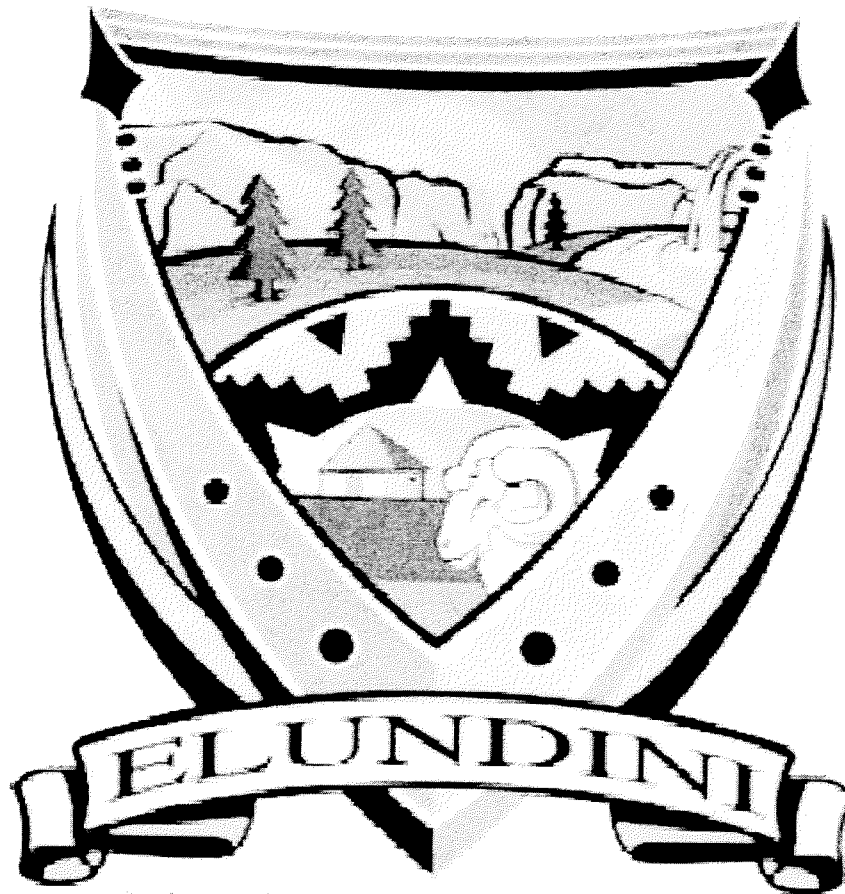


**ELUNDINI LOCAL MUNICIPALITY**



MUNICIPALITY

IKAMVA ELIOAQAMBILEYO

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30 JUNE 2021  
(AUDITED)**

# ELUNDINI LOCAL MUNICIPALITY

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# ELUNDINI LOCAL MUNICIPALITY

## GENERAL INFORMATION

<b>Nature of Business</b>	Elundini Local Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996).	
<b>Legal Form</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)	
<b>Executive Committee</b>		
Mayor	NR Yelani-Lengs	
Councillor	MPS Leteba	Portfolio head: Corporate Services
Councillor	ML Naketsana	Portfolio head: Community Services
Councillor	AM Mqamelo	Portfolio head: Financial Services
Councillor	TV May	Portfolio head: Technical Services
Councillor	N Nkalitshana	Portfolio head: Planning and Economic Development
<b>Speaker</b>	VV Hokwana	
<b>Chief Finance Officer (CFO)</b>	J Mdeni	(from 1 September 2020)
<b>Municipal Manager</b>	K Gashi	
<b>Registered Office</b>	No 1 Sellar Street Maclear 5480	
<b>Bankers</b>	First National Bank, Maclear Standard Bank, Maclear	
<b>Municipal Grading</b>	Grade 3	
<b>Auditors</b>	Office of the Auditor General - South Africa Registered Auditors	
<b>Attorneys</b>	Mgxaji Attorneys Clark Laing Inc Magqabi Seth Zitha Attorneys Gray Moodliar Attorneys	Gwabeni Inc Fikile Ntayiya & Associates Joubert Galpin & Searle Inc
<b>Other Directors</b>		
Director: Corporate Services		S Matubatuba
Director: Infrastructure Planning and Development		S Sako
Director: Planning and Economic Development		NC Eddie
Director: Community Services		L Kokose
<b>Section 79 Chairpersons</b>		
Members Interest and Ethics Committee		LC Booka
Municipal Public Accounts Committee		M Marubelela
Rules Committee		S Mdoda
Budget Steering Committee		NR Lengs
Mandate Committee		KA Mgijima
Women Caucus		V Ntuthu
<b>Audit Committee</b>		
Chairperson	Mr T de Beer	
Member	Ms F Hluyo Mushohwe	
Member	Ms NL Mnconywa	
Member	Mr MJ Sikhosana	

# ELUNDINI LOCAL MUNICIPALITY

## GENERAL INFORMATION

### Councillors of Elundini Local Municipality

Ward 1	F W Ngayeka	Proportional	M Tsoananyana
Ward 2	T J Pikinini	Proportional	K P Mahleleba
Ward 3	Z Mampintsha	Proportional	L Pili
Ward 4	K A Mgijima	Proportional	B Msuthwana
Ward 5	S J T Magadla	Proportional	G Moni
Ward 6	S Mdoda	Proportional	L B Magqashela
Ward 7	G Sotsu	Proportional	N A Sonti
Ward 8	D J Mbombo (passed away 29 July 2021)	Proportional	N L Motema
Ward 9	M Marubelela	Proportional	N N Ndabangaye
Ward 10	M Telile	Proportional	X P Majikijela
Ward 11	L Lubanga	Proportional	NR Yelani-Lengs
Ward 12	BJ Tshoba	Proportional	VV Hokwana
Ward 13	L S Ndumndum	Proportional	MPS Leteba
Ward 14	N G Ntaopane	Proportional	ML Naketsana
Ward 15	L C Booka	Proportional	AM Mqamelo
Ward 16	Z L Thwethiso	Proportional	TV May
Ward 17	V Ntuthu	Proportional	N Nkalitshana

### RELEVANT LEGISLATION

Municipal Finance Management Act, 2003 (Act 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act, 1998 (Act 117 of 1998)  
Municipal Systems Act, 2000 (Act 32 of 2000) as Amended  
Municipal Planning and Performance Management Regulations  
Water Services Act, 1997 (Act 108 of 1997)  
Housing Act, 1997 (Act 107 of 1997)  
Municipal Property Rates Act, 2004 (Act 6 of 2004)  
Electricity Act, 1987 (Act 41 of 1987)  
Skills Development Levies Act, 1999 (Act 9 of 1999)  
Employment Equity Act, 1998 (Act 55 of 1998)  
Unemployment Insurance Act, 1966 (Act 30 of 1966)  
Basic Conditions of Employment Act, 1997 (Act 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALGBC Leave Regulations  
Municipal Budget and Reporting Regulations  
National Environmental Management Act, 2008 (Act 62 of 2008)  
Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)  
Occupational Health and Safety Act, 1993 (Act 85 of 1993)  
Public Office Bearers Act  
mSCOA Regulation

# ELUNDINI LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

### ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2021 which are set out on pages 1 to 88 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

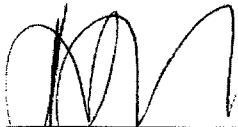
The annual financial statements have been prepared in accordance with GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2022 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the annual determinations of the Minister of Cooperative Governance and Traditional Affairs in accordance with this Act.

  
\_\_\_\_\_  
K. Gasfir  
Municipal Manager

31/8/2021  
\_\_\_\_\_  
Date

# ELUNDINI LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Notes	2021 R (Actual)	2020 R (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>136 655 667</b>	<b>114 489 833</b>
Inventory	2	-	-
Receivables from Exchange Transactions	3	6 461 789	10 417 823
Receivables from Non-exchange Transactions	4	9 619 258	11 132 574
Taxes	5	10 045 405	7 685 597
Cash and Cash Equivalents	6	110 529 214	85 253 839
<b>Non-Current Assets</b>			
		<b>556 303 451</b>	<b>515 935 506</b>
Property, Plant and Equipment	7	505 712 025	464 502 123
Investment Property	8	45 107 468	45 586 567
Intangible Assets	9	2 100	4 776
Capitalised Restoration Cost (PPE)	10	5 481 858	5 842 040
<b>Total Assets</b>		<b>692 959 118</b>	<b>630 425 339</b>
<b>Current Liabilities</b>			
		<b>69 237 529</b>	<b>70 910 291</b>
Consumer Deposits	11	400 350	384 549
Current Employee Benefits	12	12 128 424	13 348 866
Payables from exchange transactions	13	55 823 633	55 638 063
Unspent conditional grants and receipts	14	615 394	846 294
Finance Leases (Current Portion)	15	269 728	288 280
Current Provisions	16	-	404 239
<b>Non-Current Liabilities</b>			
		<b>27 625 699</b>	<b>25 949 269</b>
Non-Current employee benefits	12	6 860 000	6 302 000
Finance Leases	15	147 486	417 214
Non-Current Provisions	17	20 618 213	19 230 056
<b>Total Liabilities</b>		<b>96 863 228</b>	<b>96 859 560</b>
<b>NET ASSETS</b>		<b>596 095 889</b>	<b>533 565 779</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	18	596 095 889	533 565 779
<b>TOTAL COMMUNITY WEALTH</b>		<b>596 095 889</b>	<b>533 565 779</b>

# ELUNDINI LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2021

	Notes	2021 R (Actual)	2020 R (Restated)
<b>REVENUE</b>			
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>57 552 320</b>	<b>56 062 259</b>
<b>Operating Activities</b>		<b>57 552 320</b>	<b>56 062 259</b>
Service Charges	19	42 374 239	38 453 919
Rental of Facilities and Equipment	20	1 652 580	6 242 510
Investment Revenue	21	8 240 957	8 510 748
Licences and Permits	22	3 955 293	2 085 255
Other Income	23	1 329 250	769 827
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>294 506 578</b>	<b>270 688 919</b>
<b>Taxation Revenue</b>		<b>23 767 154</b>	<b>23 914 655</b>
Property Rates	24	23 767 154	23 914 655
<b>Transfer Revenue</b>		<b>267 739 150</b>	<b>243 418 500</b>
Government Grants and subsidies	25	267 739 150	243 418 500
<b>Other Revenue</b>		<b>3 000 274</b>	<b>3 355 765</b>
Actuarial Gains	26	243 806	222 783
Fines, Penalties and Forfeits	27	2 243 378	3 132 982
Insurance Refunds		513 090	-
<b>TOTAL REVENUE</b>		<b>352 058 898</b>	<b>326 751 178</b>
<b>EXPENDITURE</b>			
Employee Related Costs	28	106 999 595	108 319 910
Remuneration of Councillors	29	12 601 224	12 561 744
Debt Impairment	30	15 193 003	19 233 190
Depreciation and Amortisation	31	29 816 975	29 649 385
Finance Cost	32	1 208 397	1 589 556
Bulk Purchases	33	24 593 488	22 234 942
Sale of goods/Inventory	34	774 190	483 240
Contracted Services	35	59 485 818	57 484 811
Transfers and Subsidies	36	4 045 812	3 615 491
General Expenses	37	34 398 299	35 494 383
Loss on disposal Non-Monetary Assets	38	411 987	950 744
<b>TOTAL EXPENDITURE</b>		<b>289 528 788</b>	<b>291 617 396</b>
<b>SURPLUS FOR THE YEAR</b>		<b>62 530 110</b>	<b>35 133 782</b>

# ELUNDINI LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2021

	ACCUMULATED SURPLUS R	TOTAL R
<b>Balance on 1 July 2019 - Previously Reported</b>	<b>499 165 189</b>	<b>499 165 189</b>
Prior Period Adjustments - Refer to note 39.03	(733 190)	(733 190)
<b>Restated Balance on 1 July 2019</b>	<b>498 431 999</b>	<b>498 431 999</b>
Net Surplus for the year	35 133 780	35 133 780
<b>Restated Balance on 30 June 2020</b>	<b>533 565 779</b>	<b>533 565 779</b>
Net Surplus for the period	62 530 110	62 530 110
<b>Balance on 30 June 2021</b>	<b>596 095 889</b>	<b>596 095 889</b>



# ELUNDINI LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2021

	Notes	2021 R (Actual)	2020 R (Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates		21 751 696	17 107 507
Service charges and interest on outstanding debtors		35 530 831	27 476 847
Other revenue		10 751 462	10 276 908
Government - operating		220 153 000	183 387 400
Government - capital		47 894 953	60 514 518
SARS VAT Refunds		14 860 396	18 224 598
Interest on investments		4 820 920	5 418 776
<b>Payments</b>			
Suppliers and Employees		(256 265 447)	(242 165 360)
Finance charges		(115 465)	(141 365)
Transfers and Grants		(4 045 812)	(3 615 491)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>40</b>	<b>95 336 532</b>	<b>76 484 337</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds from sale of Property, Plant and Equipment		329 047	328 607
<b>Payments</b>			
Purchase of Property, Plant and Equipment		(70 117 727)	(68 527 722)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(69 788 680)</b>	<b>(68 199 115)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Increase/(Decrease) in Consumer Deposits		15 801	(1 251)
<b>Payments</b>			
Finance leases repaid		(288 280)	(155 044)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(272 478)</b>	<b>(156 295)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>25 275 374</b>	<b>8 128 927</b>
Cash and Cash Equivalents at the beginning of the year		85 253 839	77 124 912
Cash and Cash Equivalents at the end of the year		110 529 214	85 253 839
<b>NET INCREASE IN CASH HELD</b>		<b>25 275 374</b>	<b>8 128 927</b>

# ELUNDINI LOCAL MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
<b>STATEMENT OF FINANCIAL POSITION</b>					
Current assets	115 404 077	63 692 897	179 096 974	136 655 667	(42 441 307)
Non-current assets	561 001 835	3 411 569	564 413 404	556 303 451	(8 109 953)
Current liabilities	65 103 537	(58 847 142)	6 256 395	69 237 529	62 981 134
Non-current liabilities	19 151 035	-	19 151 035	27 625 699	8 474 664
<b>Total Community Wealth</b>	<b>592 151 340</b>	<b>125 951 608</b>	<b>718 102 948</b>	<b>596 095 889</b>	<b>(122 007 059)</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>REVENUE</b>					
Property rates	31 309 000	70	31 309 070	23 767 154	(7 541 916)
Service Charges	43 435 915	(5 819 247)	37 616 668	42 374 239	4 757 571
Investment revenue	4 707 000	-	4 707 000	4 820 920	113 920
Transfers recognised - operational	193 330 150	27 512 938	220 843 088	220 247 400	(595 688)
Other own revenue	41 958 948	(1 998 875)	39 960 073	13 357 435	(26 602 638)
<b>Total Revenue (excluding capital transfers)</b>	<b>314 741 013</b>	<b>19 694 886</b>	<b>334 435 899</b>	<b>304 567 148</b>	<b>(29 868 751)</b>
<b>EXPENDITURE</b>					
Employee costs	120 570 293	(7 057 000)	113 513 293	106 999 595	(6 513 698)
Remuneration of councillors	13 192 806	-	13 192 806	12 601 224	(591 582)
Debt impairment	5 145 595	-	5 145 595	15 193 003	10 047 408
Depreciation and asset impairment	33 000 000	10 402 974	43 402 974	29 816 975	(13 585 999)
Finance charges	208 543	-	208 543	1 208 397	999 854
Bulk purchases	23 000 000	-	23 000 000	24 593 488	1 593 488
Other Materials	1 759 390	484 497	2 243 887	774 190	(1 469 697)
Contracted Services	97 828 831	(12 264 101)	85 564 730	59 485 818	(26 078 912)
Transfers and grants	-	-	-	4 045 812	4 045 812
Other expenditure	58 180 317	962 183	59 142 500	34 398 299	(24 744 201)
Loss on disposal of PPE	-	-	-	411 987	411 987
<b>Total Expenditure</b>	<b>352 885 775</b>	<b>(7 471 447)</b>	<b>345 414 328</b>	<b>289 528 788</b>	<b>(55 885 540)</b>
Surplus/(Deficit)	(38 144 762)	27 166 333	(10 978 429)	15 038 359	26 016 788
Transfers recognised - capital	51 288 000	(475 150)	50 812 850	47 491 750	(3 321 100)
<b>NET SURPLUS FOR THE YEAR</b>	<b>13 143 238</b>	<b>26 691 183</b>	<b>39 834 421</b>	<b>62 530 109</b>	<b>22 695 688</b>
<b>CASH FLOW STATEMENT</b>					
Net Cash Flow from Operating Activities	63 978 452	(67 809 159)	(3 830 707)	95 336 532	99 167 239
Net Cash Flow from Investing Activities	(74 920 425)	(27 678 003)	(102 598 428)	(69 788 680)	32 809 748
Net Cash Flow from Financing Activities	-	-	-	(272 478)	(272 478)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(10 941 973)</b>	<b>(95 487 162)</b>	<b>(106 429 135)</b>	<b>25 275 374</b>	<b>131 704 509</b>

Refer to note 42.2 for explanations of material variances between the original and final budget.

Refer to note 42.2 for explanations of material variances between the final budget and actual amounts.

Material variances are considered to be any variances greater than R3 million.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1 ACCOUNTING POLICIES

#### 1.01 BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

#### 1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In terms of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

In terms of GRAP 108 - "Statutory Receivables", the Municipality is utilising the transitional provision contained in Directive 4 that grant the Municipality a period of three years (1 July 2019 to 30 June 2022) in order to finalise the classification and impairment methods of Statutory Receivables.

#### 1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### 1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

#### 1.05 COMPARATIVE INFORMATION

##### 1.05.1 Prior Year Comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is 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.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

### 1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total actual operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Standards of GRAP set out how an item should be recognised, measured and disclosed in the financial statements. In some cases, the Municipality does not recognise, measure, present or disclose information in accordance with the specific requirements outlined in the Standards of GRAP if the effect of applying those requirements are immaterial.

### 1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts for the current financial year.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

### 1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### 1.08.1 Effective Dates Determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality also resolved to early adopt the Improvements to Standards of GRAP (2020) which was issued during March 2020. The improvements effected the following Standards of GRAP:

Standard	Description	Effective Date
GRAP 5	Borrowing Costs	1 April 2021
GRAP 13	Leases	1 April 2021
GRAP 16	Investment Property	1 April 2021
GRAP 17	Property Plant and Equipment	1 April 2021
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2021
GRAP 31	Intangible Assets	1 April 2021
GRAP 32	Service Concession Arrangements: Grantor	1 April 2021
GRAP 37	Joint Arrangements	1 April 2021
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	1 April 2021
Directive 7	The Application of Deemed Cost	1 April 2021

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

The Municipality also resolved to early adopt the following Interpretation of the Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
iGRAP 21	The Effect of Past Decisions on Materiality	1 April 2023

The effect of the above-mentioned Improvements and Interpretations to the Standards of GRAP which were early adopted is considered insignificant. The Improvements and Interpretations to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt Directive 14 - "The Application of Standards of GRAP by Public Entities that apply IFRS Standards" (effective 1 April 2021) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

### 1.08.2 Effective Dates Not Yet Determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

#### 1.08.2.1 GRAP 104 (Revised 2019) - Financial Instruments

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. This Standard was revised to align it with IFRS 9 on Financial Instruments.

Preliminary investigations indicated that, other than additional disclosure, the impact of this Standard on the financial statements will not be significant.

#### 1.08.2.2 GRAP 25 (Revised 2021) - Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. This Standard was revised to align it with IPSAS 39 on Employee Benefits.

Preliminary investigations indicated that, other than additional disclosure, the impact of this Standard on the financial statements will not be significant.

#### 1.08.2.3 iGRAP 7 (Revised 2021) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

This Interpretation addresses the following:

- When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling.
- How a minimum funding requirement might affect the availability of reductions in future contributions.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

### 1.09 INVESTMENT PROPERTY

#### 1.09.1 Initial Recognition

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, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

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

### 1.09.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### 1.09.3 Depreciation – Cost Model

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 the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	5 - 55

### 1.09.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable service amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.09.5 Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Approved for issue by the Council of Elundini Local Municipality on 2021/06/22

### 1.10 PROPERTY, PLANT AND EQUIPMENT

#### 1.10.1 Initial Recognition

Property, plant and equipment are tangible non-current 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 it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of 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 Municipality. 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 through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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 Municipality.

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

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

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

#### 1.10.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.10.3 Depreciation

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 the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Buildings	20 - 100
Infrastructure	5 - 120
Leased Assets	3 - 7
Other Assets	3 - 15

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.10.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable service amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.10.5 Derecognition

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

## 1.11 INTANGIBLE ASSETS

### 1.11.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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 Municipality. Trade discounts and rebates are deducted in arriving at the cost.

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

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

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

### 1.11.2 Subsequent Measurement - Cost Model

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

### 1.11.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Amortisation of an intangible with a finite life 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 the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

	Years
Computer Software	5

### 1.11.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable service amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.11.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

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

## 1.12 IMPAIRMENT OF NON-MONETARY ASSETS

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

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

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

### 1.12.1 Recoverable Amount Of Cash-Generating Assets

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.

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

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.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 1.12.2 Recoverable Amount Of Non-Cash-Generating Assets

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

### 1.12.3 Impairment Loss

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 the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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

### 1.12.4 Reversal Of An Impairment Loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for 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 the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

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

## 1.13 INVENTORIES

### 1.13.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

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

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.13.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

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

The basis of allocating cost to inventory items is the first-in-first-out (FIFO) method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### 1.14 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

#### 1.14.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

##### 1.14.1.1 Multi-Employer Defined Benefit Plans

The Municipality contributes to various National and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

##### 1.14.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

*Accounting Policy: Actuarial Gains and Losses*

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.14.1.3 Pension And Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

### 1.14.2 Long-Term Benefits

#### 1.14.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 1.14.3 Short-Term Benefits

#### 1.14.3.1 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### 1.14.3.2 Bonuses

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

#### 1.14.3.3 Provision For Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### 1.14.3.4 Other Short-Term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.15 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

### 1.16 LEASES

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

#### 1.16.1 Municipality As Lessee

##### 1.16.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.16.1.2 Operating Leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

### 1.16.2 Municipality As Lessor

#### 1.16.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

#### 1.16.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

### 1.17 FINANCIAL INSTRUMENTS

#### 1.17.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### 1.17.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
  - (i) derivatives;
  - (ii) combined instruments that are designated at fair value;
  - (iii) instruments held for trading;
  - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.17.3 Impairment And Uncollectability Of Financial Assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

#### 1.17.3.1 Financial Assets Measured At Amortised Cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

#### 1.17.3.2 Financial Assets Measured At Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

### 1.17.4 Derecognition Of Financial Instruments

#### 1.17.4.1 Financial Assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

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

#### 1.17.4.2 Financial Liabilities

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

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

### 1.17.5 Offsetting Of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 1.18 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### 1.18.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.18.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

### 1.18.3 Impairment And Uncollectability Of Statutory Receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

### 1.18.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

### 1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

### 1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.21 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

### 1.22 PAYABLES AND ANNUITY LOANS

Payables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

### 1.24 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions 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 conditions 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.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.25 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

#### 1.25.1 Revenue From Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.25.1.1 Taxation Revenue

Taxation revenue comprises of property rates. 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.

### 1.25.1.2 Transfer Revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

### 1.25.1.3 Fines

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue.

### 1.25.1.4 Insurance Refund

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

### 1.25.1.5 Unclaimed Deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

### 1.25.1.6 Revenue From Recovery Of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

### 1.25.1.7 Services In-Kind

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

### 1.25.1.8 Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

### 1.25.2 Revenue From Exchange Transactions

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

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

1.25.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without 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 average monthly consumption of consumers.

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.

### 1.25.2.2 Interest Earned

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

### 1.25.2.3 Rental Income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### 1.25.2.4 Income From Agency Services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from 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.

### 1.25.2.5 Other Tariffs

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

### 1.25.2.6 Sale Of Goods

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

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 1.25.2.7 Deferred Payment

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

*Indulani Local Municipality, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000*

### 1.26 BORROWING COSTS

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

### 1.27 SERVICE CONCESSION ARRANGEMENTS

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator, which in this case will be the Municipality.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- (a) is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- (b) is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

The Municipality recognises an asset provided by the operator and an upgrade to an existing asset of the Municipality, as a service concession asset if the Municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the Municipality controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the Municipality recognises a service concession asset, and the asset is not an existing asset of the Municipality (grantor), the Municipality (grantor) also recognises a liability.

The Municipality does not recognise a liability when an existing asset of the Municipality is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

The Municipality initially measures the service concession asset as follows:

- (a) Where the asset is not an existing asset of the Municipality, the asset is measured at its fair value.
- (b) Where the asset is an existing asset of the Municipality and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The Municipality initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the Municipality to the operator, or from the operator to the Municipality.

Where the Municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the Municipality accounts for the liability as a financial liability.

The Municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Where the asset and service components are not separately identifiable, the service component of payments from the Entity to the operator is determined using estimation techniques.

Where the Municipality does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the Municipality accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the Municipality and the operator.

The Municipality recognises revenue and reduces the liability according to the substance of the service concession arrangement.

If the Municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

The Municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

The Municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

### 1.28 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.30 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to 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 Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.32 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.33 EVENTS AFTER REPORTING DATE

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

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.34 RELATED PARTIES

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

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

Management is considered a related party and comprises those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

Where the Municipality is exempt from the disclosures in accordance with the above-mentioned paragraph, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable to users of the financial statements to understand the effect of related party transactions.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality 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.

### 1.35 ACCOUNTING BY PRINCIPAL AND AGENTS

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

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

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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).

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement. The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

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

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

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

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

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

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

Where the Municipality acts as a principal, it recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirement of the relevant Standards of GRAP.

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

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

### 1.36 LIVING AND NON-LIVING RESOURCES

Living resources are those resources that undergo biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, is not recognised as assets. The Standard only requires disclosure of the relevant resources.

The Municipality has assessed that it does not control any living resources, but is however responsible for non-living resources as set out in notes to the financial statements.

### 1.37 SEGMENT REPORTING

A segment is an activity of the Municipality:

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

Management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Financial information relating to the reporting segments are aligned to the financial information distributed to management on a regular basis (similar basis of preparation). This information is utilised to measure performance of the relevant services provided by the Municipality and also to ensure that resources are appropriately allocated to various departments/segments to provide high quality services to the community.

Adjustments and eliminations made in preparing the Municipality's financial statements, which includes the allocation basis of revenues and expenses, are prepared on a similar basis as the information distributed to management on a regular basis.

Financial information distributed to management does not include a segment/department analysis of assets and liabilities associated with each segment/department. In line with this principle utilised during the financial year, the segment reporting included in the financial statements are prepared on a similar basis which excludes such an analysis. Assets and liabilities are reported on for the Municipality as a whole.

Management reviews capital expenditure/performance on a regular basis and accordingly the relevant information is reported on per segment.

### 1.38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.38.01 Application Of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2009 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2009 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

#### 1.38.02 Impairment Of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.38.03 Useful Lives And Residual Values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

#### 1.38.04 Impairment Of Non-Monetary Assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

### 1.38.05 Post-Retirement And Long-Term Benefits

The cost of post retirement medical benefits and long-service awards are 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.

### 1.38.06 Provisions And Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

### 1.38.07 Financial Instruments and Statutory Receivables

The Municipality analyses the terms and conditions of the transactions that give rise to its receivables in order to understand whether they arise directly from legislation or similar means, or from a separate contract concluded with a party. Judgement is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

### 1.38.08 Financial Assets And Liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

### 1.38.09 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

In considering the revenue to which the Municipality is entitled, the Municipality considers other factors that may impact the inflow of future economic benefits or service potential on initial recognition of revenue. Such factors include fines issued which will be reduced or withdrawn after reporting date. The Municipality applies judgement based on past experience and current facts and circumstances in order to adjust the traffic fine revenue accordingly.

### 1.38.10 Provision For Staff Leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 1.38.11 Provision For Performance Bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### 1.38.12 Componentisation Of Infrastructure Assets

All infrastructure assets are unbundled into their significant 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 price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### 1.38.13 Recognition and Derecognition of Land

In order for land to meet the definition of an asset, the Municipality must be able to prove that control is being exercised. Control of land is evidenced by either legal ownership and/or the right to direct access to land, and to restrict or deny the access of others to land.

To demonstrate access/restriction rights, the Municipality assesses whether it has a substantive right for an unlimited period through a binding arrangement.

The above-mentioned assessment is subject to management's judgements and assumptions are applied to conclude that the Municipality controls land.

### 1.38.14 Materiality

Since materiality is an entity-specific concept, its application may result in different outcomes based on the Municipality's circumstances. The assessment of materiality therefore requires management to apply judgement about:

- (a) How information could reasonably be expected to influence the discharge of accountability by the Municipality or decisions that the users make on the basis of those financial statements.
- (b) How the nature or size or both, of the information could reasonably be expected to influence users' decisions.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>2 INVENTORY</b>		
Consumable Stores	-	-
<b>Total Inventory</b>	<u>-</u>	<u>-</u>
Inventory recognised as an expense during the year	-	164 179
Consumable stores materials losses identified during stock counts	-	14 299
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Gross balances</b>		
<b>Service Receivables</b>	<b>40 230 105</b>	<b>40 794 807</b>
Electricity	15 574 671	14 623 225
Refuse	10 132 223	12 029 945
House Rentals	2 353 622	3 939 239
Interest	8 114 304	6 522 862
Other Receivables	-	287 570
VAT Component of outstanding debtors	4 055 285	3 391 966
<b>Sundry Receivables</b>	<b>860 796</b>	<b>2 279 262</b>
Sundry	860 796	2 279 262
<b>Total</b>	<b><u>41 090 901</u></b>	<b><u>43 074 069</u></b>
<b>Less: Allowance for Impairment</b>		
Electricity Impairment	12 375 060	9 377 869
Refuse Impairment	9 722 199	11 549 607
Housing Rentals Impairment	1 515 953	2 966 531
Interest Impairment	7 494 144	5 919 882
Other Receivables Impairment	-	282 693
VAT Component of outstanding debtors impairment	3 521 755	2 559 664
Sundry Receivables	-	-
<b>Total</b>	<b><u>34 629 112</u></b>	<b><u>32 656 245</u></b>
<b>Net Balance</b>		
Electricity	3 199 611	5 245 356
Refuse	410 024	480 338
House Rentals	837 669	972 708
Interest	620 160	602 981
Other Receivables	-	4 877
VAT Component of outstanding debtors	533 530	832 302
Sundry Receivables	860 796	2 279 262
<b>Total</b>	<b><u>6 461 789</u></b>	<b><u>10 417 823</u></b>
Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.		
<b>Reconciliation of Allowance for Doubtful Debts</b>		
Balance at Beginning of Year	32 656 245	21 225 127
Contributions to Provision	12 801 013	14 467 615
Bad debts written off	(10 828 147)	(3 036 497)
<b>Total</b>	<b><u>34 629 112</u></b>	<b><u>32 656 245</u></b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<p>The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. No allowance for debt impairment is made for outstanding government debt. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.</p>		
<b>Ageing of Receivables from Exchange Transactions</b>		
<b>Electricity</b>		
Current (0 -30 days)	1 620 356	1 468 137
31 - 60 days	874 832	890 922
61 - 90 days	786 491	795 218
91 - 120 days	595 486	755 998
121 - 150 days	530 345	626 545
> 150 days	11 167 162	10 086 405
<b>Total</b>	<b>15 574 671</b>	<b>14 623 225</b>
<b>Refuse</b>		
Current (0 -30 days)	462 642	449 009
31 - 60 days	393 757	396 286
61 - 90 days	368 383	389 195
91 - 120 days	364 246	389 995
121 - 150 days	361 365	379 799
> 150 days	8 181 829	10 025 661
<b>Total</b>	<b>10 132 223</b>	<b>12 029 945</b>
<b>Housing Rentals</b>		
Current (0 -30 days)	130 676	147 189
31 - 60 days	82 071	113 287
61 - 90 days	73 869	95 928
91 - 120 days	71 143	90 890
121 - 150 days	71 215	85 655
> 150 days	1 924 650	3 406 290
<b>Total</b>	<b>2 353 623</b>	<b>3 939 239</b>
<b>Interest</b>		
Current (0 -30 days)	273 430	241 900
31 - 60 days	298 217	281 497
61 - 90 days	287 069	268 127
91 - 120 days	281 638	255 245
121 - 150 days	268 888	263 253
> 150 days	6 705 062	5 212 840
<b>Total</b>	<b>8 114 304</b>	<b>6 522 862</b>
<b>Other Receivables</b>		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 150 days	-	-
> 150 days	-	287 570
<b>Total</b>	<b>-</b>	<b>287 570</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>VAT Component of outstanding debtors</b>		
Current (0 -30 days)	312 436	287 579
31 - 60 days	184 580	192 959
61 - 90 days	177 611	177 506
91 - 120 days	144 228	165 776
121 - 150 days	134 113	149 744
> 150 days	3 102 317	2 418 402
<b>Total</b>	<b>4 055 285</b>	<b>3 391 966</b>
<b>4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
<b>Gross balances</b>		
Rates	22 554 920	21 184 350
Traffic Fines	3 291 914	2 943 664
Other Receivables	1 858 011	2 385 368
Office of the Premier Grant (unpaid)	119 842	659 545
Deposit	581 480	581 480
Joe Gqabi District Municipality	456 572	456 572
Other Debtors	700 117	687 771
<b>Total</b>	<b>27 704 844</b>	<b>26 513 382</b>
<b>Less: Allowance for Impairment</b>		
Rates Impairment	14 793 672	12 437 145
Traffic Fines Impairment	3 291 914	2 943 664
Other Receivables Impairment	-	-
<b>Total</b>	<b>18 085 586</b>	<b>15 380 809</b>
<b>Net Balance</b>		
Rates	7 761 248	8 747 206
Traffic Fines	-	-
Other Receivables	1 858 011	2 385 368
<b>Total</b>	<b>9 619 258</b>	<b>11 132 574</b>

Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

### Reconciliation of Allowance for Doubtful Debts

Balance at Beginning of Year	15 380 809	10 258 769
Contributions to Provision	3 349 666	5 664 900
Bad debts written off	(644 889)	(542 860)
<b>Total</b>	<b>18 085 586</b>	<b>15 380 809</b>

The Allowance for impairment of property rates has been made for all balances outstanding based on the payment ratio over the last 12 months. No allowance for debt impairment is made for outstanding government debt. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

All unpaid traffic fines at year-end are impaired in full.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)</b>		
<b>Ageing of Receivables from Exchange Transactions</b>		
<b>Rates</b>		
Current (0 -30 days)	-	-
31 - 60 days	1 270 462	880 588
61 - 90 days	1 224 898	846 866
91 - 120 days	1 202 355	813 924
121 - 150 days	1 205 168	793 244
> 150 days	17 652 037	17 849 727
<b>Total</b>	<b>22 554 920</b>	<b>21 184 350</b>
<b>5 TAXES</b>		
VAT Receivable from SARS	3 189 273	1 214 725
VAT In Suspense	3 338 792	3 911 208
VAT on Provision for Debt Impairment	3 517 340	2 559 664
<b>Total</b>	<b>10 045 405</b>	<b>7 685 597</b>
<b>Reconciliation of VAT on Provision for Debt Impairment</b>		
Balance at beginning of year	2 559 664	1 660 339
Debt Impairment for current year	957 676	899 325
Balance at the end of the year	<b>3 517 340</b>	<b>2 559 664</b>
<b>6 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Call Accounts	99 403 715	77 052 646
Current Accounts	10 122 035	7 746 394
Cash on hand	994 871	448 272
Cash Floats	8 594	6 526
<b>Total</b>	<b>110 529 214</b>	<b>85 253 839</b>
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
Cash and Cash Equivalents are held to support the following commitments:		
Unspent Conditional Grants	615 394	846 294
Cash available for working capital requirements	109 913 820	84 407 545
<b>Total Cash and Cash Equivalents</b>	<b>110 529 214</b>	<b>85 253 839</b>
First Rand Bank Limited issued letters of guarantee in favour of the following parties:		
Eskom Holdings Limited	5 216 304	5 216 304
Arbitration award	308 845	-
<b>Total</b>	<b>5 525 149</b>	<b>5 216 304</b>
The bank holds security to the same amount over FNB account number 6255 7779 322.		

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>6 CASH AND CASH EQUIVALENTS (CONTINUED)</b>		
The Municipality has the following bank accounts:		
<b>Current Accounts</b>		
First National Bank - Acc no 62159933772 (Primary bank account)	4 360 750	2 778 340
First National Bank - Acc no 62312151848 (Petty Cash Account)	9 186	160
First National Bank - Acc no 62857839298 (Vendor Account)	933 323	-
Standard Bank - Acc no 280642407 (Revenue Account)	4 655 915	4 719 399
Wesbank - Acc no 13179 (Fuel Account)	162 860	248 494
<b>Total</b>	<b>10 122 035</b>	<b>7 746 394</b>
<b>First National Bank - Acc no 62159933772 (Primary bank account)</b>		
Cash book balance at beginning of year	2 778 340	9 595 424
Cash book balance at end of year	4 360 750	2 778 340
Bank statement balance at beginning of year	2 778 502	9 624 674
Bank statement balance at end of year	4 288 248	2 778 502
<b>First National Bank - Acc no 62312151848 (Petty Cash Account)</b>		
Cash book balance at beginning of year	160	121
Cash book balance at end of year	9 186	160
Bank statement balance at beginning of year	160	121
Bank statement balance at end of year	9 186	160
<b>First National Bank - Acc no 62857839298 (Vendor Account)</b>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	933 323	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	933 323	-
<b>Standard Bank - Acc no 280642407 (Revenue Account)</b>		
Cash book balance at beginning of year	4 719 399	764 634
Cash book balance at end of year	4 655 915	4 719 399
Bank statement balance at beginning of year	4 719 645	764 634
Bank statement balance at end of year	4 627 843	4 719 645
<b>Wesbank - Acc no 13179 (Fuel Account)</b>		
Cash book balance at beginning of year	248 494	-
Cash book balance at end of year	162 860	248 494
Bank statement balance at beginning of year	248 494	-
Bank statement balance at end of year	162 860	248 494
<b>Call Investment Deposits:</b>		
Standard Bank - Acc no 3884 9717 3001 – Expanded Public Works	3 384 209	2 959 533
Standard Bank - Acc no 3884 9716 5001- Elundini Voting Station	1 518	1 510
Standard Bank - Acc no 3884 9341 0002 - FMG	1 742 060	1 769 245
Standard Bank - Acc no 3884 9300 3001 - Municipal Disaster Grant	608 743	598 132
Standard Bank - Acc no 3884 9081 0001 - NER	111 138	4 418 151
FNB – Acc no 6218 9194 170 - Equitable share	6 086 746	2 543 688
FNB – Acc no 6218 9180 111 - MIG	9 771 792	8 357 830
FNB – Acc no 6228 4785 121- Working capital reserve	70 400 617	50 009 000
FNB – Acc no 6237 8875 226 - Mayors social investment account	546 158	535 747
FNB – Acc no 6255 7779 322 - Joe Gqabi	5 783 103	5 611 515
FNB – Acc no 6278 5909 650 - Energy Efficiency	836 415	181 293
FNB – Acc no 6285 2498 023 - Solidarity Fund	131 215	67 003
<b>Total</b>	<b>99 403 715</b>	<b>77 052 646</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>6 CASH AND CASH EQUIVALENTS (CONTINUED)</b>		
<b>Standard Bank - Acc no 3884 9717 3001 – Expanded Public Works</b>		
Cash book balance at beginning of year	2 959 533	2 189 219
Cash book balance at end of year	3 384 209	2 959 533
Bank statement balance at beginning of year	2 959 533	2 189 219
Bank statement balance at end of year	3 384 209	2 959 533
<b>Standard Bank - Acc no 3884 9716 5001- Elundini Voting Station</b>		
Cash book balance at beginning of year	1 510	1 484
Cash book balance at end of year	1 518	1 510
Bank statement balance at beginning of year	1 510	1 484
Bank statement balance at end of year	1 518	1 510
<b>Standard Bank - Acc no 3884 9341 0002 - FMG</b>		
Cash book balance at beginning of year	1 769 245	1 791 299
Cash book balance at end of year	1 742 060	1 769 245
Bank statement balance at beginning of year	1 769 245	1 791 299
Bank statement balance at end of year	1 742 060	1 769 245
<b>Standard Bank - Acc no 3884 9300 3001 - Municipal Disaster Grant</b>		
Cash book balance at beginning of year	598 132	1 332
Cash book balance at end of year	608 743	598 132
Bank statement balance at beginning of year	598 132	1 332
Bank statement balance at end of year	608 743	598 132
<b>Standard Bank - Acc no 3884 9081 0001 - NER</b>		
Cash book balance at beginning of year	4 418 151	111 352
Cash book balance at end of year	111 138	4 418 151
Bank statement balance at beginning of year	4 418 151	111 352
Bank statement balance at end of year	111 138	4 418 151
<b>FNB – Acc no 6218 9194 170 - Equitable share</b>		
Cash book balance at beginning of year	2 543 688	2 440 604
Cash book balance at end of year	6 086 746	2 543 688
Bank statement balance at beginning of year	2 543 688	2 440 604
Bank statement balance at end of year	6 086 746	2 543 688
<b>FNB – Acc no 6218 9180 111 - MIG</b>		
Cash book balance at beginning of year	8 357 830	7 681 104
Cash book balance at end of year	9 771 792	8 357 830
Bank statement balance at beginning of year	8 357 830	7 681 104
Bank statement balance at end of year	9 771 792	8 357 830
<b>FNB – Acc no 6228 4785 121- Working capital reserve</b>		
Cash book balance at beginning of year	50 009 000	45 373 054
Cash book balance at end of year	70 400 617	50 009 000
Bank statement balance at beginning of year	50 009 000	45 373 054
Bank statement balance at end of year	70 400 617	50 009 000



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>6 CASH AND CASH EQUIVALENTS (CONTINUED)</b>		
<b>FNB – Acc no 6237 8875 226 - Mayors social investment account</b>		
Cash book balance at beginning of year	535 747	534 049
Cash book balance at end of year	546 158	535 747
Bank statement balance at beginning of year	535 747	534 049
Bank statement balance at end of year	546 158	535 747
<b>FNB – Acc no 6255 7779 322 - Joe Gqabi</b>		
Cash book balance at beginning of year	5 611 515	5 652 857
Cash book balance at end of year	5 783 103	5 611 515
Bank statement balance at beginning of year	5 611 515	5 652 857
Bank statement balance at end of year	5 783 103	5 611 515
<b>FNB – Acc no 6278 5909 650 - Energy Efficiency</b>		
Cash book balance at beginning of year	181 293	670 571
Cash book balance at end of year	836 415	181 293
Bank statement balance at beginning of year	181 293	670 571
Bank statement balance at end of year	836 415	181 293
<b>FNB – Acc no 6285 2498 023 - Solidarity Fund</b>		
Cash book balance at beginning of year	67 003	-
Cash book balance at end of year	131 215	67 003
Bank statement balance at beginning of year	67 003	-
Bank statement balance at end of year	131 215	67 003
<b>7 PROPERTY, PLANT AND EQUIPMENT</b>		
Property, Plant and Equipment	505 712 025	464 502 123
<b>Total</b>	<b>505 712 025</b>	<b>464 502 123</b>
<b>7.1 Repairs and maintenance incurred on Property, Plant and Equipment</b>	<b>9 457 753</b>	<b>6 969 144</b>
<b>7.2 Carrying value of Property, Plant and Equipment pledged as security</b>	<b>399 940</b>	<b>682 124</b>
The leased property, plant and equipment and the buildings are secured as set out in note 15.		
<b>7.3 Carrying value of assets subject to service concession arrangement</b>	<b>6 997 732</b>	<b>7 223 733</b>
The Municipality entered into a Private Public Partnership (PPP) as set out in note 52. The Operator is responsible for operating and maintaining the landfill site which constitute to a service concession arrangement.		
The assets subject to the service concession arrangement include the landfill site, and any other fixture such as buildings and fencing.		
<b>7.4 Work in Progress projects taking a significant longer period to complete</b>		
The Municipality did not identify any work in progress projects which are taking a significant longer period to complete.		

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 7 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2021	Cost				Accumulated Depreciation and Impairment						Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfer to Capital Assets R	Closing Balance R	Opening Balance R	Additions R	Charge/(Reversal) R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>128 645 635</b>	<b>22 314 485</b>	-	-	<b>150 960 120</b>	<b>27 800 267</b>	<b>4 454 990</b>	-	-	<b>32 255 257</b>	<b>118 704 863</b>
Land	2 394 494	-	-	-	2 394 494	-	-	-	-	-	2 394 494
Buildings	118 275 959	-	-	3 890 412	122 166 371	27 800 267	4 454 990	-	-	32 255 257	89 911 114
Work in Progress	7 975 182	22 314 485	-	(3 890 412)	26 399 254	-	-	-	-	-	26 399 254
<b>Infrastructure</b>	<b>606 462 174</b>	<b>39 281 085</b>	<b>75 200</b>	-	<b>645 818 459</b>	<b>259 041 243</b>	<b>18 763 189</b>	-	-	<b>277 804 432</b>	<b>368 014 027</b>
Electricity	68 160 188	-	-	7 222 954	75 383 142	17 099 160	1 937 543	-	-	19 036 703	56 346 439
Roads, Pavements, Bridges & Storm Water	448 051 593	-	-	82 247 499	530 299 092	240 958 147	16 825 646	983 935	-	258 767 729	271 531 363
Work in Progress	90 250 394	39 281 085	75 200	(89 470 453)	40 136 225	983 935	-	(983 935)	-	-	40 136 225
<b>Lease Assets</b>	<b>1 062 424</b>	-	-	-	<b>1 062 424</b>	<b>380 301</b>	<b>282 184</b>	-	-	<b>662 485</b>	<b>399 940</b>
Office Equipment	1 062 424	-	-	-	1 062 424	380 301	282 184	-	-	662 485	399 940
<b>Other Assets</b>	<b>60 964 169</b>	<b>8 522 157</b>	<b>(4 207 884)</b>	-	<b>65 278 442</b>	<b>45 410 468</b>	<b>4 666 430</b>	-	<b>(3 391 652)</b>	<b>46 685 246</b>	<b>18 593 196</b>
Furniture & Fittings	7 118 134	1 022 083	(1 665 864)	-	6 474 353	4 973 496	619 014	-	(1 274 561)	4 317 949	2 156 404
Motor Vehicles	23 328 277	3 538 408	(575 086)	-	26 291 599	17 237 146	1 591 264	-	(510 353)	18 318 057	7 973 542
Computer Equipment	6 387 021	2 337 533	(1 067 413)	-	7 657 141	4 101 712	1 094 221	-	(762 383)	4 433 549	3 223 592
Plant and Machinery	24 026 131	1 624 134	(899 521)	-	24 750 743	19 027 641	1 351 470	-	(844 355)	19 534 757	5 215 986
Security	104 605	-	-	-	104 605	70 472	10 461	-	-	80 933	23 672
<b>Total</b>	<b>797 134 402</b>	<b>70 117 727</b>	<b>(4 132 684)</b>	-	<b>863 119 444</b>	<b>332 632 279</b>	<b>28 166 793</b>	-	<b>(3 391 652)</b>	<b>357 407 419</b>	<b>505 712 025</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 7 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2020	Cost				Accumulated Depreciation and Impairment						Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfer to Capital Assets R	Closing Balance R	Opening Balance R	Additions R	Impairment Charge/(Reversal) R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>119 355 040</b>	<b>9 290 595</b>	-	-	<b>128 645 635</b>	<b>24 097 686</b>	<b>3 702 581</b>	-	-	<b>27 800 267</b>	<b>100 845 368</b>
Land	2 394 494	-	-	-	2 394 494	-	-	-	-	-	2 394 494
Buildings	86 399 367	-	-	31 876 592	118 275 959	19 717 865	3 702 581	4 379 821	-	27 800 267	90 475 692
Work In Progress	30 561 178	9 290 595	-	(31 876 592)	7 975 182	4 379 821	-	(4 379 821)	-	-	7 975 182
<b>Infrastructure</b>	<b>551 119 583</b>	<b>55 342 591</b>	-	-	<b>606 462 174</b>	<b>240 328 401</b>	<b>18 712 842</b>	-	-	<b>259 041 243</b>	<b>347 420 931</b>
Electricity	67 580 798	-	-	579 390	68 160 188	15 172 625	1 926 535	-	-	17 099 160	51 061 027
Roads, Pavements, Bridges & Storm Water	384 753 396	-	-	63 298 196	448 051 593	224 171 841	16 786 306	-	-	240 958 147	207 093 445
Work in Progress	98 785 389	55 342 591	-	(63 877 586)	90 250 394	983 935	-	-	-	983 935	89 266 458
<b>Lease Assets</b>	<b>359 425</b>	<b>702 999</b>	-	-	<b>1 062 424</b>	<b>184 497</b>	<b>195 804</b>	-	-	<b>380 301</b>	<b>682 124</b>
Office Equipment	359 425	702 999	-	-	1 062 424	184 497	195 804	-	-	380 301	682 124
<b>Other Assets</b>	<b>64 114 701</b>	<b>3 894 536</b>	<b>(7 045 069)</b>	-	<b>60 964 169</b>	<b>45 678 699</b>	<b>5 497 487</b>	-	<b>(5 765 718)</b>	<b>45 410 468</b>	<b>15 553 700</b>
Furniture & Fittings	8 328 009	767 330	(1 977 204)	-	7 118 134	6 233 068	706 124	-	(1 965 696)	4 973 496	2 144 638
Motor Vehicles	24 844 203	1 028 940	(2 544 865)	-	23 328 277	16 534 142	2 085 135	-	(1 382 131)	17 237 146	6 091 131
Computer Equipment	7 609 066	452 937	(1 674 982)	-	6 387 021	4 687 772	1 036 194	-	(1 622 254)	4 101 712	2 285 309
Plant and Machinery	23 228 818	1 645 330	(848 017)	-	24 026 131	18 163 705	1 659 574	-	(795 638)	19 027 641	4 998 489
Security	104 605	-	-	-	104 605	60 012	10 461	-	-	70 472	34 133
<b>Total</b>	<b>734 948 749</b>	<b>69 230 721</b>	<b>(7 045 069)</b>	-	<b>797 134 402</b>	<b>310 289 282</b>	<b>28 108 714</b>	-	<b>(5 765 718)</b>	<b>332 632 279</b>	<b>464 502 123</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 8 INVESTMENT PROPERTY

Investment Property	45 107 468	45 586 567
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The movement in investment properties is reconciled as follows:

<b>Opening Carrying Value</b>	45 586 567	46 067 087
Cost	53 326 711	53 326 711
Accumulated Depreciation	(5 378 732)	(4 898 212)
Accumulated Impairment	(2 361 412)	(2 361 412)
Additions / Transfers	-	-
Disposals	-	-
Cost	-	-
Accumulated Depreciation	-	-
Depreciation	(479 099)	(480 520)
Impairment	-	-
<b>Closing Carrying Value</b>	<b>45 107 468</b>	<b>45 586 567</b>
Cost	53 326 711	53 326 711
Accumulated Depreciation	(5 857 832)	(5 378 732)
Accumulated Impairment	(2 361 412)	(2 361 412)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

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

An income of R1 650 860 (2020 - R1 802 011) was identified on these investment properties and was recognised as revenue from rental of facilities. There are no work in progress for investment property. No significant operating expenditure was incurred on investment property.

### 9 INTANGIBLE ASSETS

Computer Software	2 100	4 776
<b>Total</b>	<b>2 100</b>	<b>4 776</b>

The movement in intangible assets is reconciled as follows:

<b>Opening Carrying Value</b>	4 776	9 552
Cost	418 064	418 064
Accumulated Amortisation	(413 289)	(408 512)
Additions	-	-
Disposals	(2)	-
Cost	(32 227)	-
Accumulated Amortisation	32 226	-
Amortisation	(2 675)	(4 776)
<b>Closing Carrying Value</b>	<b>2 100</b>	<b>4 776</b>
Cost	385 837	418 064
Accumulated Amortisation	(383 738)	(413 289)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>10 CAPITALISED RESTORATION COST (PPE)</b>		
Capitalised Restoration Cost - Carrying Value	<u>5 481 858</u>	<u>5 842 040</u>
The movement in capitalised restoration cost is reconciled as follows:		
Opening Carrying Value	5 842 040	6 332 251
Cost	12 785 884	12 220 720
Accumulated Depreciation	(6 943 844)	(5 888 469)
Accumulated Impairments	-	-
Additions	942 790	661 177
Disposals	(134 563)	(96 013)
Depreciation for the year	(1 168 408)	(1 055 375)
Closing Carrying Value	<u>5 481 858</u>	<u>5 842 040</u>
Cost	13 594 110	12 785 884
Accumulated Depreciation	(8 112 252)	(6 943 844)
Accumulated Impairments	-	-
<p>The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Elundini Municipality.</p> <p>Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.</p>		
<b>11 CONSUMER DEPOSITS</b>		
Electricity	302 659	303 247
Housing Rental	97 691	81 301
<b>Total</b>	<u>400 350</u>	<u>384 549</u>
<p>The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.</p>		
<b>12 EMPLOYEE BENEFIT OBLIGATIONS</b>		
<b>Current Employee Benefits</b>		
Post Retirement Medical Benefits	138 000	134 000
Long-Service Provisions	744 000	492 000
Accrued Bonuses	2 755 287	2 625 316
Performance Bonuses	558 535	2 970 582
Staff Leave	7 932 602	7 126 968
<b>Non-Current employee benefits</b>		
Post Retirement Medical Benefits	1 434 000	1 319 000
Long-Service Provisions	5 426 000	4 983 000
<b>Total</b>	<u>18 988 424</u>	<u>19 650 866</u>
Current Employee Benefits	12 128 424	13 348 866
Non-Current employee benefits	6 860 000	6 302 000
<b>Total</b>	<u>18 988 424</u>	<u>19 650 866</u>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>12 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)</b>		
<b>12.1 Accrued Bonuses</b>		
Opening Balance	2 625 316	2 417 224
Contribution during the year	6 176 799	5 890 070
Payments made	(6 046 827)	(5 681 978)
<b>Closing Balance</b>	<b>2 755 287</b>	<b>2 625 316</b>
Bonuses are being paid to all municipal staff. The balance at year end represents the portion of the bonus that has already vested for the current salary cycle.		
<b>12.2 Performance Bonuses</b>		
Opening Balance	2 970 583	2 352 938
Contribution during the year	(2 375 071)	1 065 337
Payments made	(36 977)	(447 692)
<b>Closing Balance</b>	<b>558 535</b>	<b>2 970 583</b>
Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.		
<b>12.3 Staff Leave</b>		
Opening Balance	7 126 967	4 595 258
Contribution during the year	1 521 335	2 923 568
Payments made	(715 700)	(391 859)
<b>Closing Balance</b>	<b>7 932 602</b>	<b>7 126 967</b>
Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.		
<b>12.4 Post Retirement Medical Benefits</b>		
The movement in Post Retirement Medical Benefits are Reconciled as Follows:		
Opening Balance	1 453 000	1 560 634
Payments Made	(131 160)	(126 401)
Finance Charges	128 000	132 896
Actuarial Loss / (Gain)	122 160	(114 129)
<b>Total balance at year-end</b>	<b>1 572 000</b>	<b>1 453 000</b>
Less Current Portion	(138 000)	(134 000)
<b>Total</b>	<b>1 434 000</b>	<b>1 319 000</b>
The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
Continuation Members	4	4
<b>Total</b>	<b>4</b>	<b>4</b>
The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas		
LA Health		

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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	2021	2020
<b>12 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)</b>		
Key Actuarial Assumptions used are as follows:		
<b>i) Interest Rates</b>		
Discount rate	9.27%	9.23%
Health Care Cost Inflation Rate	6.29%	5.45%
Net Effective Discount Rate	2.80%	3.58%
The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"		
<b>ii) Mortality Post-employment</b>		
PA(90) - 1 with a 1% mortality improvement per annum from 2010		
<b>iii) Last valuation</b>		
The last valuation was performed on 1 July 2021.		
<b>iv) Actuarial Valuation Method</b>		
The Projected Unit Credit Method has been used to value the liabilities.		
<b>The liability in respect of past service recognised in the Statement of Financial Position is as follows:</b>	<b>Contribution members</b>	<b>Present value of fund obligations</b>
	<b>R</b>	<b>R</b>
30 June 2021	1 572 000	1 572 000
30 June 2020	1 453 000	1 453 000
30 June 2019	1 560 634	1 560 634
30 June 2018	1 376 771	1 376 771
30 June 2017	1 492 858	1 492 858
The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.		
<b>Experience adjustments were calculated as follows:</b>	<b>Liabilities (Gain)/Loss</b>	<b>Assets Gain/(Loss)</b>
	<b>R</b>	<b>R</b>
30 June 2021	20 000	-
30 June 2020	70 000	-
30 June 2019	46 000	-
30 June 2018	(37 000)	-
30 June 2017	72 000	-
<b>Sensitivity Analysis on the Accrued Liability</b>	<b>Total liability (R)</b>	<b>% change</b>
<b>Assumption</b>		
Liability	1 572 000	
Health care inflation rate ( + 1% )	1 722 000	10%
Health care inflation rate ( - 1% )	1 442 000	-8%
Discount rate ( + 1% )	1 447 000	-8%
Discount rate ( - 1% )	1 719 000	9%
Post-employment mortality ( + 1 year)	1 513 000	-4%
Post-employment mortality ( - 1 year)	1 632 000	4%

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 12 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

#### Sensitivity Analysis on the Interest Costs

Assumption	Interest (R)	% change
Estimated interest for 2020/21	139 000	
Health care inflation rate ( + 1% )	153 000	10%
Health care inflation rate ( - 1% )	127 000	-9%
Discount rate ( + 1% )	142 000	2%
Discount rate ( - 1% )	137 000	-1%
Post-employment mortality ( + 1 year)	134 000	-4%
Post-employment mortality ( - 1 year)	145 000	4%

### 12.5 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

<b>Opening Balance</b>	5 475 000	4 749 336
Current-service cost	940 000	834 273
Expenditure for the Year	(264 034)	(364 742)
Finance Charges	385 000	364 786
Actuarial (Gain)/Loss	(365 966)	(108 653)
<b>Total balance at year-end</b>	<b>6 170 000</b>	<b>5 475 000</b>
Less Current Portion	(744 000)	(492 000)
<b>Total</b>	<b>5 426 000</b>	<b>4 983 000</b>

The following members are eligible for long service bonuses:

In-service members	286	296
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The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 296 employees (2019 - 283 employees), but they are not all eligible for payment in the same year.

Key Actuarial Assumptions used are as follows:

#### i) Interest Rates

Discount rate	9.35%	7.36%
General Salary Inflation (long-term)	5.81%	4.01%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.35%	3.22%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

#### ii) Last valuation

The last valuation was performed on 1 July 2021.

#### iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

	Unfunded Liability R
30 June 2021	6 170 000
30 June 2020	5 475 000
30 June 2019	4 749 336
30 June 2018	3 530 348
30 June 2017	3 415 935

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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<b>12 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)</b>		
Experience adjustments were calculated as follows:		
	<b>Liabilities</b>	<b>Assets</b>
	<b>(Gain)/Loss</b>	<b>Gain/(Loss)</b>
	<b>R</b>	<b>R</b>
30 June 2021	(43 000)	-
30 June 2020	343 393	-
30 June 2019	348 115	-
30 June 2018	293 874	-
30 June 2017	319 878	-

### Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Total liability	% change
Liability	6 170 000	
General earnings inflation rate ( + 1% )	6 548 000	6%
General earnings inflation rate ( - 1% )	5 828 000	-6%
Discount rate ( + 1% )	5 819 000	-6%
Discount rate ( - 1% )	6 564 000	6%
Average retirement age ( + 2 years )	6 592 000	7%
Average retirement age ( - 2 years )	5 868 000	-5%
Withdrawal rates ( x 2 )	4 796 000	-22%
Withdrawal rates ( x 0.5 )	7 138 000	16%

### Sensitivity Analysis on the future Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total Cost (R)	% change
Future Cost for 2020/21	911 000	543 000	1 454 000	
General earnings inflation rate ( + 1% )	978 000	578 000	1 556 000	7%
General earnings inflation rate ( - 1% )	850 000	511 000	1 361 000	-6%
Discount rate ( + 1% )	856 000	565 000	1 421 000	-2%
Discount rate ( - 1% )	972 000	518 000	1 490 000	2%
Average retirement age ( - 2 years )	950 000	582 000	1 532 000	5%
Average retirement age ( + 2 years )	873 000	515 000	1 388 000	-5%
Withdrawal rates ( x 2 )	654 000	414 000	1 068 000	-27%
Withdrawal rates ( x 0.5 )	1 098 000	634 000	1 732 000	19%

## 12.6 Retirement Funds

The Consolidated Retirement Fund (former Cape Retirement Fund) is a multi-employer plans. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the funds' assets from the fund administrator. The fund administrator confirmed that assets of the funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 12 EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrators. The fund administrators claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Consolidated Retirement Fund is defined as a defined benefit plan, it will be accounted for as defined contribution plan.

#### 12.7 Defined Contribution Funds

Council contributes to the following defined benefit plans:

Consolidated Retirement Fund (Former Cape Retirement Fund)	6 461 517	5 859 262
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The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund is in a sound financial position with a funding level of 100.5% (30 June 2019 - 100.3%).

#### 12.8 Defined Contribution Funds

Council contributes funds which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance:

SALA Pension	1 230 400	1 192 647
SAMWU National	4 390 844	4 272 687
National Municipal Workers Fund	581 608	542 249
Discovery Investment	33 294	30 983
<b>Total</b>	<b>6 236 146</b>	<b>6 038 566</b>

### 13 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	37 531 903	34 713 597
Sundry creditors	747 460	1 426 646
Payments Received in Advance	420 215	1 752 098
Retention	14 249 380	14 444 031
Unknown Receipts	2 620 868	3 102 280
Deposits Received	253 808	199 411
<b>Total</b>	<b>55 823 633</b>	<b>55 638 063</b>

Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary.

Deposits amounting to R581 480 (2020 - R581 480) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipality did not default on any of their payments.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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<b>14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Unspent Conditional Grants and Receipts Comprises of:</b>		
Expanded Public Works Program (EPWP)	-	94 400
Libraries Grant	574 923	711 423
DEDEA Grant	39 111	39 111
Voter Station Grant	1 360	1 360
<b>Total</b>	<b>615 394</b>	<b>846 294</b>
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
The Unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
<b>15 FINANCE LEASES</b>		
<b>At amortised cost</b>		
Capitalised Lease	417 214	705 493
Less Current Portion	(269 728)	(288 280)
<b>Total</b>	<b>147 486</b>	<b>417 214</b>
Capital lease liabilities at amortised cost are calculated at 19.68% interest rate, with maturity dates of respectively 31 August 2021 and 31 December 2022.		
<b>Non-current liabilities</b>		
At amortised cost	147 486	417 214
<b>Current liabilities</b>		
At amortised cost	269 728	288 280
	<b>Minimum lease payments</b>	
Payable within one year	327 114	402 025
Payable within two to five years	156 066	483 180
<b>Subtotal</b>	<b>483 180</b>	<b>885 205</b>
Less: Future finance obligations	(65 966)	(179 712)
<b>Total</b>	<b>417 214</b>	<b>705 493</b>
<b>16 CURRENT PROVISIONS</b>		
Claim from 3rd party	-	305 308
Claim from insurer	-	98 931
<b>Total</b>	<b>-</b>	<b>404 239</b>
<b>16.1 Claim from 3rd party</b>		
The Municipality has been sued by a plaintiff for damages to his vehicle amounting to R305,308. The plaintiff alludes that the damages obtained was due to the Municipality's negligent of its vehicle with registration letters and number HPY 707 EC. Through investigations conducted by the insurers attorneys, it became clear that some misrepresentations were made by the Municipality's employees involved in the car accident. Management has assessed this matter further and now accepts liability for the damage to the third party vehicle, and has instructed its attorneys to negotiate the quantum of the claim. During 2020/21 the Regional Court awarded the plaintiff an amount of R87 638 as full and final settlement which was subsequently paid by the Municipality.		

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 16 CURRENT PROVISIONS (CONTINUED)

#### 16.2 Claim from insurer

Pursuant to the accident damage to the municipal vehicle HPY707EC and its write off by the municipality's insurers, a payment of R154 686 was received from Lion of Africa Insurance company. When it became apparent that misrepresentations were made by the officials of the Municipality, the insurer has post facto repudiated the claim and demanded a refund of the insurance payout. The Municipality, whilst accepting its liability, has asked that the scrap value of the damaged vehicle be offset against the refund claim. After year-end, the insurer conceded and accommodated the Municipality by offsetting the scrap value against the refund claim and accordingly the claim was reduced to R98 931. During 2020/21 a payment to the amount of R98 931 was made the Municipality to the insurer to settle the obligation in full.

### 17 NON-CURRENT PROVISIONS

Landfill Sites	20 618 213	19 230 056
<b>Total</b>	<b>20 618 213</b>	<b>19 230 056</b>
<b>Reconciliation of provisions</b>		
Opening Balance	19 230 056	17 714 382
Increase in Estimate	942 790	661 177
Decrease in Estimate	(134 563)	(96 013)
Unwinding of discounted interest	579 931	950 510
<b>Total</b>	<b>20 618 213</b>	<b>19 230 056</b>

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

Mount Fletcher	8 559 166	8 439 223
Maclear	4 825 571	4 059 507
Ugie	7 233 476	6 731 326
<b>Total</b>	<b>20 618 213</b>	<b>19 230 056</b>

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated Decommission Date	Future Cost of Rehabilitation	Future Cost of Rehabilitation
Mount Fletcher	2025	9 639 312	9 902 680
Maclear	2025	5 434 547	4 763 472
Ugie	2025	8 146 324	7 898 616
<b>Total</b>		<b>23 220 182</b>	<b>22 564 768</b>

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>17 NON-CURRENT PROVISIONS (CONTINUED)</b>		
In calculating the provision for rehabilitation, the following four items have been included:		
- Direct Contract Cost		
- Indirect Professional Fees		
- Indirect Disbursements		
- Escalation		
There are currently three landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, hence they are named after the town which they service.		
<b>Mt Fletcher Landfill Site:</b>		
Size of operational landfill area?	10 000 m <sup>2</sup> (Trench)	
Size of total landfill area are subject to rehabilitation?	32 000 m <sup>2</sup> (Trench)	
Is the site licensed?	Yes	
What is the classification of the site?	G:C:B-	
Is the site operational?	Yes	
If the site is operational, is there an expected closure date?	2025	
If the site is operational, what is the annual tonnage of waste deposited on site?	5 000 tons	
Is there any hazardous waste on site?	Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site.	
Are there any existing boreholes for monitoring?	No	
Is there a monitoring program in place?	N/A	
Are there any geographical features that should be taken into consideration?	No	
Status of cover material?	N/A. Trench System, cover material available from trenching process.	
<b>Maclear Landfill Site:</b>		
Size of operational landfill area?	Nil m <sup>2</sup> (Platform)	
Size of total landfill area are subject to rehabilitation?	12 000 m <sup>2</sup> (Platform)	
Is the site licensed?	Yes	
What is the classification of the site?	G:S:B+	
Is the site operational?	Site is now a transfer station	
If the site is operational, is there an expected closure date?	2025	
If the site is operational, what is the annual tonnage of waste deposited on site?	N/A	
Is there any hazardous waste on site?	Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site.	
Are there any existing boreholes for monitoring?	Yes	
Is there a monitoring program in place?	No, DWAF take samples periodically. District Municipality has been requested to assist with a monitoring program as they currently take samples of potable water in the area.	
Are there any geographical features that should be taken into consideration?	Spring on adjacent farm	
Status of cover material?	Cover material on site, volume unknown	
<b>Ugie Landfill Site:</b>		
Size of operational landfill area?	8 000 m <sup>2</sup> (Platform)	
Size of total landfill area are subject to rehabilitation?	21 000 m <sup>2</sup> (Platform)	
Is the site licensed?	Yes	
What is the classification of the site?	G:S:C-	
Is the site operational?	Yes	
If the site is operational, is there an expected closure date?	2025	
If the site is operational, what is the annual tonnage of waste deposited on site?	Estimate 5,000 tons per year from vehicle counts	
Is there any hazardous waste on site?	There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.	
Are there any existing boreholes for monitoring?	Yes	
Is there a monitoring program in place?	No, DWAF take samples periodically. District Municipality has been requested to assist with a monitoring program as they currently take samples of potable water in the area.	
Are there any geographical features that should be taken into consideration?	No	
Status of cover material?	Cover material on site, volume unknown.	

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>18 ACCUMULATED SURPLUS</b>		
Accumulated Surplus	596 095 889	533 565 779
<b>Total</b>	<b>596 095 889</b>	<b>533 565 779</b>
<b>19 SERVICE CHARGES</b>		
Electricity	36 769 485	33 061 652
Refuse Removal	6 157 912	5 559 263
Total Service charges prior to rebates	42 927 397	38 620 915
Less: Rebates	(553 158)	(166 996)
Electricity	(278 997)	(76 890)
Refuse Removal	(274 161)	(90 105)
<b>Total</b>	<b>42 374 239</b>	<b>38 453 919</b>
<p>Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.</p>		
<b>20 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of Facilities	1 650 860	1 802 011
Rental of Equipment	1 720	4 440 499
<b>Total</b>	<b>1 652 580</b>	<b>6 242 510</b>
<b>21 INVESTMENT REVENUE</b>		
Interest on bank balances	4 820 920	5 418 776
Interest charged on trade and other receivables	3 420 037	3 091 972
<b>Total</b>	<b>8 240 957</b>	<b>8 510 748</b>
<b>22 LICENCES AND PERMITS</b>		
Public Drivers Permits	251 520	127 579
Driving Licences	690 715	334 555
Learner Driving Licences	769 049	322 732
Registrations	2 244 009	1 300 389
<b>Total</b>	<b>3 955 293</b>	<b>2 085 255</b>
<p>The Municipality acts as an agent for the Department of Transport and manages the issuing of vehicle licences for a commission. Refer to note 56.1 for additional disclosure in this regard.</p> <p>The Municipality earns revenue from applications for driver's and learner's licences, issuing of public driver permits, driver's and learner's licences and the issue of roadworthy certificates.</p>		
<b>23 OTHER INCOME</b>		
Building Plan and Inspection Fees	152 562	87 589
Cemetery Fees	38 143	20 290
Commission Received	155 885	130 808
Sundry Income	639 777	241 763
Tender Document Sales	230 068	143 075
Skills Development Levy Refund	112 816	146 301
<b>Total</b>	<b>1 329 250</b>	<b>769 827</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>24 PROPERTY RATES</b>		
Rateable Land and Buildings	31 391 881	30 281 414
Less: Rebates	(7 624 727)	(6 366 759)
<b>Total</b>	<b>23 767 154</b>	<b>23 914 655</b>
Property rate levied are based on the following rateable valuations and disclosed net of any rebates granted:		
<b>Valuations</b>		
Municipal, Public Spaces and Churches	451 209 884	451 552 884
Public Service Infrastructure and Agriculture	4 440 879 766	4 440 487 766
Residential	780 400 201	778 543 201
Business	332 538 000	331 634 000
Industrial, Government, Mining and Vacant Land	825 021 831	823 527 831
<b>Rateable Land and Buildings</b>	<b>6 830 049 682</b>	<b>6 825 745 682</b>
<b>Rebates on Income - Basic Rate:</b>		
Municipal, Public Spaces and Churches	0.000c/R	0.000c/R
Public Service Infrastructure and Agriculture	0.200c/R	0.190c/R
Residential	0.791c/R	0.759c/R
Business	1.200c/R	1.139c/R
Industrial, Government, Mining and Vacant Land	1.590c/R	1.519c/R
Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.		
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>25 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operating grants</b>		
Equitable Share	192 290 400	152 511 000
Municipal Finance Management Grant	1 700 000	1 700 000
Integrated National Electrification Programme (INEP)	15 739 000	21 000 000
Libraries Grant - Operating	750 000	750 000
Expanded Public Works Program (EPWP)	3 333 000	2 788 600
Municipal Infrastructure Grant - Operating	1 935 000	1 947 400
Energy Efficiency & Demand Side Management	4 500 000	1 835 346
Municipal Disaster Relief Grant	-	596 000
DEDEA Grant	-	460 889
<b>Total</b>	<b>220 247 400</b>	<b>183 589 235</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant - Capital	36 293 000	37 000 601
Libraries Grant - Capital	136 500	-
Premier's Office Grant	11 062 250	22 828 664
Voter Station Grant	-	-
<b>Total</b>	<b>47 491 750</b>	<b>59 829 264</b>
<b>Total Grants and Subsidies</b>	<b>267 739 150</b>	<b>243 418 500</b>
<b>Included in above are the following grants and subsidies received:</b>		
Conditional grants received	75 448 750	90 907 500
Unconditional grants received	192 290 400	152 511 000
<b>Total</b>	<b>267 739 150</b>	<b>243 418 500</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
The Municipality does not expect any significant changes to the level of grants.		
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	192 290 400	152 511 000
Vote 1 - Executive & Council	-	-
Vote 2 - Budget and Treasury	1 700 000	2 296 000
Vote 3 - Corporate admin	-	-
Vote 4 - Community Services	4 219 500	3 538 600
Vote 5 - Strategic Planning Development	-	460 889
Vote 6 - Infrastructure Planning & Development	69 529 250	84 612 010
<b>Total</b>	<b>267 739 150</b>	<b>243 418 500</b>
<b>25.01 Equitable Share</b>		
Opening Unspent Balance	-	-
Grants Received / (Repaid)	192 290 400	152 511 000
Transferred to Revenue - Operating	(192 290 400)	(152 511 000)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>25.02 Municipal Finance Management Grant</b>		
Opening Unspent Balance	-	-
Grants Received / (Repaid)	1 700 000	1 700 000
Transferred to Revenue - Operating	(1 700 000)	(1 700 000)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).		
<b>25.03 Integrated National Electrification Programme (INEP)</b>		
Opening Unspent Balance	-	-
Grants Received / (Repaid)	15 739 000	21 000 000
Transferred to Revenue - Operating	(15 739 000)	(21 000 000)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
The National Electrification Grant is used for electrical connections in previously disadvantaged areas.		
<b>25.04 Libraries Grant</b>		
Opening Unspent Balance	711 422	711 422
Grants Received / (Repaid)	750 000	750 000
Transferred to Revenue - Operating	(750 000)	(750 000)
Transferred to Revenue - Capital	(136 500)	-
<b>Closing Unspent Balance</b>	<b>574 922</b>	<b>711 422</b>
The Library Grant is used to pay the salaries of library staff.		



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>		
<b>25.05 Expanded Public Works Program (EPWP)</b>		
Opening Unspent Balance	94 400	-
Grants Received / (Repaid)	3 238 600	2 883 000
Transferred to Revenue - Operating	(3 333 000)	(2 788 600)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>94 400</b>
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
<b>25.06 Municipal Infrastructure Grant</b>		
Opening Unspent Balance	-	-
Grants Received / (Repaid)	38 228 000	38 948 000
Transferred to Revenue - Operating	(1 935 000)	(1 947 400)
Transferred to Revenue - Capital	(36 293 000)	(37 000 600)
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.		
<b>25.07 Energy Efficiency &amp; Demand Side Management</b>		
Opening Unspent Balance	-	(164 654)
Grants Received / (Repaid)	4 500 000	2 000 000
Transferred to Revenue - Operating	(4 500 000)	(1 835 346)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>
This grant is used for maintaining electrical infrastructure assets and street lights.		
<b>25.08 Premier's Office Grant</b>		
Opening Unspent Balance	(659 545)	(1 344 799)
Grants Received / (Repaid)	11 601 953	23 513 918
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	(11 062 250)	(22 828 664)
<b>Closing Unspent Balance</b>	<b>(119 842)</b>	<b>(659 545)</b>
This grant is utilised for the revitalization of Mt Fletcher Streets and electricity.		
<b>25.09 DEDEA Grant</b>		
Opening Unspent Balance	39 111	500 000
Grants Received / (Repaid)	-	-
Transferred to Revenue - Operating	-	(460 889)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>39 111</b>	<b>39 111</b>
This grant is utilised to build sheep shearing sheds for emerging farmers.		

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

2021 2020

### 25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

#### 25.10 Voter Station Grant

Opening Unspent Balance	1 360	1 360
Grants Received / (Repaid)	-	-
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>1 360</b>	<b>1 360</b>

This grant is used for maintenance of roads to voting stations

#### 25.11 Municipal Disaster Relief Grant

Opening Unspent Balance	-	-
Grants Received / (Repaid)	-	596 000
Transferred to Revenue - Operating	-	(596 000)
Transferred to Revenue - Capital	-	-
<b>Closing Unspent Balance</b>	<b>-</b>	<b>-</b>

This grant was utilised for the purchase of personal protective equipment in the fight against the COVID-19 pandemic.

#### 25.12 Total Grants

Opening Unspent Balance	186 748	(296 671)
Grants Received / (Repaid)	268 047 953	243 901 918
Transferred to Revenue - Operating	(220 247 400)	(183 589 235)
Transferred to Revenue - Capital	(47 491 750)	(59 829 264)
<b>Closing Unspent Balance</b>	<b>495 551</b>	<b>186 748</b>

Disclosed as follow:

- Receivables from non-exchange transactions - note 4	(119 842)	(659 545)
- Unspent Conditional Government Grants and Receipts - note 14	615 393	846 293

**Total** **495 551** **186 748**

### 26 ACTUARIAL GAINS

Post Retirement Medical Benefits	(122 160)	114 129
Long Service Awards	365 966	108 653
<b>Total</b>	<b>243 806</b>	<b>222 783</b>

### 27 FINES, PENALTIES AND FORFEITS

Traffic fines	370 800	202 600
Illegal connection fines	20 727	1 000
Pound Fees	82 579	321 155
Retention Forfeits	1 233 292	2 504 398
Unclaimed Monies	535 980	103 829
<b>Total</b>	<b>2 243 378</b>	<b>3 132 982</b>

In terms of the requirements of GRAP 23 and IGRAP 1, all traffic fines issued during the year less any cancellations or reductions identified are recognised as revenue.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>28 EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	74 612 406	70 193 278
Pension and UIF Contributions	13 197 432	12 292 285
Medical Aid Contributions	5 109 332	4 659 803
Overtime	3 179 856	3 465 636
Motor Vehicle Allowance	1 405 179	3 608 408
Cellphone Allowance	321 567	281 092
Housing Allowance	95 839	135 886
Other benefits and allowances	2 226 197	2 362 275
Acting Allowance	484 822	309 461
Bargaining Council	36 075	33 476
Other Allowances	160 711	99 493
Scarcity Allowance	269 813	330 135
Standby Allowance	1 274 777	1 589 710
Contributions to Employee Benefits	6 263 062	10 713 248
Bonuses	6 176 799	5 890 070
Staff Leave	1 521 335	2 923 568
Performance Bonus	(2 375 071)	1 065 337
Long Service Awards	940 000	834 273
Workmens Compensation Fund	588 725	607 999
<b>Total</b>	<b>106 999 595</b>	<b>108 319 910</b>
<b>Remuneration of Key Personnel</b>		
<b>Municipal Manager - K Gashi</b>		
Annual Remuneration	1 035 868	963 464
Car Allowance	183 397	256 915
Performance Bonuses	36 977	35 082
Contributions to UIF, Medical and Pension Funds	142 810	139 693
<b>Total</b>	<b>1 399 051</b>	<b>1 395 155</b>
<b>Director Corporate Services - SR Matubatuba</b>		
Annual Remuneration	940 000	953 176
Car Allowance	187 200	187 200
Performance Bonuses	-	38 924
Contributions to UIF, Medical and Pension Funds	1 813	1 785
<b>Total</b>	<b>1 129 013</b>	<b>1 181 085</b>
<b>Director Infrastructure Planning and Development - S Sako</b>		
Annual Remuneration	834 463	826 690
Car Allowance	177 140	183 348
Performance Bonuses	-	57 282
Contributions to UIF, Medical and Pension Funds	91 378	85 548
<b>Total</b>	<b>1 102 981</b>	<b>1 152 868</b>
<b>Chief Financial Officer - J Mdeni</b>		
Annual Remuneration	759 249	1 065 821
Car Allowance	110 000	137 300
Performance Bonuses	-	39 961
Contributions to UIF, Medical and Pension Funds	1 516	1 785
Leave Payout	-	99 871
<b>Total</b>	<b>870 765</b>	<b>1 344 738</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>28 EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<b>Director Strategic Planning and Economic Development - NC Eddie</b>		
Annual Remuneration	892 964	961 466
Car Allowance	187 200	187 200
Performance Bonuses	-	49 281
Contributions to UIF, Medical and Pension Funds	1 813	1 785
<b>Total</b>	<b>1 081 977</b>	<b>1 199 731</b>
<b>Director Community Services - L Kokose</b>		
Annual Remuneration	911 610	910 511
Car Allowance	180 000	180 000
Performance Bonuses	-	89 005
Contributions to UIF, Medical and Pension Funds	1 813	16 042
Arbitration Award	-	80 000
<b>Total</b>	<b>1 093 423</b>	<b>1 275 558</b>

### 29 REMUNERATION OF COUNCILLORS

Executive Mayor	905 259	905 259
Speaker	733 088	733 088
Councillors	8 940 353	8 905 039
Chief Whip	404 593	403 760
Executive Committee	1 617 931	1 614 598
<b>Total</b>	<b>12 601 224</b>	<b>12 561 744</b>

	Basic Salary	Cellphone Allowances	Total
<b>2021</b>			
Executive Mayor	864 459	40 800	905 259
Speaker	692 288	40 800	733 088
Councillors	7 838 753	1 101 600	8 940 353
Chief Whip	363 793	40 800	404 593
Executive Committee	1 454 731	163 200	1 617 931
<b>Total</b>	<b>11 214 024</b>	<b>1 387 200</b>	<b>12 601 224</b>
<b>2020</b>			
Executive Mayor	860 859	44 400	905 259
Speaker	688 688	44 400	733 088
Councillors	7 710 276	1 194 764	8 905 039
Chief Whip	359 360	44 400	403 760
Executive Committee	1 436 998	177 600	1 614 598
<b>Total</b>	<b>11 056 180</b>	<b>1 505 564</b>	<b>12 561 744</b>

The Mayor and Speaker are full-time. They are provided with secretarial support, office and a municipal motor vehicle at the cost of the Council.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

		2021	2020
<b>30</b>	<b>DEBT IMPAIRMENT</b>		
	Receivables from Exchange Transactions	12 801 013	14 467 615
	Receivables from Non-Exchange Transactions	3 349 666	5 664 900
		<u>16 150 680</u>	<u>20 132 515</u>
	VAT portion on provision for Debt Impairment	(957 676)	(899 325)
	<b>Total</b>	<b><u>15 193 003</u></b>	<b><u>19 233 190</u></b>
<b>31</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property, Plant and Equipment	28 166 793	28 108 714
	Investment Property	479 099	480 520
	Intangible assets	2 675	4 776
	Capitalised Restoration Cost (PPE)	1 168 408	1 055 375
		<u>29 816 975</u>	<u>29 649 385</u>
	<b>Total</b>	<b><u>29 816 975</u></b>	<b><u>29 649 385</u></b>
<b>32</b>	<b>FINANCE COST</b>		
	Employee Benefits	513 000	497 681
	Finance leases	113 746	90 916
	Interest on overdue accounts	1 720	50 448
	Landfill Site Provision	579 931	950 510
		<u>1 208 397</u>	<u>1 589 556</u>
	<b>Total</b>	<b><u>1 208 397</u></b>	<b><u>1 589 556</u></b>
<b>33</b>	<b>BULK PURCHASES</b>		
	Electricity	24 593 488	22 234 942
		<u>24 593 488</u>	<u>22 234 942</u>
	<b>Total</b>	<b><u>24 593 488</u></b>	<b><u>22 234 942</u></b>
<b>34</b>	<b>SALE OF GOODS/INVENTORY</b>		
	Inventory Consumed	774 190	483 240
		<u>774 190</u>	<u>483 240</u>
	<b>Total</b>	<b><u>774 190</u></b>	<b><u>483 240</u></b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>35 CONTRACTED SERVICES</b>		
Accounting and Auditing	2 409 776	3 951 651
Audit Committee	281 965	301 909
Catering Services	295 782	474 442
Dumping Sites	3 139 533	3 145 905
Electrical	19 754 836	21 162 613
Internal Audit	603 013	785 463
Legal Services	1 029 921	440 057
Licence Cards	178 461	121 581
Maintenance Services	9 457 753	6 969 144
Occupational Health and Safety	-	1 820 040
Organisational	3 779 339	4 222 910
Personnel and Labour	7 598 316	5 915 168
Professional Staff	1 818 850	1 297 482
Project Management	516 386	1 229 863
Research and Advisory	1 676 978	697 446
Safeguard and Security	5 256 397	3 596 968
Valuer and Assessors	60 030	5 012
Other Contracted Services	1 628 483	1 347 158
<b>Total</b>	<b>59 485 818</b>	<b>57 484 811</b>
<b>36 TRANSFERS AND SUBSIDIES</b>		
Indigent Support - Eskom Electricity	2 033 067	1 326 477
Indigent Support - Other Energy Sources	920 745	736 125
Elundini Cooperative Development Centre	1 092 000	1 092 000
Elundini Wool Shearing Sheds	-	460 889
<b>Total</b>	<b>4 045 812</b>	<b>3 615 491</b>
<b>37 GENERAL EXPENSES</b>		
Advertising Publicity and Marketing	1 338 835	1 474 122
External Audit Fees	3 218 461	5 292 338
Bank Charges	592 991	500 675
Commission Paid	805 999	1 721 936
Computer Services	4 292 536	2 629 211
Electricity - Eskom	2 368 532	2 140 027
Fuel and Oil	3 481 027	3 438 155
Insurance	1 714 160	1 144 581
Lease Rentals	795 285	1 070 344
Learnerships and Internships	179 514	201 827
Motor Vehicle Licences	419 417	393 760
Printing and Stationery	2 192 338	1 219 651
Protective Clothing	883 315	246 715
Skills Development Levy	831 356	797 745
Professional Bodies, Membership and Subscription	1 204 707	1 249 781
Telephone and Fax	1 752 302	1 782 229
Training	3 220 215	2 502 353
Travel and Subsistence	2 105 390	4 966 189
Ward Committees and Other Stipends	2 276 706	2 512 137
Other Sundries and Consumables	725 213	210 606
<b>Total</b>	<b>34 398 299</b>	<b>35 494 383</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

		2021	2020
<b>38</b>	<b>LOSS ON DISPOSAL NON-MONETARY ASSETS</b>		
	Cash Received	329 047	328 607
	Carrying value of assets disposed	(741 034)	(1 279 351)
	<b>Total</b>	<b>(411 987)</b>	<b>(950 744)</b>
<b>39</b>	<b>PRIOR PERIOD ADJUSTMENTS</b>		
<b>39.01</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	<b>Balance Previously Reported</b>		<b>462 717 321</b>
	Correction of Depreciation on Movable Assets		(398 275)
	Correction of Retention for Sub-contractors		1 366 743
	Transfer of infrastructure project from Work-in-progress to Completed - Cost		(10 903 841)
	Transfer of infrastructure project from Work-in-progress to Completed - Cost		10 903 841
	Transfer of infrastructure project from Work-in-progress to Completed - Accumulated Impairment		4 379 821
	Transfer of infrastructure project from Work-in-progress to Completed - Accumulated Impairment		(4 379 821)
	Correction of Depreciation on Infrastructure assets		816 335
	<b>Restated Balance on 30 June 2020</b>		<b>464 502 123</b>
<b>39.02</b>	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	<b>Balance Previously Reported</b>		<b>53 538 131</b>
	Correction of Retention for Sub-contractors		1 366 743
	Correction of Retention on INEP Projects		733 190
	<b>Restated Balance on 30 June 2020</b>		<b>55 638 063</b>
<b>39.03</b>	<b>ACCUMULATED SURPLUS</b>		
	<b>Balance Previously Reported</b>		<b>533 880 912</b>
	Corrections included in 2020 Statement of Financial Performance		418 059
	Corrections included in balance of 1 July 2019		(733 190)
	Correction of Retention on INEP Projects		(733 190)
	<b>Restated Balance on 30 June 2020</b>		<b>533 565 781</b>
<b>39.04</b>	<b>STATEMENT OF FINANCIAL PERFORMANCE</b>		
	<b>Surplus previously reported</b>		<b>34 715 723</b>
	Correction of Depreciation on Movable Assets		(398 275)
	Correction of Depreciation on Infrastructure assets		816 335
	Reallocate own electricity usage from Contracted Services to General Expenses		(2 140 027)
	Reallocate own electricity usage from Contracted Services to General Expenses		2 140 027
	<b>Restated Balance on 30 June 2020</b>		<b>35 133 782</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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	2021	2020
<b>40 NET CASH FROM OPERATING ACTIVITIES</b>		
Net Surplus for the year	62 530 110	35 133 782
Adjusted for:		
Non-cash revenue included in Net Surplus	(243 806)	(222 783)
Actuarial Gains	(243 806)	(222 783)
Non-cash expenditure included in Net Surplus	52 373 720	62 398 997
Employee Related Costs - Contributions towards	6 263 062	10 713 248
Long Service Awards	940 000	834 273
Performance Bonuses	(2 375 071)	1 065 337
Bonuses	6 176 799	5 890 070
Staff Leave	1 521 335	2 923 568
Debt Impairment	15 193 003	19 233 190
Depreciation and Amortisation	29 816 975	29 649 385
Finance Charges	1 092 931	1 448 191
Employee Benefits	513 000	497 681
Landfill Site Provision	579 931	950 510
Loss on disposal Monetary Assets	411 987	950 744
Current Provisions	(404 239)	404 239
Cash expenditure not included in Net Surplus	(7 194 698)	(7 012 672)
Post Retirement Medical Benefits	(131 160)	(126 401)
Long Service Awards	(264 034)	(364 742)
Performance Bonuses	(36 977)	(447 692)
Bonuses	(6 046 827)	(5 681 978)
Staff Leave	(715 700)	(391 859)
Operating Surplus before changes in working capital	107 465 325	90 297 325
Movement in working capital	(12 128 792)	(13 812 988)
Receivables from exchange transactions	(8 844 979)	(15 870 862)
Receivables from non-exchange transactions	(1 836 351)	(6 109 090)
Inventory	-	177 988
Payables from exchange transactions	185 570	4 590 634
Unspent Conditional Government Grants	(230 900)	(366 488)
Taxes	(1 402 132)	3 764 831
<b>Cash Flow from Operating Activities</b>	<b>95 336 532</b>	<b>76 484 337</b>

### 41 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

Call Accounts	99 403 715	77 052 646
Current Accounts	10 122 035	7 746 394
Cash on hand	994 871	448 272
Cash Floats	8 594	6 526
<b>Total</b>	<b>110 529 214</b>	<b>85 253 839</b>

Refer to note 6 for more details relating to cash and cash equivalents.



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 42 BUDGET COMPARISONS

#### 42.1 COMPARABLE BASIS

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

##### Statement of Financial Position

The Statement of Financial Position is presented on a comparable basis.

##### Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Insurance Receipts.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance, Operating Grant Expenditure, Fair Value Adjustments and Actuarial Losses.

##### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

#### 42.2 MATERIAL VARIANCES

##### Statement of financial position - Budget Adjustments

Items in the State of Financial Position were adjusted to take into account adjustments made to the operating and capital budget and also to align balances with the actual audit outcomes of 2019/20.

Accumulated Surplus was adjusted to take into account budget adjustments made to the Statement of Financial Performance.

##### Statement of financial position - Budget versus Actual

Current assets	Current assets was less than budget due to the balance of Consumer Debtors which was incorrectly populated in the final adjustment budget.
Non-current assets	Non-current assets was less than budget due to the current year's capital budget not spent in full.
Current liabilities	Current liabilities was more than budget due to the balances of Trade and Other Payables which were incorrectly populated in the final adjustment budget.
Non-current liabilities	Non-current liabilities was more than budget due to both Employee Benefits and Non-current Provisions being under budgeted.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 42 BUDGET COMPARISONS (CONTINUED)

#### Statement of financial performance - Budget Adjustments

All proposed adjustments based on actual figures available during mid-year performance assessment of the municipality. Main adjustments can be summarised as follow:

Service Charges	Revenue was reduced to take into account indigent relief and free basic services which were incorrectly budgeted for in the past as expenditure.
Transfers recognised - operational	Increase in the Equitable Share which is to be utilised for the loss of income as a result of the implementation of national lockdown levels.
Employee costs	Decrease due to prorating salaries for positions that were not filled immediately at the beginning of the year.
Depreciation and asset impairment	Increase in depreciation was done based on preliminary calculations of work-in-progress projects to be completed during course of year.
Contracted Services	Expenditure was decreased due to a decrease in the Integrated National Electrification Programme (INEP) and Energy Efficiency & Demand Side Management grant allocations.

#### Statement of financial performance - Budget versus Actual

Property Rates	Rebates were budgeted as expenditure rather than a deduction in revenue, resulting in the actual being less than budget.
Service Charges	Indigent Support included under Transfers and Grants as per note 36 was incorrectly disclosed in the budget, as the said expenditure was netted off from Services Charges rather being budgeted as a separate expenditure, resulting in the actuals being more than the budget.
Other own revenue	Roll over funds were budgeted as other income, resulting in the actuals being less than the budgeted amount.
Employee costs	Actuals was less than budget, due to the reversal of the Performance Bonus Provision which resulted in a credit expenditure balance.
Debt impairment	Item was not adequately budgeted for.
Contracted Services	Actuals were less than budget due to not all project concluded in the current year.
Transfers and grants	Item was not budgeted for. Refer to comment above for "Service Charges".
Other expenditure	Actuals less than budget due to less travelling due to COVID-19 and also savings on audit fees.
Transfers recognised - capital	Less expenditure was incurred for the Office of the Premier (OTP) project than anticipated.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 42 BUDGET COMPARISONS (CONTINUED)

#### Cash Flow Statement - Budget Adjustments

All proposed adjustments based on actual figures available during mid-year performance assessment of the municipality.

#### Cash Flow Statement - Budget versus Actual

Net Cash Flow from Operating Activities	Less cash outflow due to savings on underspending of "Contracted Services" and "Other Expenditure" as indicated above.
Net Cash Flow from Investing Activities	Not all capital projects were concluded resulting in a underspending of the budget.

### 43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 43.1 UNAUTHORISED EXPENDITURE

Unauthorised expenditure consist out of the following:

Opening Balance	20 370 364	-
Unauthorised expenditure current year - operating	-	19 845 149
Unauthorised expenditure current year - capital	-	525 215
Unauthorised expenditure written off by Council	(20 370 364)	-
<b>Unauthorised expenditure awaiting approval</b>	<b>-</b>	<b>20 370 364</b>

Unauthorised expenditure relates to expenditure in excess of the approved budget. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Variance analysis will be performed and submitted to Council to condone.

	2021 (Actual) R	2021 (Final Budget) R	2021 (Unauthorised) R	2020 (Unauthorised) R
<b>Unauthorised expenditure - Operating</b>				
Vote 1 - Executive & Council	43 891 545	55 862 195	-	-
Vote 2 - Budget and Treasury	45 955 392	64 095 952	-	19 845 149
Vote 3 - Corporate admin	32 613 633	39 409 390	-	-
Vote 4 - Community Services	47 451 195	52 339 380	-	-
Vote 5 - Strategic Planning Development	13 147 201	16 533 878	-	-
Vote 6 - Infrastructure Planning & Development	106 469 823	117 173 533	-	-
	<b>289 528 788</b>	<b>345 414 328</b>	<b>-</b>	<b>19 845 149</b>
<b>Unauthorised expenditure - Capital</b>				
Vote 1 - Executive & Council	2 487 810	2 673 458	-	-
Vote 2 - Budget and Treasury	4 166 201	8 045 088	-	525 215
Vote 3 - Corporate admin	2 631 162	7 679 005	-	-
Vote 4 - Community Services	2 945 634	4 551 426	-	-
Vote 5 - Strategic Planning Development	731 641	1 600 004	-	-
Vote 6 - Infrastructure Planning & Development	57 155 280	78 049 447	-	-
	<b>70 117 727</b>	<b>102 598 428</b>	<b>-</b>	<b>525 215</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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<b>43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>43.2 FRUITLESS AND WASTEFUL EXPENDITURE</b>		
Fruitless and wasteful expenditure consist out of the following:		
Opening Balance	102 578	-
Fruitless and wasteful expenditure incurred	7 000	627 861
Fruitless and wasteful expenditure to be recovered	(7 000)	(525 283)
Fruitless and wasteful expenditure written off by Council	-	-
<b>Fruitless and wasteful expenditure awaiting approval</b>	<b>102 578</b>	<b>102 578</b>

Details of Fruitless and wasteful expenditure incurred :

(a) SARS Penalties and Interest	-	50 448
(b) Repair to damages on a tipper truck	-	47 692
(c) Double payment made to X Madiwa	-	4 438
(d) Misrepresentations made by employees whereby insurance claim needs to be repaid to insurer	-	98 931
(e) Due to misrepresentation as per (d), 3rd party claim also not covered by insurer	-	305 308
(f) Cllr Pili studies	-	121 044
(g) Lost water tank	7 000	-
<b>Total</b>	<b>7 000</b>	<b>627 861</b>

Disciplinary steps have taken place whereby it has been resolved that R7 000 (2020 - R525 283) will be recovered.

### 43.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening Balance	1 988 897	1 273 547
Irregular expenditure incurred	12 688 105	31 022 164
Irregular expenditure to be recovered	(35 658)	(334 350)
Irregular expenditure written off by Council	(14 641 344)	(29 972 464)
<b>Irregular expenditure awaiting approval</b>	<b>-</b>	<b>1 988 897</b>

Irregular expenditure is disclosed exclusive of VAT.

Details of Irregular expenditure incurred :

(a) Incorrect calculations of Preferential Points during evaluation	-	1 616 289
(b) Breach of Regulation 29 , where there was less than 4 Senior Managers sitting in the BAC	12 125 163	28 239 328
(c) Policy not followed with appointment of employee	527 284	831 106
(d) Overpayment of exit benefits to Senior Manager	-	87 388
(e) Excess payment on approved total remuneration package of Senior Managers	35 658	246 962
(f) Councillor acted without authority in contract entered with supplier	-	1 092
<b>Total</b>	<b>12 688 105</b>	<b>31 022 164</b>

Number of incidents:

(a) Incorrect calculations of Preferential Points during evaluation	0	0
(b) Breach of Regulation 29 , where there was less than 4 Senior Managers sitting in the BAC	0	0
(c) Policy not followed with appointment of employee	0	0
(d) Overpayment of exit benefits to Senior Manager	0	1
(e) Excess payment on approved total remuneration package of Senior Managers	0	2
(f) Councillor acted without authority in contract entered with supplier	0	1
<b>Total</b>	<b>0</b>	<b>4</b>

After full investigation no one was found to have been negligent or acted with malicious intent and accordingly no disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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	2021	2020
<b>44 MATERIAL LOSSES</b>		
<b>Electricity distribution losses</b>		
- Units purchased (Kwh)	20 456 910	20 135 935
- Units sold (Kwh)	15 792 890	14 523 614
- Units lost during distribution (Kwh)	4 664 019	5 612 321
- Percentage lost during distribution	22.80%	27.87%
- Average Cost per Kwh unit (excl VAT)	0.94	0.86
- Rand Value of Loss	4 388 582	4 848 703

The root causes of these losses are technical and administrative in nature. Technical losses are distribution network electrical losses inherent in the physical delivery of electric energy. It includes conductor losses, transformer core losses, and potential/current coils in metering equipment. Administrative losses includes distribution network losses that accounts for the electric energy used by the distribution utility in the proper operation of the distribution network.

The comparative average cost per Kwh (excl VAT) has been restated from R1.10 to R0.86, due to a more accurate cost per Kwh rate which was calculated during the current year.

### 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 45.1 Salga Contributions [MFMA 125 (1)(b)]

Opening balance	-	-
Expenditure incurred	1 177 589	1 157 473
Refund and discount received	(577 350)	-
Payments	(600 239)	(1 157 473)
<b>Outstanding Balance</b>	<b>-</b>	<b>-</b>

#### 45.2 Audit Fees [MFMA 125 (1)(c)]

Opening balance	4 597	-
Expenditure incurred	3 701 230	6 086 125
External Audit Fees	3 218 461	5 292 338
VAT on External Audit Fees	482 769	793 787
Payments	(3 699 376)	(6 081 527)
<b>Outstanding Balance</b>	<b>6 452</b>	<b>4 597</b>

#### 45.3 VAT [MFMA 125 (1)(c)]

Opening balance	1 214 725	2 955 429
Movement during the year	1 974 548	(1 740 705)
<b>Outstanding Balance</b>	<b>3 189 273</b>	<b>1 214 725</b>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

#### 45.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Opening balance	1 537 246	1 412 461
Payments due to SARS	18 760 567	18 739 533
Payments	(18 753 901)	(18 614 748)
<b>Outstanding Balance</b>	<b>1 543 912</b>	<b>1 537 246</b>

#### 45.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]

Opening balance	(5 729)	-
Payments due to pension fund and medical aid	28 294 218	26 333 279
Payments	(28 294 973)	(26 339 008)
<b>Outstanding Balance</b>	<b>(6 485)</b>	<b>(5 729)</b>

#### 45.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June:

L S Ndamndum	468	-
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#### 45.7 QUOTATIONS AWARDED - DEVIATIONS FROM SCM

Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:

Section 36(1)(a)(i) - Emergencies	2 921	541 397
Section 36(1)(a)(ii) - Single Provider	-	-
Section 36(1)(a)(iii) - Specialised Services	-	-
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical to follow official procurement process	4 119 202	3 041 369
<b>Total</b>	<b>4 122 123</b>	<b>3 582 766</b>

Municipal Manager Office	203 205	187 972
Budget and Treasury Office	1 194 000	872 501
Infrastructure Planning and Development	1 563 127	1 121 549
Corporate Services	481 108	708 169
Community Services	533 395	416 129
Strategic Planning and Development	147 288	276 446
<b>Total</b>	<b>4 122 123</b>	<b>3 582 766</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

#### 45.8 TRANSACTIONS IN TERMS OF SECTION 45 OF THE MUNICIPAL SUPPLY CHAIN REGULATIONS

Section 45 of the Municipal Supply Chain Management regulations requires the disclosure of particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months. The following transactions are disclosed in this regard:

<u>Company name</u>	<u>Relationship to the person of the state (Position)</u>		
Isiphile Trading 2013	Family to N Thuli (Chief Buyer )	212 060	141 950
Abojali Developers Enterprise	Sibling to N Ntaka (Intern - BTO)	-	129 408
K201248808/Siphesihle Trading	Daughter of M Sahlulo (Registry Clerk)	-	2 250
Mfana 83 Trading	Spouse of Z Mbana (Clerk - Expenditure )	10 580	9 180
Imbokodo Women Trading Enterprise	Mother of F Chaka (Senior Enatis Clerk)	4 620	37 250
ITY Trading	Sibling of N Pula (Cleaner/Parks and amenities)	-	8 050
Kumnkani Electrical	Spouse of Pelloza Mpeqeka (Eskom)	-	165 061
Munsoft	Spouse of Mary Renani (Department of Justice)	7 172 256	7 084 314
Hle'ukhanye	Ziphele Nqabeni (ECDC Administration)	-	32 500
Kolata	Spouse of S Dumeko (Relations Practitioner)	-	12 500
Kolata	Interest in other related company Changing Lives Collect a Can Multi Purpose where LC Nxelana (Cleaner) and L Klass (Special Programme Coordinator) are directors		
Bhungane Mthimkhulu	Interest in other related company Olundini Group 20 where SJT Magadla (Councillor) is a director	-	11 500
Sbhekuza Development and Projects	Spouse of N Nkani (Contract Officer)	7 705	-
Sandile Business	Spouse of Z Mxinwa (Nyandeni Local Municipality)	62 260	-
SMS ICT Choice	Spouse of N Majula (Dep of Human Settlements)	55 043	
<b>Total</b>		<b>7 524 524</b>	<b>7 633 963</b>

### 46 CAPITAL COMMITMENTS

Approved and contracted for - Infrastructure	<b>21 835 635</b>	<b>36 943 728</b>
This expenditure will be financed from:		
Own Revenue	4 619 893	724 737
Municipal Infrastructure Grant	7 631 641	15 878 335
Office of the Premier Grant (OTP)	9 584 101	20 340 656
<b>Total</b>	<b>21 835 635</b>	<b>36 943 728</b>

### 47 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

#### 47.1 Credit Risk

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

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	109 525 750	84 799 041
Receivables from exchange transactions	6 461 789	10 417 823
<b>Total</b>	<b>115 987 539</b>	<b>95 216 864</b>

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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### 47 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Cash and Cash Equivalents and Non-Current Investments

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

#### Receivables

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due.

Refer to notes 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be past due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are past due, but not impaired:

1 month past due	685 567	689 561
2 months past due	573 390	542 975
3 months past due	346 624	481 743
4 months past due	265 350	358 727
5 months past due	288 180	346 230
6 - 12 months past due	919 676	1 515 605
More than 1 year past due	821 588	2 763 800
<b>Total</b>	<b>3 900 375</b>	<b>6 698 641</b>

#### Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

### 47.2 Currency risk (Market Risk)

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

The financial instruments of the municipality is not directly exposed to any currency risk.



# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

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<b>47 FINANCIAL RISK MANAGEMENT (CONTINUED)</b>		
<b>47.3 Interest rate risk (Market Risk)</b>		
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.		
The following balances are exposed to interest rate fluctuations:		
Cash and Cash Equivalents (Excluding Cash on Hand)	109 525 750	84 799 041
Long-term Liabilities (Including Current Portion)	-	-
<b>Net balance exposed</b>	<b><u>109 525 750</u></b>	<b><u>84 799 041</u></b>
Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.		
Potential effect of changes in interest rates on surplus and deficit for the year/period:		
0.5% (2020 - 0.5%) increase	547 629	423 995
0.5% (2020 - 0.5%) decrease	(547 629)	(423 995)

A slowdown in Local and International economic activity (due to the COVID-19 pandemic) have prompted the Reserve Bank to cut interest rates during the financial year to support the economy. Management does not foresee significant interest rate movements the next 12 months.

### 47.4 Liquidity risk

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

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

	PAYABLE			
	Within 1 Year	Two to five years	After five years	Total
<b>30 JUNE 2021</b>				
Finance Leases	327 114	156 066	-	483 180
Payables from exchange transactions	55 403 418	-	-	55 403 418
<b>Total</b>	<b><u>55 730 532</u></b>	<b><u>156 066</u></b>	<b><u>-</u></b>	<b><u>55 886 598</u></b>
<b>30 JUNE 2020</b>				
Finance leases	402 025	483 180	-	885 205
Payables from exchange transactions	53 885 965	-	-	53 885 965
<b>Total</b>	<b><u>54 287 991</u></b>	<b><u>483 180</u></b>	<b><u>-</u></b>	<b><u>54 771 171</u></b>

### 47.5 Other price risk (Market Risk)

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

The municipality is not exposed to any other price risk.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>48 FINANCIAL INSTRUMENTS</b>		
The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)		
<u>Financial Assets</u>		
Cash and Cash Equivalents	109 525 750	84 799 041
Receivables from exchange transactions	6 461 789	10 417 823
<b>Total</b>	<b>115 987 539</b>	<b>95 216 864</b>
<u>Financial Liabilities</u>		
Finance Leases (Current Portion)	269 728	288 280
Payables from exchange transactions	55 403 418	53 885 965
Finance leases	147 486	417 214
<b>Total</b>	<b>55 820 632</b>	<b>54 591 459</b>
<b>49 STATUTORY RECEIVABLES</b>		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Property Rates	7 761 248	8 747 206
Traffic Fines	-	-
<b>Total</b>	<b>7 761 248</b>	<b>8 747 206</b>
The amounts above are disclosed after any provision for impairment has been taken into account.		
Property Rates are levied in term of the Municipal Property Rates Act, 2004 (Act 6 of 2004). Refer to note 24 for property rates levied for the year and basis for interest and rate used on outstanding balances.		
Traffic Fines are issued in terms of the Criminal Procedure Act, 1977. Refer to note 27 for traffic fines issued for the year. No interest is levied on outstanding traffic fines.		
Refer to note 4 for determining the recoverability of property rates and traffic fines.		
Statutory receivables past due at the reporting date, and which have been impaired:		
Property Rates	14 793 672	12 437 145
Traffic Fines	3 291 914	2 943 664
<b>Total</b>	<b>18 085 586</b>	<b>15 380 809</b>
Statutory receivables that are past due that have not been impaired:		
Property Rates	7 735 923	8 747 206
Traffic Fines	-	-
<b>Total</b>	<b>7 735 923</b>	<b>8 747 206</b>
<b>50 EVENTS AFTER REPORTING DATE</b>		
The Municipal had no significant events after reporting date.		

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

<i>Figures in Rand</i>	2021	2020
<b>51 IN-KIND DONATIONS AND ASSISTANCE</b>		
No in-kind donations and assistance were received by the Municipality during the 2020/2021 financial year.		
<b>52 PRIVATE PUBLIC PARTNERSHIPS (PPP's)</b>		
Council entered into a Private Public Partnership (PPP) with Interwaste (Pty) Ltd ("Operator") on 30 May 2013.		
In terms of the PPP the Operator will be responsible for the maintenance and operation of the landfill sites in Ugie and Maclear, as well as Mt Fletcher from 2015/16. The Municipality is still responsible for the collection of refuse at the consumers' premises.		
The duration of the contract is 10 years and future estimated payments (including VAT) are set out below:		
<b>Year</b>		<b>Amount Payable</b>
2021/22		6 414 297
2022/23		6 679 164
In terms of the PPP, the Operator is required to provide their own movable assets in order to fulfil their function. The PPP does make provision for the transfer of the movable assets to the Municipality at the end of the contract. The Operator is not required to build any new assets, but only to maintain the current assets belonging to the Municipality.		
The performance of the Private Company is reviewed on an annual basis. The contract may be terminated based on non-performance. There is also no renewal clause after the 10 years.		
During the year under review there were no changes to the service concession arrangement, nor were that any contract breaches identified.		
<b>53 CONTINGENT LIABILITIES</b>		
Council have the following contingent liabilities:		
<b>53.01</b> A company was contracted to do road repairs in Maclear, but failed to do work to satisfaction of the Municipality. The Municipality rightfully retained a certain percentage of the retention fee amounting to an estimate of R950,000. The plaintiff is suing the Municipality for the retention fees. The Municipality has defended the action. The Municipality is now awaiting for its attorneys to give a response to the claim (Plea).	950 000	950 000
<b>53.02</b> A contractor failed to fulfil its contractual obligations and therefore the Municipality, after following due process, terminated the contract in March 2014. A Summons was received on 23 September 2014 claiming for loss of profit of the said termination amounting to R1,250,000. The matter is still pending before the Mthatha High Court as it has been postponed on various occasions.	1 250 000	1 250 000
<b>53.03</b> A contractor was appointed to construct an access road and was paid off as per the terms of the contract. Subsequent to the work performed, the contractor submitted a claim alleging to have performed additional work for which the municipality has not paid. The Municipality has refused to pay the amounts claimed as the work allegedly performed cannot be verified and was also not authorised. The contractor has approached a court of law to demand payment and the municipality is defending the action. The matter was withdrawn in court by the Contractor on the 23 November 2020.	-	961 156

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

	2021	2020
<b>53 CONTINGENT LIABILITIES (CONTINUED)</b>		
<b>53.04</b> A notice of motion and founding affidavit has been lodged with the Labour Court in Port Elizabeth on 29 October 2018 by a former employee of the municipality, seeking to be reinstated to his position with effect from the date of dismissal. The municipality is defending the matter and the matter is awaiting a set down. In its defence, the municipality had raised special pleas against the application, which were heard on the 16 July 2020, and were accepted by the Labour Court and thus rendering the matter moot. The former employee has since noted an appeal against the labour court judgement and the appeal was dismissed.	-	1 676 688
<b>53.05</b> Summons have been served on the Municipality in relation to injuries suffered by the plaintiff who fell into a ditch in a municipal road that was being constructed by the municipality. The Municipality is defending the matter.	3 035 000	3 035 000
<b>53.06</b> Summons were served to the Municipality in relation to non payment of services rendered to the Municipality by the attorneys and the municipality requested that the bill of costs be taxed as the Municipality was of the view that the bill was excessive. The attorneys failed to tax the bill and issued summons for non payment.	103 371	103 371
<b>53.07</b> Summons were served to the Municipality in relation to non payment of services alleged to be rendered to the Municipality by the travelling agent. The Municipality is defending the matter.	268 268	268 268
<b>53.08</b> An employee of the Municipality was dismissed pursuant to a disciplinary hearing. The employee approached the Bargaining Council and the Commissioner reinstated the employee. The Municipality has approached the labour court in Gqeberha seeking to set aside the determination made by the Commissioner. The matter is pending before the labour court. Should the Municipality be unsuccessful in its bid, an amount of R381 903 will be payable to the employee.	381 903	-
<b>Total estimated Contingent Liabilities</b>	<b>5 988 542</b>	<b>8 244 483</b>

### 54 RELATED PARTIES

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public.

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

#### 54.1 Related Party Loans

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

#### 54.2 Compensation of Management Personnel

Remuneration of related parties are disclosed in notes 28 and 29.

#### 54.3 Joe Gqabi Economic Development Agency (SoC) Ltd - (JoGEDA)

The Municipal Manager is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

2021

2020

### 55 IMPACT OF COVID-19 AND FINANCIAL SUSTAINABILITY

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

Cost incurred in the fight against the COVID-19 pandemic

8 168 842	692 728
-----------	---------

The above-mentioned expenditure was funded as follow:

Municipal Disaster Relief Grant

-	596 000
---	---------

Additional Equitable Share allocation

8 168 842	-
-----------	---

Own Funding

-	96 728
---	--------

Total

8 168 842	692 728
-----------	---------

### 56 PRINCIPAL-AGENT ARRANGEMENTS

The Municipality has assessed that the following significant principal-agent arrangements exists:

#### 56.1 Department of Transport

The Municipality acts as an agent for the Department of Transport and manages the issuing of vehicle licences for a commission.

The following transactions were undertaken as part of principle-agent arrangement:

Revenue collected from third parties on behalf of the Department

10 995 072	7 164 498
------------	-----------

Commission earned on vehicle registrations as per note 22

2 244 009	1 300 389
-----------	-----------

Collections payable to the Department at year-end

313 055	760 647
---------	---------

### 57 NON-LIVING RESOURCES

Other than land, the Municipality identified an aquifer as the only non-living resource of which the water is being extracted with the use of a 150 meter borehole.

### 58 SEGMENT REPORTING

#### 58.1 General Information

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. 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.

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

No	Reportable Segment	Goods and/or services delivered
1	Governance and Administration	Supply of overall governance and administrative services to the segments below
2	Community Services	Halls, cemeteries, parks, tourism and library services
3	Electricity	Electricity services
4	Public Safety	Traffic control and animal pounds
5	Planning and development	Town planning, building control and project management unit
6	Roads	Construction and maintenance of roads and storm water
7	Refuse Removal	Refuse removal

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

Figures in Rand

2021

2020

### 58 SEGMENT REPORTING (CONTINUED)

#### 58.2 Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

#### 58.3 Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical area.

#### 58.4 Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed on the following page.

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 58 SEGMENT REPORTING (CONTINUED)

	Governance and Administration	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse Removal	Total
<b>2021</b>								
<b>REVENUE</b>								
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>9 421 789</b>	<b>85 693</b>	<b>38 101 068</b>	<b>3 907 457</b>	<b>152 562</b>	-	<b>5 883 751</b>	<b>57 552 320</b>
Service Charges	-	-	36 490 488	-	-	-	5 883 751	42 374 239
Rental of Facilities and Equipment	(5 159)	47 159	1 610 580	-	-	-	-	1 652 580
Investment Revenue	8 240 957	-	-	-	-	-	-	8 240 957
Licences and Permits	47 837	-	-	3 907 457	-	-	-	3 955 294
Other Income	1 138 154	38 534	-	-	152 562	-	-	1 329 250
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>223 699 301</b>	<b>886 500</b>	<b>20 259 727</b>	<b>370 800</b>	<b>1 935 000</b>	<b>47 355 250</b>	-	<b>294 506 578</b>
Property Rates	23 767 154	-	-	-	-	-	-	23 767 154
Government Grants and subsidies	197 323 400	886 500	20 239 000	-	1 935 000	47 355 250	-	267 739 150
Actuarial Gains	243 806	-	-	-	-	-	-	243 806
Fines, Penalties and Forfeits	1 851 851	-	20 727	370 800	-	-	-	2 243 378
Insurance Refunds	513 090	-	-	-	-	-	-	513 090
<b>TOTAL REVENUE</b>	<b>233 121 090</b>	<b>972 193</b>	<b>58 360 795</b>	<b>4 278 257</b>	<b>2 087 562</b>	<b>47 355 250</b>	<b>5 883 751</b>	<b>352 058 898</b>
<b>EXPENDITURE</b>								
Employee Related Costs	55 930 181	7 254 869	6 652 014	9 437 355	5 595 042	9 688 804	12 441 330	106 999 595
Remuneration of Councillors	12 601 224	-	-	-	-	-	-	12 601 224
Debt Impairment	6 372 440	-	4 223 891	348 250	-	-	4 248 422	15 193 003
Depreciation and Amortisation	5 430 388	-	1 937 543	-	-	22 449 044	-	29 816 975
Impairment Loss	-	-	-	-	-	-	-	-
Finance Cost	628 465	-	-	-	-	-	579 931	1 208 396
Bulk Purchases	-	-	24 593 488	-	-	-	-	24 593 488
Sale of goods/Inventory	512 844	-	261 346	-	-	-	-	774 190
Contracted Services	27 085 276	333 081	20 924 005	372 955	1 311 469	4 971 146	4 487 887	59 485 819
Transfers and Subsidies	1 096 441	-	2 949 372	-	-	-	-	4 045 813
General Expenses	28 475 735	323 466	560 253	389 821	657 448	3 128 639	862 937	34 398 299
Actuarial Losses	-	-	-	-	-	-	-	-
Loss on disposal Non-Monetary Assets	411 987	-	-	-	-	-	-	411 987
<b>TOTAL EXPENDITURE</b>	<b>138 544 981</b>	<b>7 911 416</b>	<b>62 101 912</b>	<b>10 548 381</b>	<b>7 563 959</b>	<b>40 237 633</b>	<b>22 620 507</b>	<b>289 528 789</b>
<b>SURPLUS FOR THE YEAR</b>	<b>94 576 109</b>	<b>(6 939 223)</b>	<b>(3 741 117)</b>	<b>(6 270 124)</b>	<b>(5 476 397)</b>	<b>7 117 617</b>	<b>(16 736 756)</b>	<b>62 530 109</b>
<b>CAPITAL EXPENDITURE</b>	10 228 204	136 500	5 931 047	-	-	51 016 069	2 805 907	70 117 727

# ELUNDINI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

### 58 SEGMENT REPORTING (CONTINUED)

	Governance and Administration	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse Removal	Total
<b>2020</b>								
<b>REVENUE</b>								
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>9 260 154</b>	<b>86 674</b>	<b>34 699 189</b>	<b>2 032 188</b>	<b>87 589</b>	<b>4 427 330</b>	<b>5 469 134</b>	<b>56 062 258</b>
Service Charges	-	-	32 984 762	-	-	-	5 469 157	38 453 919
Rental of Facilities and Equipment	13 169	66 384	1 735 627	-	-	4 427 330	-	6 242 510
Investment Revenue	8 531 763	-	(20 993)	-	-	-	(23)	8 510 747
Licences and Permits	53 067	-	-	2 032 188	-	-	-	2 085 255
Other Income	662 155	20 290	(207)	-	87 589	-	-	769 827
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>182 618 911</b>	<b>750 000</b>	<b>25 340 744</b>	<b>202 600</b>	<b>-</b>	<b>61 776 664</b>	<b>-</b>	<b>270 688 919</b>
Property Rates	23 914 655	-	-	-	-	-	-	23 914 655
Government Grants and subsidies	158 056 489	750 000	22 835 346	-	-	61 776 664	-	243 418 499
Actuarial Gains	222 783	-	-	-	-	-	-	222 783
Fines, Penalties and Forfeits	424 984	-	2 505 398	202 600	-	-	-	3 132 982
<b>TOTAL REVENUE</b>	<b>191 879 065</b>	<b>836 674</b>	<b>60 039 933</b>	<b>2 234 788</b>	<b>87 589</b>	<b>66 203 994</b>	<b>5 469 134</b>	<b>326 751 177</b>
<b>EXPENDITURE</b>								
Employee Related Costs	68 895 919	8 553 869	5 746 399	939 053	4 630 950	8 729 298	10 824 422	108 319 910
Remuneration of Councillors	12 561 744	-	-	-	-	-	-	12 561 744
Debt Impairment	9 585 236	-	4 187 766	151 850	-	-	5 308 338	19 233 190
Depreciation and Amortisation	9 489 723	-	1 926 535	-	-	18 233 127	-	29 649 385
Finance Cost	639 046	-	-	-	-	-	950 510	1 589 556
Bulk Purchases	-	-	22 234 942	-	-	-	-	22 234 942
Sale of goods/Inventory	182 146	4 621	229 483	-	-	36	66 955	483 241
Contracted Services	26 167 470	683 807	22 127 475	280 380	296 912	4 025 474	3 903 293	57 484 811
Transfers and Subsidies	2 635 220	-	980 271	-	-	-	-	3 615 491
General Expenses	30 483 463	67 147	354 617	380 969	936 559	2 458 251	813 376	35 494 382
Loss on disposal Non-Monetary Assets	950 744	-	-	-	-	-	-	950 744
<b>TOTAL EXPENDITURE</b>	<b>161 590 711</b>	<b>9 309 444</b>	<b>57 787 488</b>	<b>1 752 252</b>	<b>5 864 421</b>	<b>33 446 186</b>	<b>21 866 894</b>	<b>291 617 396</b>
<b>SURPLUS FOR THE YEAR</b>	<b>30 288 354</b>	<b>(8 472 770)</b>	<b>2 252 445</b>	<b>482 536</b>	<b>(5 776 832)</b>	<b>32 757 808</b>	<b>(16 397 760)</b>	<b>35 133 781</b>
<b>CAPITAL EXPENDITURE</b>	<b>4 880 991</b>	<b>-</b>	<b>3 681 768</b>	<b>-</b>	<b>-</b>	<b>59 544 832</b>	<b>1 123 130</b>	<b>69 230 721</b>



# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2021

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2020 R	RECEIVED DURING PERIOD R	REDEEMED DURING PERIOD R	CLOSING BALANCE 30 JUNE 2021 R
<b>LEASE LIABILITIES</b>						
Xerox C8055	19,68%	2021/08/31	46 515	-	(39 205)	7 311
Xerox C8055	19,68%	2021/08/31	46 515	-	(39 205)	7 311
Xerox C8035	19,68%	2022/12/31	63 990	-	(21 927)	42 063
Xerox C8035	19,68%	2022/12/31	63 990	-	(21 927)	42 063
Xerox C8035	19,68%	2022/12/31	63 990	-	(21 927)	42 063
Riso GD9630	19,68%	2022/12/31	411 423	-	(140 981)	270 442
Xerox B405	19,68%	2022/12/31	9 069	-	(3 108)	5 961
<b>Total Lease Liabilities</b>			<b>705 493</b>	<b>-</b>	<b>(288 280)</b>	<b>417 214</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX B (UNAUDITED)

### DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2021

	Restated balance 1 July 2020	Contributions during the period	Operating Expenditure transferred to revenue (OPERATING)	Capital Expenditure transferred to revenue (CAPITAL)	Balance 30 June 2021	Unspent 30 June 2021 (Creditor)	Unpaid 30 June 2021 (Debtor)
	R	R	R	R	R	R	R
<b>NATIONAL GOVERNMENT</b>							
Equitable Share	-	192 290 400	(192 290 400)	-	-	-	-
Municipal Infrastructure Grant	-	38 228 000	(1 935 000)	(36 293 000)	-	-	-
Integrated National Electrification Programme (INEP)	-	15 739 000	(15 739 000)	-	-	-	-
Municipal Finance Management Grant	-	1 700 000	(1 700 000)	-	-	-	-
Expanded Public Works Program (EPWP)	94 400	3 238 600	(3 333 000)	-	-	-	-
Energy Efficiency & Demand Side Management	-	4 500 000	(4 500 000)	-	-	-	-
<b>Total</b>	<b>94 400</b>	<b>255 696 000</b>	<b>(219 497 400)</b>	<b>(36 293 000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROVINCIAL GOVERNMENT</b>							
Libraries Grant	711 422	750 000	(750 000)	(136 500)	574 922	574 922	-
Premier's Office Grant	(659 545)	11 601 953	-	(11 062 250)	(119 842)	-	(119 842)
<b>Total</b>	<b>51 877</b>	<b>12 351 953</b>	<b>(750 000)</b>	<b>(11 198 750)</b>	<b>455 080</b>	<b>574 922</b>	<b>(119 842)</b>
<b>OTHER GRANT PROVIDERS</b>							
Voter Station Grant	1 360	-	-	-	1 360	1 360	-
DEDEA Grant	39 111	-	-	-	39 111	39 111	-
<b>Total</b>	<b>40 471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40 471</b>	<b>40 471</b>	<b>-</b>
<b>ALL SPHERES GOVERNMENT</b>	<b>186 748</b>	<b>268 047 953</b>	<b>(220 247 400)</b>	<b>(47 491 750)</b>	<b>495 551</b>	<b>615 393</b>	<b>(119 842)</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL OUTCOME	BUDGET VARIANCE	RESTATED OUTCOME
	2021	2021	2021	2021	2021	2020
	R	R	R	R	R	R
<b>Financial Performance</b>						
Property rates	31 309 000	70	31 309 070	23 767 154	(7 541 916)	23 914 655
Service charges	43 435 915	(5 819 247)	37 616 668	42 374 239	4 757 571	38 453 919
Investment revenue	4 707 000	-	4 707 000	4 820 920	113 920	5 418 776
Transfers and subsidies - operational	193 330 150	27 512 938	220 843 088	220 247 400	(595 688)	183 589 235
Other own revenue	41 958 948	(1 998 875)	39 960 073	13 357 435	(26 602 638)	15 545 329
<b>Total Operating Revenue (excluding capital transfers)</b>	<b>314 741 013</b>	<b>19 694 886</b>	<b>334 435 899</b>	<b>304 567 148</b>	<b>(29 868 751)</b>	<b>266 921 913</b>
Employee costs	120 570 293	(7 057 000)	113 513 293	106 999 595	(6 513 698)	108 319 910
Remuneration of councillors	13 192 806	-	13 192 806	12 601 224	(591 582)	12 561 744
Debt impairment	5 145 595	-	5 145 595	15 193 003	10 047 408	19 233 190
Depreciation and asset impairment	33 000 000	10 402 974	43 402 974	29 816 975	(13 585 999)	29 649 385
Finance charges	208 543	-	208 543	1 208 397	999 854	1 589 556
Bulk purchases	23 000 000	-	23 000 000	24 593 488	1 593 488	22 234 942
Other Materials	1 759 390	484 497	2 243 887	774 190	(1 469 697)	483 240
Contracted Services	97 828 831	(12 264 101)	85 564 730	59 485 818	(26 078 912)	57 484 811
Transfers and grants	-	-	-	4 045 812	4 045 812	3 615 491
Other expenditure	58 180 317	962 183	59 142 500	34 398 299	(24 744 201)	35 494 383
Loss on disposal of PPE	-	-	-	411 987	411 987	950 744
<b>Total Expenditure</b>	<b>352 885 775</b>	<b>(7 471 447)</b>	<b>345 414 328</b>	<b>289 528 788</b>	<b>(55 885 540)</b>	<b>291 617 396</b>
<b>Surplus/(Deficit)</b>	<b>(38 144 762)</b>	<b>27 166 333</b>	<b>(10 978 429)</b>	<b>15 038 359</b>	<b>26 016 788</b>	<b>(24 695 483)</b>
Transfers and subsidies - capital (monetary)	51 288 000	(475 150)	50 812 850	47 491 750	(3 321 100)	59 829 264
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>13 143 238</b>	<b>26 691 183</b>	<b>39 834 421</b>	<b>62 530 109</b>	<b>22 695 688</b>	<b>35 133 781</b>
<b>Capital expenditure &amp; funds sources</b>						
Capital expenditure	88 783 885	13 814 543	102 598 428	70 117 727	(32 480 701)	69 230 721
Transfers recognised - capital	51 287 850	(474 999)	50 812 851	41 432 335	(9 380 516)	55 873 045
Borrowing	-	-	-	-	-	-
Internally generated funds	37 496 035	14 289 542	51 785 577	28 685 392	(23 100 185)	13 357 676
<b>Total sources of capital funds</b>	<b>88 783 885</b>	<b>13 814 543</b>	<b>102 598 428</b>	<b>70 117 727</b>	<b>(32 480 701)</b>	<b>69 230 721</b>
<b>Cash flows</b>						
Net cash from (used) operating	63 978 452	(67 809 159)	(3 830 707)	95 336 532	99 167 239	76 484 337
Net cash from (used) investing	(74 920 425)	(27 678 003)	(102 598 428)	(69 788 680)	(32 809 748)	(68 199 115)
Net cash from (used) financing	-	-	-	(272 478)	(272 478)	(156 295)
Net Cash Movement for the year	(10 941 973)	(95 487 162)	(106 429 135)	25 275 374	131 704 509	8 128 927
Cash/cash equivalents at beginning of year	90 535 000	99 153 599	189 688 599	85 253 839	(104 434 760)	77 124 912
<b>Cash/cash equivalents at the year end</b>	<b>79 593 027</b>	<b>3 666 437</b>	<b>83 259 464</b>	<b>110 529 214</b>	<b>27 269 750</b>	<b>85 253 840</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL OUTCOME	BUDGET VARIANCE	RESTATED OUTCOME
	2021	2021	2021	2021	2021	2020
	R	R	R	R	R	R
<b>REVENUE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>						
Executive and council	-	-	-	65 229	65 229	-
Finance and administration	223 602 288	31 012 600	254 614 888	229 726 534	(24 888 354)	188 629 575
<b>Community and public safety</b>						
Community and social services	4 860 862	(53 000)	4 807 862	4 301 520	(506 342)	3 625 274
Sport and recreation	22 317	(0)	22 317	-	(22 317)	-
Public safety	2 876 918	1	2 876 919	4 278 257	1 401 338	2 234 788
<b>Economic and environmental services</b>						
Planning and development	2 601 180	-	2 601 180	2 087 562	(513 618)	548 478
Road transport	59 120 311	(8 307 461)	50 812 850	47 355 250	(3 457 600)	66 203 995
<b>Trading services</b>						
Energy sources	65 481 667	(3 432 394)	62 049 273	58 360 795	(3 688 478)	60 039 934
Waste management	7 463 460	-	7 463 460	5 883 751	(1 579 709)	5 469 134
<b>Total Revenue - Standard</b>	<b>366 029 004</b>	<b>19 219 745</b>	<b>385 248 749</b>	<b>352 058 898</b>	<b>(33 189 851)</b>	<b>326 751 178</b>
<b>EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>						
Executive and council	57 673 875	(1 811 680)	55 862 195	43 891 545	(11 970 650)	42 894 250
Finance and administration	102 877 532	627 810	103 505 342	78 569 025	(24 936 317)	104 426 232
<b>Community and public safety</b>						
Community and social services	7 228 243	100 458	7 328 701	7 308 982	(19 719)	5 683 782
Sport and recreation	9 672 023	(764 596)	8 907 427	6 973 325	(1 934 102)	8 445 405
Public safety	12 367 274	31 041	12 398 315	10 548 381	(1 849 934)	1 752 252
<b>Economic and environmental services</b>						
Planning and development	18 759 722	(2 225 844)	16 533 878	13 142 401	(3 391 477)	11 878 819
Road transport	50 429 231	5 452 501	55 881 732	44 372 712	(11 509 020)	36 882 274
<b>Trading services</b>						
Energy sources	69 316 794	(8 024 993)	61 291 801	62 101 911	810 110	57 787 488
Waste management	24 562 082	(857 145)	23 704 937	22 620 507	(1 084 430)	21 866 894
<b>Total Expenditure - Standard</b>	<b>352 886 776</b>	<b>(7 472 448)</b>	<b>345 414 328</b>	<b>289 528 788</b>	<b>(55 885 540)</b>	<b>291 617 396</b>
<b>Surplus/(Deficit) for the year</b>	<b>13 142 228</b>	<b>26 692 193</b>	<b>39 834 421</b>	<b>62 530 109</b>	<b>22 695 688</b>	<b>35 133 782</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)</b>						
<b>REVENUE</b>						
Vote 1 - Executive & Council	-	-	-	65 229	65 229	-
Vote 2 - Budget and Treasury	223 602 288	30 416 600	254 018 888	229 456 716	(24 562 172)	188 406 792
Vote 3 - Corporate admin	-	596 000	596 000	269 817	(326 183)	222 783
Vote 4 - Community Services	15 223 558	(53 000)	15 170 558	14 463 528	(707 030)	11 329 196
Vote 5 - Strategic Planning Development	2 601 180	-	2 601 180	2 087 562	(513 618)	548 478
Vote 6 - Infrastructure Planning & Development	124 601 978	(11 739 855)	112 862 123	105 716 045	(7 146 078)	126 243 928
<b>Total Revenue by Vote</b>	<b>366 029 004</b>	<b>19 219 745</b>	<b>385 248 749</b>	<b>352 058 898</b>	<b>(33 189 851)</b>	<b>326 751 178</b>
<b>EXPENDITURE</b>						
Vote 1 - Executive & Council	57 673 875	(1 811 680)	55 862 195	43 891 545	(11 970 650)	42 894 250
Vote 2 - Budget and Treasury	63 228 108	867 844	64 095 952	45 955 392	(18 140 560)	73 164 424
Vote 3 - Corporate admin	39 649 424	(240 034)	39 409 390	32 613 633	(6 795 757)	31 261 808
Vote 4 - Community Services	53 829 622	(1 490 242)	52 339 380	47 451 195	(4 888 185)	37 748 333
Vote 5 - Strategic Planning Development	18 759 722	(2 225 844)	16 533 878	13 147 201	(3 386 677)	11 846 831
Vote 6 - Infrastructure Planning & Development	119 746 025	(2 572 492)	117 173 533	106 469 823	(10 703 710)	94 701 750
<b>Total Expenditure by Vote</b>	<b>352 886 776</b>	<b>(7 472 448)</b>	<b>345 414 328</b>	<b>289 528 788</b>	<b>(55 885 540)</b>	<b>291 617 396</b>
<b>Surplus/(Deficit) for the year</b>	<b>13 142 228</b>	<b>26 692 193</b>	<b>39 834 421</b>	<b>62 530 109</b>	<b>22 695 688</b>	<b>35 133 782</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL OUTCOME	BUDGET VARIANCE	RESTATED OUTCOME
	2021	2021	2021	2021	2021	2020
	R	R	R	R	R	R
<b>REVENUE AND EXPENDITURE</b>						
<b>REVENUE BY SOURCE</b>						
Property rates	31 309 000	70	31 309 070	23 767 154	(7 541 916)	23 914 655
Service charges - electricity revenue	35 973 326	(3 235 218)	32 738 108	36 490 488	3 752 380	32 984 762
Service charges - refuse revenue	7 462 589	(2 584 029)	4 878 560	5 883 751	1 005 191	5 469 157
Rental of facilities and equipment	9 893 650	(7 832 460)	2 061 190	1 652 580	(408 610)	6 242 510
Interest earned - external investments	4 707 000	-	4 707 000	4 820 920	113 920	5 418 776
Interest earned - outstanding debtors	1 693 000	(45)	1 692 955	3 420 037	1 727 082	3 091 972
Fines, penalties and forfeits	271 399	-	271 399	2 243 378	1 971 979	3 132 982
Licences and permits	2 318 492	1	2 318 493	3 955 293	1 636 800	2 085 255
Agency services	543 916	0	543 916	-	(543 916)	-
Transfers and subsidies - Operating	193 330 150	27 512 938	220 843 088	220 247 400	(595 688)	183 589 235
Other revenue	26 770 000	5 833 629	32 603 629	2 086 146	(30 517 483)	992 610
Gain on disposal of PPE	468 491	-	468 491	-	(468 491)	-
<b>Total Revenue (excl capital transfers)</b>	<b>314 741 013</b>	<b>19 694 886</b>	<b>334 435 899</b>	<b>304 567 148</b>	<b>(29 868 751)</b>	<b>266 921 913</b>
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	120 570 293	(7 057 000)	113 513 293	106 999 595	(6 513 698)	108 319 910
Remuneration of councillors	13 192 806	-	13 192 806	12 601 224	(591 582)	12 561 744
Debt impairment	5 145 595	-	5 145 595	15 193 003	10 047 408	19 233 190
Depreciation and asset impairment	33 000 000	10 402 974	43 402 974	29 816 975	(13 585 999)	29 649 385
Finance charges	208 543	-	208 543	1 208 397	999 854	1 589 556
Bulk purchases	23 000 000	-	23 000 000	24 593 488	1 593 488	22 234 942
Other Materials	1 759 390	484 497	2 243 887	774 190	(1 469 697)	483 240
Contracted Services	97 828 831	(12 264 101)	85 564 730	59 485 818	(26 078 912)	57 484 811
Transfers and grants	-	-	-	4 045 812	4 045 812	3 615 491
Other expenditure	58 180 317	962 183	59 142 500	34 398 299	(24 744 201)	35 494 383
Loss on disposal of PPE	-	-	-	411 987	411 987	950 744
<b>Total Expenditure</b>	<b>352 885 775</b>	<b>(7 471 447)</b>	<b>345 414 328</b>	<b>289 528 788</b>	<b>(55 885 540)</b>	<b>291 617 396</b>
<b>Surplus/(Deficit)</b>	<b>(38 144 762)</b>	<b>27 166 333</b>	<b>(10 978 429)</b>	<b>15 038 359</b>	<b>26 016 788</b>	<b>(24 695 483)</b>
Transfers and subsidies - Capital (monetary)	51 288 000	(475 150)	50 812 850	47 491 750	(3 321 100)	59 829 264
Transfers and subsidies - Capital (in-kind)	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>13 143 238</b>	<b>26 691 183</b>	<b>39 834 421</b>	<b>62 530 109</b>	<b>22 695 688</b>	<b>35 133 781</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>CAPITAL EXPENDITURE</b>						
<b>CAPITAL EXPENDITURE (MUNICIPAL VOTE)</b>						
<b>Multi-year expenditure</b>						
Vote 1 - Executive & Council	-	-	-	-	-	-
Vote 2 - Budget & Treasury	-	-	-	-	-	-
Vote 3 - Corporate services	-	-	-	-	-	-
Vote 4 - Community Services	-	-	-	-	-	-
Vote 5 - Strategic Planning & Development	-	-	-	-	-	-
Vote 6 - Infrastructure Development & Planning	-	-	-	-	-	-
<b>Total Multi-year expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single-year expenditure</b>						
Vote 1 - Executive & Council	1 500 000	1 173 458	2 673 458	2 487 810	(185 648)	1 433 570
Vote 2 - Budget & Treasury	8 345 095	(300 007)	8 045 088	4 166 201	(3 878 887)	3 152 215
Vote 3 - Corporate services	6 150 000	1 529 005	7 679 005	2 631 162	(5 047 843)	53 085
Vote 4 - Community Services	3 340 000	1 211 426	4 551 426	2 945 634	(1 605 792)	1 187 930
Vote 5 - Strategic Planning & Development	1 500 000	100 004	1 600 004	731 641	(868 363)	177 322
Vote 6 - Infrastructure Development & Planning	67 948 790	10 100 657	78 049 447	57 155 280	(20 894 167)	63 226 600
<b>Total Single-year expenditure</b>	<b>88 783 885</b>	<b>13 814 543</b>	<b>102 598 428</b>	<b>70 117 727</b>	<b>(32 480 701)</b>	<b>69 230 721</b>
<b>Total Capital Expenditure by Vote</b>	<b>88 783 885</b>	<b>13 814 543</b>	<b>102 598 428</b>	<b>70 117 727</b>	<b>(32 480 701)</b>	<b>69 230 721</b>
<b>CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)</b>						
<b>Governance and administration</b>						
Executive and council	1 500 000	1 173 458	2 673 458	2 487 810	(185 648)	1 433 570
Finance and administration	14 495 095	1 228 998	15 724 093	6 797 362	(8 926 731)	3 205 300
<b>Community and public safety</b>	<b>100 000</b>	<b>861 423</b>	<b>961 423</b>	<b>139 728</b>	<b>(821 695)</b>	<b>64 800</b>
Sport and recreation	150 000	-	150 000	-	(150 000)	-
Public safety	10 000	(10 000)	-	-	-	-
<b>Economic and environmental services</b>	<b>1 500 000</b>	<b>100 004</b>	<b>1 600 004</b>	<b>939 805</b>	<b>(660 199)</b>	<b>177 322</b>
Planning and development	63 737 850	5 361 531	69 099 381	51 016 069	(18 083 312)	59 544 832
Road transport	4 210 940	4 749 126	8 960 066	5 931 047	(3 029 019)	3 681 768
<b>Trading services</b>	<b>3 080 000</b>	<b>350 003</b>	<b>3 430 003</b>	<b>2 805 907</b>	<b>(624 097)</b>	<b>1 123 130</b>
Energy sources	-	-	-	-	-	-
Waste management	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>88 783 885</b>	<b>13 814 543</b>	<b>102 598 428</b>	<b>70 117 727</b>	<b>(32 480 701)</b>	<b>69 230 721</b>

# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL OUTCOME	BUDGET VARIANCE	RESTATED OUTCOME
	2021	2021	2021	2021	2021	2020
	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE (CONTINUED)</b>						
<b>FUNDING SOURCES</b>						
National Government	36 767 850	(474 999)	36 292 851	31 482 274	(4 810 577)	36 151 990
Provincial Government	14 520 000	-	14 520 000	9 950 061	(4 569 939)	19 721 055
District Municipality	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-
Transfers recognised - capital	51 287 850	(474 999)	50 812 851	41 432 335	(9 380 516)	55 873 045
Borrowing	-	-	-	-	-	-
Internally generated funds	37 496 035	14 289 542	51 785 577	28 685 392	(23 100 185)	13 357 676
<b>Total Capital Funding</b>	<b>88 783 885</b>	<b>13 814 543</b>	<b>102 598 428</b>	<b>70 117 727</b>	<b>(32 480 701)</b>	<b>69 230 721</b>



# ELUNDINI LOCAL MUNICIPALITY

## APPENDIX C (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2021

	ORIGINAL BUDGET 2021 R	BUDGET ADJUSTMENTS 2021 R	FINAL BUDGET 2021 R	ACTUAL OUTCOME 2021 R	BUDGET VARIANCE 2021 R	RESTATED OUTCOME 2020 R
<b>CASH FLOWS</b>						
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property rates, penalties & collection charges	30 369 805	-	30 369 805	21 751 696	(8 618 109)	17 107 507
Service charges	36 451 103	(34 912 343)	1 538 760	35 530 831	33 992 071	27 476 847
Other revenue	39 796 481	(31 323 447)	8 473 034	25 611 858	17 138 824	28 501 506
Government - operating	193 330 000	22 513 088	215 843 088	220 153 000	4 309 912	183 387 400
Government - capital	51 287 850	(37 242 850)	14 045 000	47 894 953	33 849 953	60 514 518
Interest	6 399 955	(1 692 955)	4 707 000	4 820 920	113 920	5 418 776
<b>Payments</b>						
Suppliers and employees	(293 448 199)	14 849 348	(278 598 851)	(256 265 447)	22 333 404	(242 165 360)
Finance charges	(208 543)	-	(208 543)	(115 465)	93 078	(141 365)
Transfers and grants	-	-	-	(4 045 812)	(4 045 812)	(3 615 491)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>63 978 452</b>	<b>(67 809 159)</b>	<b>(3 830 707)</b>	<b>95 336 532</b>	<b>99 167 239</b>	<b>76 484 337</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	-	-	-	329 047	329 047	328 607
<b>Payments</b>						
Capital assets	(74 920 425)	(27 678 003)	(102 598 428)	(70 117 727)	32 480 701	(68 527 722)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(74 920 425)</b>	<b>(27 678 003)</b>	<b>(102 598 428)</b>	<b>(69 788 680)</b>	<b>32 809 748</b>	<b>(68 199 115)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	15 801	15 801	(1 251)
<b>Payments</b>						
Repayment of borrowing	-	-	-	(288 280)	(288 280)	(155 044)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(272 478)</b>	<b>(272 478)</b>	<b>(156 295)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(10 941 973)</b>	<b>(95 487 162)</b>	<b>(106 429 135)</b>	<b>25 275 374</b>	<b>131 704 509</b>	<b>8 128 927</b>
Cash/cash equivalents at the year begin:	90 535 000	99 153 599	189 688 599	85 253 839	(104 434 760)	77 124 912
Cash/cash equivalents at the year end:	79 593 027	3 666 437	83 259 464	110 529 214	27 269 750	85 253 839