and Agriculture - Mr N Mntuyedwa	Director Infrastructure Development and Human Settlements - Mr D Njilo	Director Corporate Services - Vacant	Director Community Services - Mrs N Nyezi	Total
Basic salary	765 000	921 324	946 258	970 498	-	944 765	4 547 845
Bonuses	-	14 193	-	-	-	13 682	27 875
Service-related benefits	-	185 358	84 698	-	-	155 280	425 336
Allowances	579 000	853 622	674 217	787 894	72 314	656 791	3 623 838
Bargaining council	84	-	-	-	-	-	84
Unemployment insurance	1 338	1 636	1 785	1 785	-	1 190	7 734
	1 345 422	1 976 133	1 706 958	1 760 177	72 314	1 771 708	8 632 712

Mr VC Makedama incumbent from 1 October 2019 to 30 June 2020

Mr G De Jager incumbent (CFO) from (1 July - 29 Feb 2020)

Mr A. Zindlu acting as CFO from 01 July 2019 to 30 September 2019 & March 2020)

Mr X. Sikobi incumbent from 1 April 2020 to 30 June 2020

Mrs Swayena acting (corporate services) from 01 July 2019 to 31 August 2019

Mrs Nyezi acting (corporate service director) from 1 September 2019 to 31 December 2020

Mr Hobongwana performed the duties of Acting Director: IDHS from 1 July 2019 until 30 September 2019.

Ms Casa-Maselani performed the duties of Acting Director: IDHS for June 2020

28.2 Municipal staff costs

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand		2021	2020
28. Employee related cost (continued)			
Basic salary		50 300 685	47 570 810
Bonuses		3 701 449	3 208 789
Service-related benefits		2 857 233	6 441 364
Allowances		6 108 455	6 675 905
Bargaining council		25 358	22 949
Medical		3 220 563	3 194 946
Pension		8 532 466	9 200 218
Post-retirement benefit: Medical		1 544 860	833 701
Post-retirement benefit: Other benefits		2 137 000	-
Unemployment insurance		411 323	428 409
Total		78 839 392	77 577 091
29. Remuneration of councillors			
Mayor	29.1	906 159	905 259
Chief whip	29.2	687 485	686 446
Speaker	29.3	729 888	729 488
Executive committee	29.4	3 886 814	2 861 324
Section 79 committee chairperson	29.5	783 532	780 837
All other councillors	29.6	7 312 968	7 517 523
Total		14 306 846	13 480 877
29.1 Mayor			
Allowances and service related benefits			
Basic salary		731 730	731 730
Cell phone allowance		44 400	44 400
Out of pocket expenses		900	-
		777 030	776 130
Social contributions			
Pension fund contributions		129 129	129 129
Total		906 159	905 259
29.2 Chief whip			
Allowances and service related benefits			
Out of pocket expenses		1 039	-
Travelling allowance		24 000	24 000
Basic salary		524 799	524 799
Cell phone allowance		40 800	40 800
		590 638	589 599
Social contributions			
Pension fund contributions		96 847	96 847
Total		687 485	686 446
29.3 Speaker			
Allowances and service related benefits			
Basic salary		585 385	585 385
Cell phone allowance		40 800	40 800
Out of pocket expenses		400	-
		626 585	626 185

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand		2021	2020
29. Remuneration of councillors (continued)			
Social contributions			
Pension fund contributions		103 303	103 303
Total		729 888	729 488
29.4 Executive committee			
Allowances and service related benefits			
Basic salary		3 167 725	2 144 725
Cell phone allowance		204 000	204 000
Out of pocket expenses		2 490	-
Travelling allowance		114 000	114 000
		3 488 215	2 462 725
Social contributions			
Pension fund contributions		398 599	398 599
Total		3 886 814	2 861 324
29.5 Section 79 committee chairperson			
Allowances and service related benefits			
Basic salary		552 351	552 351
Cell phone allowance		81 600	81 600
Out of pocket expenses		2 695	-
Travelling allowance		42 000	42 000
		678 646	675 951
Social contributions			
Pension fund contributions		104 886	-
Total		783 532	780 837
29.6 All other councillors			
Allowances and service related benefits			
Basic salary		4 898 809	5 220 438
Cell phone allowance		1 056 122	979 200
Out of pocket expenses		8 630	-
Travelling allowance		416 796	378 000
		6 380 357	6 577 638
Social contributions			
Pension fund contributions		932 611	-
Total		7 312 968	7 517 523
Amount outstanding for more than 90 days			
List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days			
T G KULASHE		13 073	-
30. Depreciation, amortisation and impairment			
Amortisation			
Intangible assets	4.1	79 648	627

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand		2021	2020	
30. Depreciation, amortisation and impairment (continued)				
Depreciation				
Investment property	3.1	2 400	20 172 536	
Property, plant and equipment	2	16 102 913	767 114	
		16 105 313	20 939 650	
Impairment loss / reversal of impairment				
Property, plant and equipment	2	540 872	7 983 041	
Construction Work-in-progress		17 614 488	-	
		18 155 360	7 983 041	
Total		34 340 321	28 923 318	
31. Finance Cost				
Interest	31.1	1 366 301	2 136 253	
31.1 Interest cost				
Finance leases		17 256	59 588	
Interest costs non-current provisions	11	-	537 510	
Long service awards		436 000	980 668	
Interest on legal payment arrangement	13.3	913 045	558 487	
		1 366 301	2 136 253	
Total		1 366 301	2 136 253	
32. Bulk purchases				
Electricity: Eskom		13 184 856	12 868 035	
32.1 Electricity losses				
	2021	2020		
	KHW	Amount	KHW	Amount
Units purchased	10 748 270	11 377 211	10 456 819	12 868 035
Units sold	(8 620 644)	(15 568 192)	(7 157 758)	(15 089 539)
Total (gain)/loss	2 127 626	(4 190 981)	3 299 061	(2 221 504)
Reasons for the losses				
Losses occurred because of the following reasons:				
<ul style="list-style-type: none">The reason for the increase is due to electricity theft.Normal losses				
33. Inventory consumed				
Consumables		1 020 288	1 003 410	
Materials and supplies		2 689 765	1 209 560	
Total		3 710 053	2 212 970	
34. Contracted services				
Consultants and professional services	34.1	3 161 576	5 913 845	
Contractors	34.2	2 770 912	7 316 671	
Outsourced services	34.3	10 312 872	7 877 432	
Total		16 245 360	21 107 948	

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
34. Contracted services (continued)		
34.1 Consultants and professional services		
Business advisory services		
Accounting and auditing	602 760	-
Audit committee	179 451	244 918
Business and financial management	838 779	2 571 964
Human resources	1 185	-
Research and advisory	110 000	-
Total business advisory services	1 732 175	2 816 882
Legal services		
Legal advice and litigation	1 429 401	3 065 068
Infrastructure and planning services		
Town planner infrastructure and planning	-	31 895
Total consultants and professional services	3 161 576	5 913 845
34.2 Contractors		
General services		
Building	-	358 758
Catering services	302 155	313 015
Electrical	-	227 720
Employee wellness	-	193 111
Event promoters	-	25 465
Gardening services	16 600	24 517
Plants, flowers and other decorations	48 400	-
Stage and sound crew	30 720	26 675
Traffic and street lights	29 950	-
Total general services	427 825	1 169 261
Maintenance services		
Maintenance of buildings and facilities	567 031	911 876
Maintenance of equipment	537 401	3 603 117
Maintenance of unspecified assets	973 305	1 268 067
Total maintenance service	2 077 737	5 783 060
Trading services		
Prepaid electricity vendors	265 350	364 350
Total contractor	2 770 912	7 316 671
34.3 Outsourced services		
Business and advisory services		
Accounting and Auditing	1 360 239	2 370 373
Business and Financial Management	2 696 175	1
Human Resources	135 000	-
Occupational Health and Safety	336 449	-
Valuer	85 240	124 556
Total business and advisory services	4 613 103	2 494 930

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand		2021	2020
34. Contracted services (continued)			
General services			
Administrative and support staff		-	45 000
Catering Services		268 179	-
Drivers Licence Cards		144 570	-
Medical Services [Medical Health Services & Support]		30 000	184 210
Personnel and Labour		161 355	-
Transport Services		147 807	721 382
Total general services		751 911	950 592
Trading services			
Electrical		87 721	-
Security Services		4 860 137	4 431 910
Total trading services		4 947 858	4 431 910
Total outsourced services		10 312 872	7 877 432
35. Transfers and subsidies - Expenditure			
Operational			
Allocations in-kind	35.1	348 625	2 996
Monetary allocations	35.2	-	219 270
Total transfers and subsidies: Operational		348 625	222 266
35.1 Allocations in-kind: Operational			
Households		348 625	2 996
35.2 Monetary allocations: Operational			
Non-profit institutions		-	219 270

EMALAHLENI MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
36. Operational cost		
Advertising, Publicity and Marketing	735 621	681 191
Bank Charges, Facility and Card Fees	309 025	256 375
Bargaining Council	-	921 750
Bursaries (Employees)	192 884	-
Communication	1 491 028	1 725 090
Contribution to Provisions	1 551 960	-
Deeds	54 894	40 000
Entertainment	462	106 571
External Audit Fees	2 432 983	3 612 783
External Computer Service	944 255	448 723
Hire Charges	184 144	295 393
Indigent Relief	2 119 849	1 822 095
Insurance Underwriting	781 047	2 128 906
Learnerships and Internships	556 962	205 745
Licences	232 507	390 437
Municipal Services	2 542 952	-
Printing, Publications and Books	345 490	323 996
Professional Bodies, Membership and Subscription	1 201 001	45 611
Registration Fees	42 023	111 513
Remuneration to Ward Committees	3 025 500	3 034 020
Seating Allowance for Traditional Leaders	194 880	243 000
Servitudes and Land Surveys	-	59 030
Skills Development Fund Levy	667 628	633 930
Storage of Assets and Goods	87 120	-
System Access and Information Fees	137 361	-
Transport Provided as Part of Departmental Activit	(54 306)	6 300
Travel and Subsistence	732 968	2 669 940
Uniform and Protective Clothing	335 707	506 259
Wet Fuel	1 588 814	1 235 208
Workmen's Compensation Fund	389 403	417 977
Total	22 824 162	21 921 843
37. Gain/(Loss) on disposal of fixed and intangible assets		
Gains/(losses) on disposals	37.1 (275 633)	(1 466 555)
37.1 Gains/(losses) on disposals		
Property, plant and equipment	(275 633)	(1 466 555)

EMALAHLENI MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
38. Net cash from/(used) operating activities		
Surplus after capital transfers and contributions	71 887 565	3 194 746
Adjustments for:		
Depreciation and amortisation	16 184 961	20 940 276
Bad debts written off	8 324 004	1 849 678
(Gains) / Losses on disposal of assets	275 633	1 466 555
Bulk purchase expense	13 184 856	-
Bulk purchases paid	(15 074 673)	-
Increase / (Decrease) in provisions	724 010	15 460 413
Impairment loss	18 155 369	7 983 041
Operating lease income accrued	-	21 474
Contribution to provision	-	537 511
Asset recovered from employee classified as operating activity	-	22 095
Movement in employee benefits	-	1 596 415
Non-cash additions	-	(36 814)
Other non cash adjustments	-	(1 138 498)
Movement in working capital		
(Increase) / Decrease in Taxes	-	3 185 469
(Increase) / Decrease in receivables from exchange transactions	-	(17 099 657)
(Increase) / Decrease in other current assets	(713 207)	(4 733 714)
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	10 252 155	(44 957)
Increase / (Decrease) in trade and other payables	(2 569 868)	(1 989 959)
Net cash flows from operating activities	120 630 805	31 214 074

39. Contingent liabilities

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Description of event

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
39. Contingent liabilities (continued)		
Mkuyana vs Emalahleni Local Municipality: Summons was issued against Emalahleni Municipality by W.Kuyane. The Plaintiff, Mr Mkuyana, has sued the Municipality for damages based on non compliance with the contract of employment by the employer. The matter was set down for trial in the Mthatha High Court in June 2016. The matter was postponed since the June 2016 hearing. A cost order was granted against the Plaintiff. During December 2017 certain properties of the Plaintiff were attached and subsequently sold on auction. An amount of R40 000.00 was realised from the auction.	-	3 191 000
Based on managements current year assessment, the contingent liability is no longer applicable as the status of the court case has not changed since 2017. Due to the time lapse and the fact that the plaintiff has not persued the case, there is no possible outflow of economic resources for the municipality.		
Vatala vs Emalahleni Local Municipality: The Municipal Manager and Director: Corporate services took the Municipality to court after council recent their appointment. . Matter is still in court.	3 000 000	3 000 000
The reason for the significant increase, according to the attorneys, is because the plaintiff amended his pleadings during arbitration.		
Mlungwana vs Emalahleni Local Municipality. Spoliation order application on electricity supply disconnection.	-	60 000
Njuze vs Emalahleni Local Municipality. Labour court claim for compensation for work allegedly done while acting in another post.	2 000 000	2 000 000
Contingent liability for the rehabilitation of landfill sites in INDWE, CACADU and DORTRECHT. The municipality is disclosing a contingent liability as the municipality is still using the landfill site beyond the licensed period and this could attract fines penalties from DEDEAT. The amount cannot be determined due to uncertainty in the amounts which be imposed by DEDEAT for the non-compliance. The amount the municipality could be liable for is unknown by management.	-	-
	5 000 000	8 251 000

EMALAHLENI MUNICIPALITY

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Figures in Rand	2021	2020
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40. Related party disclosures

40.1 Nature of related party relationships

Related party	Nature of relationship
Compensation made to Key Management Personnel	Refer to director's report note 28.1
Compensation made to Councillors	Refer to note 29

40.2 Related party transactions

Revenue			
Consumer services rendered to Councillors	Rates	24 165	4 219
Consumer services rendered to Councillors	Service Charges	4 775	8 515
Consumer services rendered to Councillors	Other	-	1 445
		28 940	14 179

40.3 Related party balances

Outstanding Balances

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Receivables

Councillors	25 431	24 759
Key Management Personnel	-	-
	25 431	24 759

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Company Name

Universal Garage	175 145	199 064
Indwe Filling Station	180 160	66 347
Cornish Brothers Agri	-	26 016
Mketo Empire Trading	-	28 730
	355 305	320 157

41. Contributions to organised local government

Amount paid to organised local government	1 232 730	921 750
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EMALAHLENI MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
42. Unauthorised, irregular, fruitless and wasteful expenditure		
42.1 Unauthorised expenditure		
Opening balance as previously reported	41 745 268	20 728 093
Add: Unauthorised expenditure – current operational	9 701 505	21 017 175
Add: Unauthorised expenditure – current capital	671 632	-
Less: Amounts written-off – prior period	(41 745 268)	-
Closing balance	10 373 137	41 745 268

Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget

2021

	Budget	Actual expenditure	Unauthorised expenditure
Unauthorised expenditure per Vote (Department)			
Budget and Treasury Office	31 431 000	39 531 057	8 100 057
Community and Social Services	35 644 000	36 717 178	1 073 178
Corporate Services	28 606 000	23 543 216	-
Executive and Council	32 842 000	31 451 447	-
Infrastructure Development and Human Settlements	58 012 000	55 592 016	-
Planning, Economic Development, Tourism and Agriculture	8 268 000	8 796 270	528 270
	194 803 000	195 631 184	9 701 505

2020

	Budget	Actual expenditure	Unauthorised expenditure
Unauthorised expenditure per Vote (Department)			
Budget and Treasury Office	52 364 286	65 839 348	13 475 062
Community and Social Services	35 492 601	39 553 549	4 060 948
Corporate Services	23 489 747	20 896 707	-
Executive and Council	29 973 154	29 889 365	-
Infrastructure Development and Human Settlements	36 095 280	39 534 623	3 439 343
Planning, Economic Development, Tourism and Agriculture	8 477 268	8 519 090	41 822
	185 892 336	204 232 682	21 017 175

Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Capital Budget

2021

	Budget	Actual expenditure	Unauthorised expenditure
Unauthorised expenditure per Vote (Department)			
Budget and Treasury Office	1 400 000	1 544 119	144 119
Community and Social Services	3 764 000	1 777 958	-
Corporate Services	200 000	727 513	527 513
Infrastructure Development and Human Settlements	37 374 000	25 596 718	-
	42 738 000	29 646 308	671 632

2020

	Budget	Actual expenditure	Unauthorised expenditure
Unauthorised expenditure per Vote (Department)			

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Figures in Rand		2021	2020
42. Research and development costs (continued)			
Budget and Treasury Office		300 000	-
Community and Social Services		6 634 674	4 534 317
Corporate Services		837 000	808 813
Infrastructure Development and Human Settlements		25 590 149	23 796 943
		33 361 823	29 140 073
42.2 Irregular expenditure			
Opening balance as previously reported		7 520 870	5 611 198
Add: Irregular expenditure - current		5 292 688	1 909 672
Less: Amounts written-off – current		(5 248 635)	-
Less: Amounts written-off – prior period		(7 519 870)	-
Closing balance		45 053	7 520 870
Cases under investigation			
Incident	Disciplinary steps/criminal proceedings		
Medical aid paid to employees exceeding the bargaining council agreement	Referred to DC Board	44 052	125 665
SCM Process was not followed when acquiring the services.	Referred to DC Board	5 248 635	1 784 007
Total		5 292 687	1 909 672

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

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Figures in Rand		2021	2020
42. Research and development costs (continued)			
42.3 Fruitless and wasteful expenditure			
Opening balance as previously reported		24 629 437	9 459 698
Add: Fruitless and wasteful expenditure – current		6 190 852	15 170 151
Transfer to receivables for recovery - not condoned		-	(412)
		(638)	-
		(6 084 825)	-
Less: Amounts written-off – prior period		(24 629 437)	-
Closing balance		105 389	24 629 437
Cases under investigation			
Incident	Disciplinary steps/criminal proceedings		
Late Payment		-	5 598
Eskom - Interest on overdue account	Under investigation	16 964	-
Magwayi Court Settlement - Note 18	Under investigation	6 062 178	5 284 502
Expenditure incurred for Construction of Municipal offices in Phase 1	Under investigation	-	9 004 113
Expenditure incurred on Assets -assets that could not be verified during the physical verification process	Under investigation	-	170 217
Expenditure incurred on Lady Frere Landfill site	Under investigation	-	9 459 698
Vox Telecommunications - Interest on overdue account	Under investigation	2 101	485
Unauthorised debit orders	Under investigation	-	700 000
Shepstone Wylie Attorneys - Interest on overdue account	Under investigation	-	180
Interest on overdue Telkom account	Under investigation	1 717	-
Interest on overdue Department of Transport account(drivers license)	Under investigation	889	-
Cancellation fees charged by Travel Agent (Tunimart)	Under investigation	977	-
Department of labour - Interest incurred in the municipal account for workman's compensation	Under investigation	106 000	-
Interest on overdue Eskom accounts	Under investigation	-	132
Late renewal of motor vehicles	Under investigation	-	4 512
Total		6 190 826	24 629 437

EMALAHLENI MUNICIPALITY

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43. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the entity SCM regulations, any deviations from SCM policy needs to be approved by the director and noted by Council. The awards listed below have been approved by the director and noted by Council.

Single supplier	1 872 288	430 928
Impractical to follow SCM processes	-	976 778
Emergency	70 803	1 026 916
Total amount approved by the director and noted by council	1 943 091	2 434 622

All deviations considered by the director are processed in terms of the SCM regulations and the entity's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

44. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of EMALAHLENI MUNICIPALITY

There were no awards made to close family members of persons in the service of other state departments and entities

Awards to close family members of persons in the service of other state departments and entities (not listed above)

Supplier name	Employee name	Relationship	Department
Molicar Investments	C Mbande	Director	Coega Development Corporation

45. Other compulsory disclosures

	SALGA contributions	Audit fees	PAYE and UIF	VAT
As at 30 June 2021				
Opening balance	-	-	-	(765 256)
Subscription/fees	1 085 730	2 072 656	13 364 780	-
Amount paid – current year	(1 085 730)	(2 072 656)	(13 364 780)	-
Total amount approved by the director and noted by council	-	-	-	(765 256)

	SALGA contributions	Audit fees	PAYE and UIF	VAT	Pension and Medical Aid
As at 30 June 2020					
Opening balance	-	3 864	-	(2 482 964)	-
Subscription/fees	921 750	3 612 783	12 397 343	-	23 231 852
Amount paid – current year	(921 750)	(3 612 783)	(12 397 343)	-	(23 231 852)
Amount paid – previous years	-	(3 864)	-	-	-
Amounts received - previous year	-	-	-	2 482 964	-
Amounts received - current year	-	-	-	7 393 646	-
Returns issued	-	-	-	(8 158 902)	-
Total amount approved by the director and noted by council	-	-	-	(765 256)	-

46. Capital commitments

Commitments in respect of capital expenditure:

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Figures in Rand	2021	2020
46. Capital commitments (continued)		
Approved and contracted for:		
Infrastructure	37 715 606	17 329 050
Community	404 665	4 155 216
Other	-	25 844 630
	38 120 271	47 328 896

47. Financial instruments

47.1 Fair value of financial instruments

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

		2021	2020
Financial assets			
Amortised cost			
Receivables from non-exchange transactions		7 193 022	8 123 214
Trade and other receivables from exchange transactions	6	714 250	16 450 066
Other current asset		4 271 778	3 558 571
Cash and cash equivalents	10	63 850 996	5 791 133
		76 030 046	33 922 984
Financial liabilities			
Amortised cost			
Trade and other payables:			
Trade and other payables from exchange transactions	13	14 909 892	9 900 032
Current portion of Finance Lease Liabilities		-	371 872
Trade and Other Payable Non-exchange Transactions		11 740 258	7 321 893
		26 650 150	17 593 797
Total financial instruments		49 379 896	16 329 187

47.2 Capital risk management

The entity manages its capital to ensure that the entity will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

47.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the entity in undertaking its activities.

The Municipality monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the entity's audit committee, an independent body that monitors the effectiveness of the internal audit function.

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47. Financial instruments (continued)

47.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.

47.5 Market risk

The entity's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.6 below). No formal policy exists to hedge volatilities in the interest rate market.

47.6 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The entity is not exposed to a high level of interest rate risk on its financial liabilities. All of the entity's interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the entity invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The entity's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

47.7 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

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

30 June 2021

	Within 1 year	Total
Maturity analysis		
Trade and Other Payables from exchange transactions	14 909 892	14 909 892
Payables from Non-exchange transactions	11 740 258	11 740 258
	26 650 150	26 650 150

30 June 2020

	Within 1 year	Total
Maturity analysis		
Lease liability	371 872	371 872
Trade and Other Payables from exchange transactions	9 900 032	9 900 032
Payables from Non-exchange transactions	1 488 103	1 488 103
	11 760 007	11 760 007

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Figures in Rand	2021	2020
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47. Financial instruments (continued)

The entity expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The entity expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

47.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The entity manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the entity's credit control and debt collection policy. The entity's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 7 to the annual financial statements.

The entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Trade and other receivables from non-exchange transactions		7 193 022	8 123 214
Other current asset		4 271 778	3 558 571
Trade and other receivables from exchange transactions	6	714 250	16 450 066
Bank and cash balances	10	63 850 996	5 791 133
Maximum credit and interest risk exposure		76 030 046	33 922 984

47.9 Other price risks

The entity is not exposed to equity price risks arising from equity investments as the entity does not trade these investments.

48. Budget information

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of EMALAHLENI MUNICIPALITY as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

49. Multi-employer retirement benefit information

The Municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

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The total expense recognised in the Statement of Financial Performance of R 8 344 765 (2020: R 9 200 217) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The LA RETIREMENT FUND operates both as a defined benefit and defined contribution scheme.

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DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2019 disclosed an actuarial valuation amounting to R1,655,893,000 (30 June 2018 : R1,776,181,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

Defined contribution scheme

The actuarial valuation report at 30 June 2019 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,960,090,000 (30 June 2018 : R2,018,237,000), net investment reserve of R0 (30 June 2018 : R0) and with a funding level of 100% (2018 : 100%).

The actuary concluded that:

- The Pensioner account has a funding level of 103.7% with n surplus of R63.4 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R63.4 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 101.7% with a surplus of R63.0 million.
- The Defined Contribution Section has a funding level of 100% and is in sound Financial condition.
- Overall the fund is in a sound financial condition with a surplus of R63.0 million and the overall funding level of 101.7%.
- The Trustees awarded a 3.22% pension increase effective 1 January 2019.

It is to be noted that:

- All the active members have now all been converted to the Defined Contribution Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual Defined Benefit Section active members, that have now also converted to the Defined Contribution Section and
- Both the Defined Contribution Section and the Defined Benefit Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The last statutory valuation performed as at 30 June 2019 revealed that the assets of the fund amounted to R26,128,000,000 (30 June 2018: R23,318,184,000), with funding levels of 100.4% and 100% (30 June 2017 127.3% and 100%) for the Pensions Account and the Share Account respectively. The Presevation Pension Account showed a suplus of R0 and was 100% funded for both 2019 & 2018. The contribution rate paid by the members (7,50%) and the municipalities (7.50%/19.50%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

SALA pension fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

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The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298,600.00 (30 June 2015 : R13,231,200.00), with funding levels of 96.0% (30 June 2015: 100%). Recommended that employers continue to contribute at the current rate of 19.18% of pensioners salaries.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2014 : R6,574,75,00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The last statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R15,393,671,000 (30 June 2015 : R10,050,029,000), with funding levels of 100.46% (30 June 2015: 100.42%). The actuary certified that the assets of the fund are sufficient to cover 100.46% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

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50. Accumulated surplus/ (deficit)

Accumulated Surplus/(Deficit)	502 810 810	433 029 542
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51. Actuarial gains

Post Retirement Health Care Benefits	-	2 197 638
Long Service Awards	-	126 995
Total	-	2 324 633

52. Contingent assets

A fraud case against employees amounted to R332 186.94 is in the process of investigation and mitigation.	-	322 187
Emalahleni Local Municipality vs Rate Payers Association: Contravention of Building Control by-laws	-	300 000
Unauthorised debit orders have been deducted from the municipality's bank account. The amounts have been derecognised in the accounting records of the municipality. A contingent asset is disclosed in this regard as a case has been opened at the local police station in order to recover the monies.	-	700 000
Insurance claim - Vehicle HPJ274EC was involved in a car accident on 12 April 2021. The vehicle was declared a write-off. Insurance claim was filed with the municipal insurer and was still being assessed by the insurance assessor at reporting date. The claim is expected to be successful.	163 350	-
Insurance claim - A former employee of the municipality was involved in a fatal accident wherein a municipal laptop allocated to the employee was stolen. The laptop was insured and a claim was processed after it became known to the municipality that the laptop was lost. The municipality expects the claim to be successful after year end.	12 595	-
Emalahleni Local Municipality vs Ngqola. Spoliation order application on electricity supply disconnection.	150 000	-
Emalahleni Local Municipality vs Umanda Njuze. Review application lodged by the municipality against the arbitration award in favour of Umanda Njuze	300 000	-
Emalahleni Local Municipality vs Sibongile Maliwa. Interdict against respondents who unlawfully demarcated and erected structures in its land.	100 000	-
Emalahleni Local Municipality vs Nomzamo Ngqola. Reclaiming attached vehicle that has been sold.	250 000	-

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53. Principal-agent arrangements

53.1 Entity acting as the principal

Ontec	629 700	364 350
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Ontec

Emalahleni municipality acts as the Principal in the following non-material Principal-Agent Arrangements:

Compensation paid for agency activities

Prepaid electricity vendors	629 700	364 350
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Emalahleni municipality paid 3.99% commission to Utilities World for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

Emalahleni municipality paid commission ranging from 0.20% - 2.75% to Ontec for acting as an agent for the sale of prepaid electricity on its behalf during the financial year.

Prepaid electricity sales	9 481 081	8 549 781
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Resources under custodianship of agent at year-end

There are no resources under the custodianship of the agents, nor have they been recognised as such.

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53.2 Entity acting as the agent

Revenue recognised as compensation for the transactions carried out on behalf of the principal	2 929 178	686 945
Revenue received or to be received on behalf of the principal	6 689 362	2 979 841

Department of transport - Eastern Cape

The entity has a service provider Department of transport - Eastern Cape, who acts as agent for the entity [Provide information about the service being provided] on behalf of the entity. All payments are received directly by the entity and the service provider invoices the entity for commission payable.

Commission received by the agent	1 711 787	536 945
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Emalahleni Municipality is the Agent in the Principal-Agent arrangement with the Department of Transport - Eastern Cape.

The municipality acts as an agent by collecting the monies for motor vehicle licences from the community and remitting them to the Department of Transport. In exchange for this service, commission is received on the monies collected

Emalahleni municipality was paid 19% commission by Department of Transport for acting as an agent on its behalf during the financial year

	Total agency funds	Amount remitted to the principal	Variance	Explanation of variance
2021	6 689 363	(6 189 514)	499 849	Paid in July 2021. DOT changed banking details and delayed updating their CSD.
2020	2 979 841	(2 993 891)	14 050	Trivial
	9 669 204	(9 183 405)	513 899	

During the year, the municipality entered into a principal-agent agreement with Department of Transport where the municipality is to act as an implementing agent for the construction and upgrading of various provincial roads in the Emalahleni demarcation. During the year, the municipality received an amount of R28 million from the department of Transport for the upgrade of DR08563 from gravel to a surface road between Indwe and Machubeni and Cacadu to Machubeni.

The parties in the agreement agreed that a handling fee of 8% will be paid to the implementing agent in respect of the implementation of the project. The amount recognised in revenue for the current year in respect of implementing the project is R 1 217 391 (R 1 400 000 including VAT)

54. Councillor's municipal accounts in arrears

	Amount outstanding for more than 90 days
List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days	
THANDEKA GLORIA/THEMBINKOSI GABRIEL KULASHE	23 500

55. Going concern

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus (deficit) of R 491 352 301 and that the entity's total assets exceed its liabilities by R 502 810 810.

Notes to the Annual Financial Statements

55. Going concern (continued)

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the director continue to procure funding for the ongoing operations for the entity and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the entity.

56. Segment information

General information

Identification of segments

The municipality organises financial information for budgeting purposes on the basis of four major functional areas: Community and public safety, economic and environmental services, trading services and other. These 4 sections are further divided into their functional areas. The segments were organised around the type of service delivered.

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

Aggregated segments

Other municipal activities were not aggregated into a General reportable segment.

Types of goods and/or services by segment

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

Reportable segment

Community and social services
Sport and recreation
Public Safety
Housing
Planning and development
Road transport
Energy sources
Waste water management
Waste management
Internal audit
Other
Executive and Council
Finance and admin

Goods and/or services

Community services
Recreational facilities
Security
Housing
Strategic planning
Construction of roads
Electricity
Sanitation
Refuse removal
Quality assurance and value adding services
Other municipal functions
Oversight and leadership
Financial viability

Segment surplus or deficit, assets and liabilities

By function

2021

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

56. Segment information (continued)

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
Community and public safety				
Community and social services	1 068 642	12 122 842	(11 054 200)	583 551
Sport and recreation	-	1 856 985	(1 856 985)	991 647
Public safety	342 125	2 128 912	(1 786 787)	-
Housing	1 217 391	1 239 804	(22 413)	-
Economic and environmental services				
Planning and development	43 495 534	27 062 914	16 432 620	-
Road transport	2 295 575	2 868 291	(572 716)	24 255 260
Trading services				
Energy sources	17 488 320	18 902 121	(1 413 801)	-
Waste water management	-	1 779 240	(1 779 240)	1 272 313
Waste management	12 767 721	9 074 639	3 693 082	1 272 313
Other				
Executive and council	8 010 844	29 053 190	(21 042 346)	-
Finance and administration	186 971 643	80 470 320	106 501 323	-
Internal audit	-	927 095	(927 095)	-
Other	1 577 025	3 167 189	(1 590 164)	-
Total	275 234 820	190 653 542	84 581 278	28 375 084

2020

	Statement of financial performance			Statement of financial position
	Total segment revenue	Total segment expenditure	Total segment surplus/ (Deficit)	Total segment capital expenditure
Governance and administration				
Executive and council	9 077 300	25 077 531	(16 000 231)	-
Finance and administration	130 794 762	69 983 630	60 811 132	52 663 011
Internal audit	-	875 812	(875 812)	-
Community and public safety				
Community and social services	1 256 023	7 804 319	(6 548 296)	1 606 940
Sport and recreation	139	1 758 923	(1 758 784)	2 736 176
Public safety	324 865	(4 211 541)	4 536 406	-
Housing	150 000	2 299 550	(2 149 550)	-
Economic and environmental services				
Planning and development	35 868 068	15 870 076	19 997 992	-
Road transport	-	3 342 667	(3 342 667)	17 180 653

EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

56. Segment information (continued)

Trading services

Energy sources	14 289 031	18 444 884	(4 155 853)	-
Waste water managment	-	3 723 022	(3 723 022)	6 766 758
Waste managment	11 632 578	22 499 319	(10 866 741)	-

Other

Other	1 865 713	1 524 188	341 525	-
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Total	205 258 479	168 992 380	36 266 099	80 953 538
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EMALAHLENI MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand		2021	2020		
55. GRAP 3 adjustments					
The following restatements and adjustments occurred which are set out below:					
55.1 Adjustments of Statement of financial performance items					
2020					
	Note	Previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	17	7 769 936	-	-	7 769 936
Transfers and subsidies	18	164 607 384	-	-	164 607 384
Fines, penalties and forfeits	19	154 603	-	-	154 603
Interest on receivables	20	2 033 161	-	-	2 033 161
Acturial Gains		2 324 633	-	(2 324 633)	-
		176 889 717	-	(2 324 633)	174 565 084
Exchange revenue					
Services charges - Electricity	23	23 431 259	-	-	23 431 259
Rental of fixed assets	25	554 548	(13 528)	-	541 020
Interest on investments	21	1 384 885	-	-	1 384 885
Interest on receivables	20	4 364 114	-	(11 784)	4 352 330
Licences or permits	22	1 744 161	-	-	1 744 161
Agency services	26	536 945	-	-	536 945
Operational revenue	27	1 392 143	-	-	1 392 143
Sales of goods and rendering of services	24	112 715	-	-	112 715
Actuarial gains	49	-	-	2 324 633	2 324 633
		33 520 770	(13 528)	2 312 849	35 820 091
Total revenue		210 410 487	(13 528)	(11 784)	210 385 175
Expenditure					
Employee related cost	28	85 936 199	-	-	85 936 199
Remuneration of councillors	29	13 486 389	-	-	13 486 389
Debt impairment / write-off		1 849 678	-	-	1 849 678
Depreciation, amortisation and impairment	30	20 940 276	-	-	20 940 276
Finance costs	31	2 136 254	-	-	2 136 254
Bulk purchases - Electricity	32	12 868 035	-	-	12 868 035
Inventory consumed	33	2 212 970	-	-	2 212 970
Contracted services	34	20 748 081	-	359 867	21 107 948
Transfers and subsidies	35	222 266	-	-	222 266
Operational cost	36	22 279 893	-	(358 050)	21 921 843
Operating leases	9	41 995	-	-	41 995
Total expenditure		182 722 036	-	1 817	182 723 853
Gains and losses					
Impairment losses on receivables		15 460 513	(2 305 949)	-	13 154 564
Impairment losses on property plant and equipment, intangible assets, heritage assets		7 983 041	-	-	7 983 041
Unauthorised Debit Orders		700 000	-	-	700 000
De-recognition of Fixed Assets		1 486 693	-	-	1 486 693
Gains (Losses) on Sale of Fixed Assets		(20 137)	-	-	(20 137)
		25 610 110	(2 305 949)	-	23 304 161
Deficit for the year		2 078 341	2 292 421	(13 601)	4 357 161

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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55. GRAP 3 adjustments (continued)

55.2 Adjustments of Statement of financial position items

2020

	Note	Previously reported	Re- classification	Restated
		5	3	8
Assets				
Current assets				
Cash and cash equivalents	10	5 791 132	-	5 791 132
Receivables from exchange transactions	6	8 361 337	8 088 729	16 450 066
Receivables from non-exchange transactions	7	7 729 274	508 174	8 237 448
Taxes	8	2 406 388	(2 406 388)	-
Operating Lease Asset		29 465	(29 465)	-
Other current assets		-	3 558 571	3 558 571
		24 317 596	9 719 621	34 037 217
Non-current assets				
Investment property	3	4 147 081	-	4 147 081
Property, plant and equipment	2	436 555 023	-	436 555 023
Heritage assets	5	182 536	-	182 536
Intangible assets	4	345 964	-	345 964
		441 230 604	-	441 230 604
Total assets		465 548 200	9 719 621	475 267 821
Net assets and liabilities				
Current liabilities				
Payables from exchange transactions	13	9 529 144	485 122	10 014 266
Payables from Non-exchange Transactions	14	5 833 789	1 488 103	7 321 892
Provisions	11	11 361 783	(11 361 783)	-
Current Portion of Long-term Borrowings	16	371 872	-	371 872
Unspent Conditional Grants	11	1 488 103	(1 488 103)	-
Current Employee Benefits		12 840 031	9 464 881	22 304 912
		41 424 722	(1 411 780)	40 012 942
Non-current liabilities				
Provisions	11	2 495 331	11 361 784	13 857 115
Non-current Employee Benefits		9 916 000	(9 916 000)	-
		12 411 331	1 445 784	13 857 115
Total net assets				
Reserves		411 712 147	-	411 712 147
Total net assets and liabilities		465 548 200	34 004	465 582 204