



ELUNDINI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2022

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 108 of 1998)
Nature of business and principal activities	Elundini Local Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Executive committee	
Mayor	M P S Leteba S Mdoda- Portfolio head: Infrastructure Development T V May - Portfolio head: Community Services P Tsoaeli-Portfolio head: Financial Services B N Nqodi- Portfolio head: Corporate Services M Siphamla- Portfolio head: Planning and Economic Development V V Hokwana- Speaker
Councillors	Cllr M.V. Tokozwayo - Ward 1 (ANC) Cllr P. Cawe - Ward 2 (ANC) Cllr N. Ngcuka - Ward 3 (ANC) Cllr K.A. Mgijima - Ward 4 (ANC) Cllr Mfono - Ward 5 (ANC) Cllr N. Tyumbu - Ward 6 (ANC) Cllr Lephaila - Ward 7 (ANC) Cllr M.A Mdleleni - Ward 8 (ANC) Cllr N. Mditshane - Ward 9 (ANC) Cllr Sibanda - Ward 10 (ANC) Cllr Ncusana - Ward 11 (ANC) Cllr C.L. Marrand - ward 12 (ANC) Cllr L.S. Ndumndum - Ward 13 (ANC) Cllr A. Siphambo - Ward 14 (ANC) Cllr L.C. Booka - Ward 15 (ANC) Cllr M.A Masiso - Ward 16 (ANC) Cllr T. Mfono - Ward 17 (ANC) Cllr M.P.S. Leteba - PR (ANC) Cllr V.V. Hokwana - PR (ANC) Cllr S. Mdoda - PR (ANC) Cllr T.V. May - PR (ANC) Cllr Siphamla - PR (ANC) Cllr Mampintsha - PR (ANC) Cllr Norman - PR (ANC) Cllr B.N. Nqodi - PR (ANC) Cllr F.M. Maqanda- Sonti PR (ANC) Cllr P. Lephafa - PR (ANC) Cllr L.B. Magqashela - PR (ANC) Cllr M. Telile - PR (ANC) Cllr L. Pili - PR (DA) Cllr Botoman - PR (ATM) Cllr Moleleki - PR (SARKO) Cllr Masondo - PR (UDM) Cllr T. Lephaila - PR (EFF)
Grading of local authority	3
Accounting Officer	K Gashi (Untill 31 December 2021)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Chief Finance Officer (CFO)	J T Mdeni
Registered office	No 1 Sellar Street Maclear 5480
Business address	No 1 Sellar Street Maclear 5480
Bankers	First National Bank Standard Bank
Auditors	Auditor General South Africa (AGSA)
Attorneys	Mgxaji Attorneys Clark Laing Inc Magqabi Seth Zitha Attorneys Gray Moodliar Attorneys Gwabeni Inc Fikile Ntayiya & Associates Joubert Galpin & Searle Inc
Other Directors	Director: Corporate Services -S Matubatuba (until 28 Feb 2022) Director: Infrastructure Planning and Development - S Sako Director: Planning and Economic Development - N C Eddie Director: Community Service - L Kokose (Until 30 September 2021)
Section 79 Chairpersons	Members Interest and Ethics Committee - M Telile Rules and Ethics Committee - V V Hokwana MPAC Committee - Z Mampintsha Mandate Committe - M V Tokozwayo Strategic Governance - M P S Leteba
Audit Committee	Chairperson - NL Mnconywa Member- Y Madolo Member- M Sikhosana Member- R Vuzane

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Index

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

	Page
Accounting officer's Responsibilities and Approval	4
Accounting officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Accounting Policies	14 - 35
Notes to the Annual Financial Statements	35 - 82

CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
ANC	African National Congress
EFF	Economic Freedom Fighters
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IT	Information Technology
INEP	Intergrated National Electrification Programme

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting officer's Responsibilities and Approval

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

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting office is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Audit Committee.

The annual financial statements set out on pages 6 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



Accounting Officer
J T Mdeni

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting officer's Report

The accounting officer's submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 20,218,406 (2021: surplus R 64.342,468).

2. Going concern

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

3. Subsequent events

1) The following senior management appointments were made:

- > J T Mdeni-- Accounting Officer from 1 July 2022.
- > L Gomana- Director of community services 1 July 2022
- > N Fololo- Director Corporate Services from 18 July 2022

2) After submission of the Annual Financial Statements, the municipality's sewer plant was destroyed by fire. The carrying value of the plant was R9 955 312 .This incident happened in September 2022

4. Corporate governance

General

The accounting officer are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The annual financial statements set out on pages 6 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 31August 2022 and were signed on its behalf by:



Accounting Officer
J T Mdeni

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	11,878,041	6,461,791
Receivables from non-exchange transactions	4	14,848,996	9,619,254
VAT receivable	5	8,928,339	10,045,402
Cash and cash equivalents	6	77,313,337	110,529,209
		112,968,713	136,655,656
Non-Current Assets			
Investment property	7	44,628,368	45,107,468
Property, plant and equipment	8	523,537,130	523,188,108
Intangible assets	9	1,050	2,100
		568,166,548	568,297,676
Total Assets		681,135,261	704,953,332
Liabilities			
Current Liabilities			
Finance lease obligation	10	147,486	269,728
Payables from exchange transactions	11	41,902,982	54,011,274
Employee benefit obligation	12	14,798,380	12,128,424
Unspent conditional grants and receipts	13	5,521,260	615,393
Consumer Deposits	14	400,350	400,350
Provisions	15	8,581,713	-
		71,352,171	67,425,169
Non-Current Liabilities			
Finance lease obligation	10	-	147,486
Employee benefit obligation	12	6,937,000	6,860,000
Provisions	15	25,156,243	32,612,435
		32,093,243	39,619,921
Total Liabilities		103,445,414	107,045,090
Net Assets		577,689,847	597,908,242
Accumulated surplus	48	577,689,843	597,908,249
Total Net Assets		577,689,843	597,908,249

* See Note 47

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	37,291,989	35,227,879
Rental of facilities and equipment	17	1,748,103	1,652,580
Licences and permits	18	3,515,418	3,955,293
Other income	19	2,848,416	1,329,250
Interest received	20	7,001,839	6,861,039
Actuarial gains	21	293,754	243,806
Insurance refunds		936,655	513,090
Total revenue from exchange transactions		53,636,174	49,782,937
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	26,053,891	23,767,154
Electricity availability charges		8,176,582	7,146,359
Transfer revenue			
Government grants & subsidies	23	228,065,133	267,739,150
Fines, penalties and forfeits	24	913,292	2,243,378
Interest received	25	1,834,716	1,379,919
Total revenue from non-exchange transactions		265,043,614	302,275,960
Total revenue		318,679,788	352,058,897
Expenditure			
Employee related costs	26	(115,673,182)	(106,999,595)
Remuneration of councillors	27	(12,679,148)	(12,601,224)
Depreciation and amortisation	28	(54,863,839)	(29,816,975)
Finance costs	29	(3,482,313)	(1,208,397)
Debt impairment	30	(11,673,416)	(15,193,003)
Bulk purchases	31	(29,040,780)	(24,593,488)
Contracted services	32	(67,262,319)	(59,401,458)
Transfers and subsidies		(6,348,702)	(4,045,812)
Sale of goods/inventory	33	(1,045,986)	(774,190)
Loss on disposal of non-monetary asset	34	(1,081,432)	(411,987)
General expenses	35	(35,747,077)	(32,670,300)
Total expenditure		(338,898,194)	(287,716,429)
(Deficit) surplus for the year		(20,218,406)	64,342,468

* See Note 47

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2020	533,565,781	533,565,781
Changes in net assets		
Surplus for the year	64,342,468	64,342,468
Total changes	64,342,468	64,342,468
Restated* Balance at 01 July 2021	597,908,249	597,908,249
Changes in net assets		
Surplus for the year	(20,218,406)	(20,218,406)
Total changes	(20,218,406)	(20,218,406)
Balance at 30 June 2022	577,689,843	577,689,843
Note(s)		

* See Note 47

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Service charges		33,488,935	35,585,179
Other revenue		9,908,284	9,693,591
Property rates		19,449,874	23,310,722
Interest income		4,786,371	4,820,920
Government grants		232,971,000	267,508,250
		300,604,464	340,918,662
Payments			
Employees		(113,314,472)	(106,580,959)
Suppliers		(143,719,362)	(109,440,800)
Finance charges		(69,178)	(115,465)
Transfers and grants		(6,348,702)	(4,045,812)
Remuneration of councillors		(12,679,148)	(12,601,224)
		(276,130,862)	(232,784,260)
Net cash flows from operating activities	36	24,473,602	108,134,402
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(57,440,273)	(83,034,354)
Proceeds from sale of property, plant and equipment	8	20,527	463,607
Net cash flows from investing activities		(57,419,746)	(82,570,747)
Cash flows from financing activities			
Finance lease payments		(269,728)	(288,280)
Net increase/(decrease) in cash and cash equivalents		(33,215,872)	25,275,375
Cash and cash equivalents at the beginning of the year		110,529,209	85,253,839
Cash and cash equivalents at the end of the year	6	77,313,337	110,529,214

* See Note 47

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges-Electricity	40,676,000	-	40,676,000	30,821,228	(9,854,772)	51.1
Service charges- Solid Waste	3,585,313	-	3,585,313	6,470,761	2,885,448	51.2
Rental of facilities and equipment	2,142,000	-	2,142,000	1,748,103	(393,897)	51.3
Agency services	565,000	-	565,000	-	(565,000)	
Licences and permits	2,408,914	-	2,408,914	3,515,418	1,106,504	51.4
Other Income	60,790,000	17,420,286	78,210,286	2,848,416	(75,361,870)	51.5
Interest received	6,650,000	-	6,650,000	7,001,839	351,839	
Gains on disposal of assets	468,000	-	468,000	-	(468,000)	51.6
Total revenue from exchange transactions	117,285,227	17,420,286	134,705,513	52,405,765	(82,299,748)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32,530,000	-	32,530,000	26,053,891	(6,476,109)	51.7
Transfer revenue						
Government grants & subsidies	174,002,000	(750,000)	173,252,000	228,065,133	54,813,133	51.8
Fines, Penalties and Forfeits	332,800	-	332,800	913,292	580,492	51.9
Availability charges	-	-	-	8,176,583	8,176,583	
Interest received	-	-	-	1,834,716	1,834,716	51.10
Total revenue from non-exchange transactions	206,864,800	(750,000)	206,114,800	265,043,615	58,928,815	
Total revenue	324,150,027	16,670,286	340,820,313	317,449,380	(23,370,933)	
Expenditure						
Employee costs	(114,967,000)	(1,226,000)	(116,193,000)	(115,673,182)	519,818	51.11
Remuneration of councillors	(13,602,000)	-	(13,602,000)	(12,679,148)	922,852	51.12
Depreciation and amortisation	(49,443,000)	-	(49,443,000)	(54,863,839)	(5,420,839)	51.13
Finance costs	(234,000)	(25,000)	(259,000)	(3,482,313)	(3,223,313)	51.14
Debt Impairment	(6,004,000)	(896,000)	(6,900,000)	(11,673,416)	(4,773,416)	51.15
Bulk purchases	(26,588,000)	(3,008,000)	(29,596,000)	(29,040,780)	555,220	
Contracted Services	(58,703,000)	(8,671,500)	(67,374,500)	(67,262,319)	112,181	
Transfers and Subsidies	-	-	-	(6,348,702)	(6,348,702)	51.16
Other Materials	(1,862,000)	160,000	(1,702,000)	(1,045,986)	656,014	51.17
General Expenses	(64,944,000)	9,193,500	(55,750,500)	(35,757,046)	19,993,454	51.18
Total expenditure	(336,347,000)	(4,473,000)	(340,820,000)	(337,826,731)	2,993,269	
Operating deficit	12,197,000	-	12,197,000	(20,377,351)	(32,574,351)	
Actuarial gains/losses	-	-	-	293,754	293,754	
Insurance refunds	-	-	-	936,655	936,655	
Loss on disposal of non-monetary assets	-	-	-	(1,081,432)	(1,081,432)	
	-	-	-	148,977	148,977	
Deficit before taxation	12,197,000	(12,197,000)	-	(20,228,374)	(20,228,374)	

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	12,197,000	(12,197,000)	-	(20,228,374)	(20,228,374)	

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Cash	118,306,000	(633,000)	117,673,000	8,743,051	(108,929,949)
Call investments deposit	164,277,000	-	164,277,000	68,570,286	(95,706,714)
Consumer debtors	78,144,000	6,585,000	84,729,000	-	(84,729,000)
Other debtors	11,343,000	-	11,343,000	35,655,376	24,312,376
Inventory	-	24,000	24,000	-	(24,000)
	372,070,000	5,976,000	378,046,000	112,968,713	(265,077,287)

Non-Current Assets

Investment property	42,007,000	-	42,007,000	44,628,368	2,621,368
Property, plant and equipment	586,510,000	6,090,000	592,600,000	523,537,130	(69,062,870)
Intangible assets	7,000	515,000	522,000	1,050	(520,950)
	628,524,000	6,605,000	635,129,000	568,166,548	(66,962,452)

Total Assets **1,000,594,000** **12,581,000** **1,013,175,000** **681,135,261** **(332,039,739)**

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	147,486	147,486
Payables from exchange transactions	59,998,000	384,000	60,382,000	41,902,982	(18,479,018)
Employee benefit obligation	-	-	-	14,798,380	14,798,380
Unspent conditional grants and receipts	-	-	-	5,521,260	5,521,260
Consumer Deposits	377,000	-	377,000	400,350	23,350
Provisions	5,277,000	-	5,277,000	8,581,713	3,304,713
	65,652,000	384,000	66,036,000	71,352,171	5,316,171

Non-Current Liabilities

Employee benefit obligation	-	-	-	6,937,000	6,937,000
Borrowings	30,000,000	-	30,000,000	-	(30,000,000)
Provisions	19,151,000	-	19,151,000	25,156,243	6,005,243
	49,151,000	-	49,151,000	32,093,243	(17,057,757)

Total Liabilities **114,803,000** **384,000** **115,187,000** **103,445,414** **(11,741,586)**

Net Assets **885,791,000** **12,197,000** **897,988,000** **577,689,847** **(320,298,153)**

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Reserve	59,154,000	-	59,154,000	-	(59,154,000)
Accumulated surplus	826,637,000	12,197,000	838,834,000	577,689,847	(261,144,153)
Total Net Assets	885,791,000	12,197,000	897,988,000	577,689,847	(320,298,153)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	32,530,000	(2,277,000)	30,253,000	19,449,874	(10,803,126)	
Service charges	50,725,000	(9,563,000)	41,162,000	33,488,935	(7,673,065)	
Other revenue	61,882,000	21,777,000	83,659,000	9,908,284	(73,750,716)	
Transfer and Subsidies- Operational	174,002,000	(750,000)	173,252,000	232,971,000	59,719,000	
Transfer and Subsidies- Capital	58,719,000	-	58,719,000	-	(58,719,000)	
Interest	4,891,000	-	4,891,000	4,786,371	(104,629)	
	382,749,000	9,187,000	391,936,000	300,604,464	(91,331,536)	
Payments						
Suppliers and employees	(280,667,000)	(3,552,000)	(284,219,000)	(276,061,684)	8,157,316	
Finance charges	(234,000)	(25,000)	(259,000)	(69,178)	189,822	
	(280,901,000)	(3,577,000)	(284,478,000)	(276,130,862)	8,347,138	
Net cash flows from operating activities	101,848,000	5,610,000	107,458,000	24,473,602	(82,984,398)	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	468,000	-	468,000	20,527	(447,473)	
Purchases of capital assets	(113,588,000)	(6,245,000)	(119,833,000)	(57,440,284)	62,392,716	
Net cash flows from investing activities	(113,120,000)	(6,245,000)	(119,365,000)	(57,419,757)	61,945,243	
Cash flows from financing activities						
Finance lease repayments	-	-	-	(269,728)	(269,728)	
Net increase/(decrease) in cash and cash equivalents	(11,272,000)	(635,000)	(11,907,000)	(33,215,883)	(21,308,883)	
Cash and cash equivalents at the beginning of the year	-	-	-	110,529,209	110,529,209	
Cash and cash equivalents at the end of the year	(11,272,000)	(635,000)	(11,907,000)	77,313,326	89,220,326	
Reconciliation						

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Comparative figures

a) 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 restatement 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 practicable, and 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 practicable, and the prior year comparatives are restated accordingly.

b) 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 of the current year.

1.4 Materiality

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

Standard 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.

1.5 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 the final budget amounts, as well as a comparison between the actual amounts and the final budget amounts for the current financial year.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Budget information (continued)

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

1.6 Investment property

1.6.1 Initial recognition

Investment property includes property (land or a building, or a 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.

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 asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired items fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.6.2 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

1.6.3 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. In any such indication exists, the expected residual value and useful life are revised and the effect of any change in estimate accounted for on a prospective basis.

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

	Years
Buildings	5 - 55

1.6.4 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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Investment property (continued)

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.

1.6.5 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 on investment property that were impaired, lost or given up is recognised in the statement of Financial Performance when the compensation becomes receivable.

1.7 Property, plant and equipment

1.7.1 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 other 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 possible 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 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 item of property, plant and equipment is acquired in exchange of 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.

1.7.2 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 asset is capitalised when it increases the capacity of future economic benefits or service potential associated with the asset.

1.7.3 Depreciation

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Property, plant and equipment (continued)

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 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 the 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 change 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 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

1.7.4 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 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.

1.7.5 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.

1.8 Employee benefits

Defined-contribution plans are post-employment benefit plans under which the Municipality pays a fixed contributions into a separate entity (a fund), and which will have no legal 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 year 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-contributions plans.

Short-term employee benefits

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Employee benefits (continued)

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

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. Accumulating leave is vesting.

2) Bonuses

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

3) Provision for performance bonus

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

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 liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for 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.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

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. Accumulating leave is vesting.

2) Bonuses

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

3) Provision for performance bonus

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

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:

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Employee benefits (continued)

a) As liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for 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.

Post-employment benefits

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

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees

Multi-employer plans are defined contribution plans (other than state plans and composite social security programs) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-Employer Defined Benefit Plans

The Municipality contributes to various National and Provincial-administered defined 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 are 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.

Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidising 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 minimum service period. The present value of the defined 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 the plan assets (if any) out of which the obligations are 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. 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.

Pension and retirement fund obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plan 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 funds 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 proportion basis to all participating municipalities. The contributions and lump sum payments are recognised in 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 plans have been accounted for as if they were defined contribution plans.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Employee benefits (continued)

1.9 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.

Finance leases - Municipality as lessor

The municipality recognises lease payments under a finance lease as assets (receivable) in the Statement of Financial Position. The asset receivable is calculated as the sum of all 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 in 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.

Finance leases - Municipality as lessee

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 lease liability. Contingency rents, if any, are charged as expense 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.

Operating leases - Municipality as lessor

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 straight line revenue and the actual payments received will give rise to an asset or liability.

Operating leases - Municipality as lessee

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 users benefit. The difference between the straight-lined expenses and actual payments will give rise to liability or asset.

1.10 Financial instruments

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

1.10.1 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 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 thus the unamortised portion adjusted over the period of the loan transactions.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Financial instruments (continued)

1.10.2 Subsequent Measurement

Financial instruments are categorised as follows

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 also subject to impairment review.

c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:

- i) derivatives;
- ii) combined instruments that are designed 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.

1.10.3 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.

1.10.3.1 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 cashflows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate compounded 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.

1.10.3.2 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 the return similar financial asset. Such impairment losses is not to be reversed.

1.10.4 Derecognition of Financial Instruments

1.10.4.1 Financial Assets

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Financial instruments (continued)

The municipality derecognises financial assets only when the contractual rights to the cashflows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another 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 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 collateralized borrowing for the proceeds received.

1.10.4.2 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.

1.10.5 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 net basis, or to realise the assets and settle the liabilities simultaneously.

1.11 Cash and Cash Equivalents

Cash includes cash on hand, 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 purpose of cashflow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of any bank overdrafts.

1.12 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 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.

1.13 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.

1.14 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.

1.15 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 of recognition as assets.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.15 Conditional Government grants and public contributions (continued)

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 stipulation and would be enforced by the transferor, a liability is recognised to the extent that conditions have not been met. When 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 condition 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 an individual investment or part of the general investment of the Municipality until it is utilised.

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

1.16 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.

1.17 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 paid.

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

1.19 Irregular expenditure

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

1.20 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for 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.

1.21 Capital Commitments

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.22 Events after reporting date

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

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

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

1.23 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 reporting entity 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 the 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 separated by no more than two degrees of natural or legal consanguinity of affinity.

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

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

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 that are not arms length and not on normal commercial terms, are disclosed.

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.24 Accounting by principals and agents (continued)

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

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

1.25 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 living resources.

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.26 Segment information

A segment is an activity of the Municipality:

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

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 prepared on per segment.

1.27 Significant judgements and sources of estimation uncertainty

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.

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 useful lives of the assets 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 Directive 7, management made use of an independent valuer. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of 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.

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 of assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgment 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.

Impairment of Non- Monetary Assets

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.27 Significant judgements and sources of estimation uncertainty (continued)

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

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost effective 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 on 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.

Provisions of and Contingent Liabilities

Management's judgment 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 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.

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. Judgment is applied in applying the principles as set out in the respective Standards of GRAP on Financial Instruments and Statutory Receivables.

Financial Assets and Liabilities

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

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 judgment, 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 service potential on initial recognition revenue. Such factors include fines issued which will be reduced or withdrawn after reporting date. The Municipality applies judgment based on past experience and current facts and circumstances in order to adjust the traffic fine revenue accordingly.

Provision for Staff Leave

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

Provision for Performance Bonuses

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.

Componetisation of Infrastructure Assets

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.27 Significant judgements and sources of estimation uncertainty (continued)

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.

Recognition and Derecognition of Land

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

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

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

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.

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.

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 judgment 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 decisions

1.28 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

1.28.1 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.

1.28.2 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 changes that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.28.3 Impairment And Uncollectability Of Statutory Receivables

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.28 Statutory receivables (continued)

The Municipality assesses at each reporting date whether there is any indicating 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 the timing of the cashflows 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 through the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.28.4 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 are settled, 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.

1.29 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.30 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 resources embodying economic benefits or service 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 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 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 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 the business concerned
- > the principal locations affected
- > the location, function, and approximate number of employees who will be compensated for terminating their service
- > the expenditure 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 will be required to settle the obligation, the provision is derecognised.

1.31 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 is consideration received or receivable.

1.31.1 Service Charges

Service Charges are levied in terms of approved tariffs.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.31 Revenue from exchange transactions (continued)

Service charges relating to electricity are based on consumption and a basic charge 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 the estimates of consumption up to 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 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.

1.31.2 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.

1.31.3 Rental Income

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

1.31.4 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 agency agreement.

1.31.5 Other Tarrifs

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.

1.31.6 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.

1.31.7 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 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

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.32 Revenue from non-exchange transactions

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

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

1.32.1 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.

1.32.2 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 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.

1.32.3 Fines

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

1.32.4 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.

1.32.5 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.

1.32.6 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.

1.32.7 Services In-Kind

These 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 recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that 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 service 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.

1.32.8 Contributed Assets

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.32 Revenue from non-exchange transactions (continued)

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

1.33 Insurance fund

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

1.34 Service concession arrangements: Entity as grantor

Identification

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.

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:

- 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
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The Municipality recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity 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 entity 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.

Measurement of asset and liability

The Municipality initially measures the service concession asset as follows:

- >Where the asset is not an existing asset of the Municipality, the asset is measured at its fair value.
- >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 entity to the operator, or from the operator to the Municipality.

Financial liability model

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.34 Service concession arrangements: Entity as grantor (continued)

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 entity 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.

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.

Grant of a right to the operator model

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.

Dividing the 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.

Other liabilities, contingent liabilities and contingent assets

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.

Other revenues

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.

1.35 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 the receivables. An estimate is made for impairment of receivable, based on past default experience of all outstanding amounts at reporting date.

Bad debts 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 uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.36 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.36 Heritage assets (continued)

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

1.37 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 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 amount or 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 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 or 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.

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Guideline: Guideline on Accounting for Landfill Site

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

GRAP 25 (as revised 2021) Employee Benefits

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

iGRAP 7 (as revised 2021) Limit on defined benefit asset, minimum funding requirement and interaction

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

Guideline: Guideline on the Application of Materiality to Financial Statements.

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

GRAP 104 (amended): Financial Instruments

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

iGRAP 21: The Effect of Past Decisions on Materiality

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

GRAP 1 (amended): Presentation of Financial Statements

The standard will be effective on 01 April 2023 and will unlikely have a material impact.

3. Receivables from exchange transactions

Housing debtors	530,408	2,353,622
Sundry Receivables	860,796	860,797
Electricity	21,056,881	15,574,672
Refuse	7,989,334	10,132,224
VAT Component of outstanding debtors	3,089,714	4,055,285
Interest	10,520,158	8,114,302
Impairment - Electricity	(12,752,342)	(12,375,060)
Impairment - Refuse	(6,475,386)	(9,722,198)
Impairment - VAT Component of outstanding debtors	(3,521,755)	(3,521,755)
Impairment- interest	(8,608,222)	(7,494,145)
Impairment - Housing rentals	(811,545)	(1,515,953)
	11,878,041	6,461,791

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.

Reconciliation of Allowance for Doubtful Debts

Balance at the beginning of the year	34,629,111	32,656,245
Contributions to provision	8,410,827	12,801,013
Bad debts written off	(12,368,829)	(10,828,147)
	30,671,109	34,629,111

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	1,722,096	1,620,356
31 -60 days	1,065,395	874,832
61 -90 days	1,093,998	786,491
91 -120 days	927,957	595,486
121 -150 days	892,892	530,345
>150 days	15,354,543	11,167,162
	21,056,881	15,574,672
Refuse		
Current (0 -30 days)	473,638	462,642
31 -60 days	279,014	393,757
61 -90 days	266,287	368,383
91 -120 days	257,123	364,246
121 -150 days	253,319	361,365
>150 days	6,459,954	8,181,829
	7,989,335	10,132,222
House Rentals		
Current (0 -30 days)	134,981	130,676
31 -60 days	85,576	82,071
61 -90 days	73,997	73,869
91 -120 days	72,239	71,143
121 -150 days	73,653	71,215
>150 days	89,962	1,924,650
	530,408	2,353,624
Interest		
Current (0-30 days)	363,426	273,430
31- 60 days	427,526	298,217
61- 90 days	389,706	287,069
91-120 days	373,509	281,638
121-150 days	357,603	268,888
>150 days	8,608,388	6,705,062
	10,520,158	8,114,304
VAT Component of outstanding debtors		
Current (0 -30 days)	329,893	312,436
31 -60 days	202,848	184,580
61 -90 days	205,306	177,611
91 -120 days	179,072	144,228
121 -150 days	167,438	134,113
>150 days	2,005,157	3,102,317
	3,089,714	4,055,285
Total receivables from exchange transactions	11,878,041	6,461,791

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Receivables from exchange transactions (continued)		
Trade and other receivables from exchange transactions impaired		
The allowance for impairment of property 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 payments trends, management is satisfied that no further credit provision is required in excess of the current allowance		
4. Receivables from non-exchange transactions		
Rates	28,846,372	22,554,919
Other receivables- Deposits	581,480	581,480
Other receivables- Office of the Premier Grant unpaid	119,842	119,842
Traffic fines	3,345,514	3,291,914
Other Debtors	740,553	700,113
Other receivables -Joe GqabiDistrict Municipality	456,572	456,572
Impairment - Rates	(15,895,823)	(14,793,672)
Impairment - Traffic fines	(3,345,514)	(3,291,914)
	14,848,996	9,619,254
Reconciliation of Allowance for Doubtful Debts		
Balance at the beginning of the year	18,085,586	15,380,809
Contributions to provision	3,262,591	3,349,666
Bad debts written off	(2,106,840)	(644,889)
	19,241,337	18,085,586
Rates		
31 - 60 days	925,229	1,270,462
61 - 90 days	873,091	1,224,898
91 - 120 days	853,447	1,202,355
121 - 150 days	831,102	1,205,168
> 150 days	24,812,518	17,652,037
	28,295,387	22,554,920
Total receivables from non-exchange transactions	14,848,996	9,619,254
Receivables from non-exchange transactions impaired		
The allowance for impairment of property 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 payments trends, management is satisfied that no further credit provision is required in excess of the current allowance.		
5. VAT receivable		
VAT	8,928,339	10,045,402
VAT Receivable from SARS	2,498,280	3,189,273
VAT in Suspense	3,276,333	3,338,792
VAT on Provision for Debt Impairment	3,153,726	3,517,340
	8,928,339	10,045,405

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. VAT receivable (continued)		
Reconciliation of VAT on Provision for Debt Impairment		
Balance at beginning of the year	3,517,340	2,559,664
Debt Impairment for current year	(363,614)	957,676
	3,153,726	3,517,340

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and cash equivalents	77,313,337	110,529,209
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank- Acc no 62159933772 (Primary Account)	2,079,569	4,288,248	2,778,502	532,700	4,360,750	2,778,340
First National Bank- Acc no 62312151848 and cash floats	-	9,186	160	22,214	17,780	6,686
First National Bank (Vendor Account no 62857839298)	2,661,428	933,323	-	2,661,428	933,323	-
Standard Bank Acc no 280642407 (Revenue Account)	5,526,955	4,627,843	4,719,645	5,526,709	4,655,915	4,719,399
Wesbank Acc no 13179 (Fuel Account)	422,581	162,860	248,494	422,581	162,860	248,494
Standard Bank Acc no 388497173001 (EPWP)	2,625,686	3,384,209	2,959,533	2,625,687	3,384,209	2,959,533
Standard Bank Acc no 388497165001 (Elundini Voting Station)	1,531	1,518	1,510	1,531	1,518	1,510
Standard Bank Acc no 388493410002 (FMG)	1,694,084	1,742,060	1,769,245	1,694,083	1,742,060	1,769,245
Standard Bank Acc no 388493003001 (Municipal Disaster Grant)	1,501	608,743	598,132	1,501	608,743	598,132
Standard Bank Acc no 388490810001 (NER)	2,386,896	111,138	4,418,151	2,386,896	111,138	4,418,151
FNB Acc no(62189194170) Equitable share	178,492	6,086,746	2,543,688	178,492	6,086,746	2,543,688
FNB Acc no(62189180111)-MIG	6,315,378	9,771,792	8,357,830	6,315,378	9,771,792	8,357,830
FNB Acc no (62284785121) Working capital Reserve	45,793,668	70,400,617	50,009,000	45,793,668	70,400,617	50,009,000
FNB Acc no (62378875226) Mayors Social Investment	558,474	546,158	535,747	558,474	546,158	535,747
FNB Acc no (62557779322) Joe Gqabi	5,982,183	5,783,103	5,611,515	5,982,183	5,783,103	5,611,515
FNB Acc no (62785909650) Energy Efficiency	1,013,008	836,415	181,293	1,013,008	836,415	181,293
FNB Acc no (62852498023) Solidarity Fund	135,724	131,215	67,003	135,724	131,215	67,003
Cash on Hand	-	-	-	1,461,082	994,871	448,272
Total	77,377,158	109,425,174	84,799,448	77,313,339	110,529,213	85,253,838

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53,326,710	(8,698,342)	44,628,368	53,326,711	(8,219,243)	45,107,468

Reconciliation of Investment property - 2022

	Opening balance	Depreciation	Total
Investment property	45,107,468	(479,100)	44,628,368

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	45,586,567	(479,099)	45,107,468

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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 R 1 723 423 (R 1 650 860) was generated on these investment properties and was recognised as revenue from rental of facilities. There is no work in progress for investment property. No significant operating expenditure was incurred on the investment property.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2,394,494	-	2,394,494	2,394,494	-	2,394,494
Buildings	135,652,121	(37,505,985)	98,146,136	122,166,371	(32,255,256)	89,911,115
Plant and machinery	24,904,108	(20,422,175)	4,481,933	24,750,743	(19,534,756)	5,215,987
Furniture and fixtures	6,911,607	(4,703,080)	2,208,527	6,474,353	(4,317,947)	2,156,406
Motor vehicles	26,992,654	(19,794,452)	7,198,202	26,291,599	(18,318,073)	7,973,526
Lease asset	859,949	(680,682)	179,267	1,062,425	(662,485)	399,940
IT equipment	9,605,062	(5,549,391)	4,055,671	7,657,140	(4,433,534)	3,223,606
Electricity Infrastructure	83,503,168	(23,004,414)	60,498,754	75,383,142	(19,036,703)	56,346,439
Roads Infrastructure	559,064,771	(289,666,819)	269,397,952	530,299,092	(258,767,729)	271,531,363
Capitalised Restoration Cost -PPE	23,982,718	(18,467,430)	5,515,288	25,588,333	(8,112,253)	17,476,080
Security	104,605	(91,389)	13,216	104,605	(80,932)	23,673
Work in Progress	69,447,690	-	69,447,690	66,535,479	-	66,535,479
Total	943,422,947	(419,885,817)	523,537,130	888,707,776	(365,519,668)	523,188,108

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Depreciation	Impairment loss	Total
Land	2,394,494	-	-	-	-	-	-	2,394,494
Buildings	89,911,114	1,267,470	-	12,218,276	-	(5,250,724)	-	98,146,136
Plant and machinery	5,215,986	354,736	(1,070)	-	-	(1,087,719)	-	4,481,933
Furniture and fixtures	2,156,406	561,964	(7,395)	-	-	(502,448)	-	2,208,527
Motor vehicles	7,973,542	1,152,332	(54,606)	-	-	(1,873,066)	-	7,198,202
Lease assets	399,940	-	(21,318)	-	-	(199,355)	-	179,267
IT equipment	3,223,592	1,947,920	-	-	-	(1,115,841)	-	4,055,671
Electricity Infrastructure	56,346,439	-	-	8,120,025	-	(3,967,710)	-	60,498,754
Roads Infrastructure	271,531,363	-	-	28,765,679	-	(30,021,595)	(877,495)	269,397,952
Capitalised Restoration Cost-PPE	17,476,080	-	-	-	(1,605,614)	(10,355,178)	-	5,515,288
Security	23,673	-	-	-	-	(10,457)	-	13,216
Work in Progress	66,535,479	52,156,266	-	(49,103,980)	-	-	(140,075)	69,447,690
	523,188,108	57,440,688	(84,389)	-	(1,605,614)	(54,384,093)	(1,017,570)	523,537,130

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Restatement	Depreciation	Impairment reversal	Total
Land	2,394,494	-	-	-	-	-	-	2,394,494
Buildings	90,475,693	-	-	3,890,412	-	(4,454,990)	-	89,911,115
Plant and machinery	4,998,489	1,624,133	(55,166)	-	-	(1,351,469)	-	5,215,987
Furniture and fixtures	2,144,638	1,022,084	(391,302)	-	-	(619,014)	-	2,156,406
Motor vehicles	6,091,131	3,538,393	(64,734)	-	-	(1,591,264)	-	7,973,526
Office equipment	682,123	-	-	-	-	(282,183)	-	399,940
IT equipment	2,285,309	2,337,547	(305,029)	-	-	(1,094,221)	-	3,223,606
Leasehold improvements	51,061,028	-	-	7,222,954	-	(1,937,543)	(983,936)	56,346,439
Infrastructure	207,093,446	-	-	82,247,499	-	(16,825,646)	-	271,531,363
Capitalised Restoration Cost -PPE	5,842,040	942,790	(134,563)	-	11,994,221	(1,168,408)	-	17,476,080
Security	34,135	-	-	-	-	(10,462)	-	23,673
Work in progress	98,225,576	61,595,570	75,200	(93,360,867)	-	-	-	66,535,479
	471,328,102	71,060,517	(875,594)	(2)	11,994,221	(29,335,200)	(983,936)	523,188,108

Pledged as security

There are leased property plant and equipment assets that are secured as set out in note 10 :

Repairs and Maintenance

Expenditure incurred to repair and maintain property, plant and equipment is included under contracted services in the Statement of Financial Performance:

	2022	2021
Maintenance of Buildings and Facilities	13 615 625	9 373 392

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

8. Property, plant and equipment (continued)

Slow moving projects

The Municipality has the below slow moving projects due to budget constraints.

- CCTV Access Control System

The carrying value for the project is R 149 990

-Guard House Access Control Systems

The carrying value for the project is R 107 216

Halted Projects

The Municipality halted the the project for the construction and refurbishment for public toilets facilities in Mount Fletcher. This was due to the community members preventing the appointed service provider from accessing the site

An impairment loss for the total cost project cost has been raised for an amount of R 140 075.

The carrying value of the project is R 0.

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	40,136,226	26,399,253	66,535,479
Additions/capital expenditure	31,801,018	20,355,246	52,156,264
Impairment	-	(140,075)	(140,075)
Transferred to completed items	(36,885,700)	(12,218,279)	(49,103,979)
	35,051,544	34,396,145	69,447,689

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
Opening balance	90,250,394	7,975,182	98,225,576
Additions/capital expenditure	39,281,085	22,314,485	61,595,570
Disposal	75,200	-	75,200
Transferred to completed items	(89,470,453)	(3,890,412)	(93,360,865)
	40,136,226	26,399,255	66,535,481

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	385,837	(384,787)	1,050	385,837	(383,737)	2,100

Reconciliation of Intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, internally generated	2,100	(1,050)	1,050

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, internally generated	9,552	(7,452)	2,100

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
10. Finance lease obligation		
Minimum lease payments due	156,066	327,114
- within one year	-	156,066
- in second to fifth year inclusive	156,066	483,180
less: future finance charges	(8,580)	(65,966)
Present value of minimum lease payments	147,486	417,214
Non-current liabilities	-	147,486
Current liabilities	147,486	269,728
	147,486	417,214

Capital lease liabilities at amortised cost is calculated at 19.68% interest rate, with the maturity date of 31 December 2022 .

11. Payables from exchange transactions

Trade payables	8,775,771	5,991,646
Unknown receipts	2,673,246	2,620,868
Accruals	11,007,158	29,727,897
Retentions	13,190,779	14,249,380
Deposits received	381,464	253,808
Payments received in advance	2,721,015	420,215
Sundry creditors	1,571,495	424,085
Advance licence fees	1,582,054	323,375
	41,902,982	54,011,274

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-Current Employee Benefits	(6,937,000)	(6,860,000)
Current Employee Benefits	(14,798,380)	(12,128,424)
	(21,735,380)	(18,988,424)
The fair value of plan assets includes:		
Accrued Bonus		
Opening Balance	2,755,288	2,625,316
Contribution during the year	6,711,776	6,176,799
Payments made	(6,471,305)	(6,046,827)
	2,995,759	2,755,288
Performance Bonus		
Opening Balance	558,535	2,970,583
Contributions during the year	537,942	(2,375,071)
Payments made	(276,417)	(36,977)
	820,060	558,535
Staff leave		
Opening Balance	7,932,602	7,126,967
Contributions during the year	2,185,775	1,521,335
Payments made	(726,816)	(715,700)
	9,391,561	7,932,602
Post Retirement Medical Benefits		
Opening Balance	1,572,000	1,453,000
Payments made	(268,970)	(131,160)
Finance charges	139,000	128,000
Actuarial Loss/(Gain)	118,970	122,160
Subtotal	1,561,000	1,572,000
Less current portion	(144,000)	(138,000)
	1,417,000	1,434,000
The amounts recognised in the Statement of Financial Position are as follows		
Finance charges	139,000	128,000
Actuarial gain	118,970	122,160
	257,970	250,160
The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up of as follows:		
Continuation Members	4	4
The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes		
>Bonitas		
>LA Health		
Key Assumptions used are as follows.		

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Employee benefit obligations (continued)		
1) Interests Rates		
Discount Rate %	11	9
Health Care Cost Inflation rate %	8	6
Net Effective Discount Rate %	3	3
	-	-

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

2) Mortality Post-employment
PA(90) -1 with a 1% mortality improvement per annum from 2010

3) Last Valuation
The last valuation was performed on 1 July 2022

4) 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

The liability in respect of past service recognised in the Statement of Financial Position is as follows	Contribution Members	Present Value of fund obligations
30 June 2022	1,561,000	1,561,000
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 liability immediately as per GRAP 25.

Experience adjustments were as follows.

	Liabilities (Gain)/Loss
30 June 2022	(12,000)
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
	-

Sensitivity Analysis on the Accrued Liability.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Employee benefit obligations (continued)		
Assumption	Total Liability (R)	% Change
Liability	1,572,000	-
Health care inflation rate (+1%)	1,722,000	-
Health care inflationrate (-1%)	1,442,000	-
Discount rate (+1%)	1,447,000	-
Discount rate (-1%)	1,719,000	-
Post-employment mortality (+1 year)	1,513,000	-
Post-employment mortality (-1 year)	1,632,000	-
	-	-

Sensitivity Analysis on the Interest Costs

Assumption	Interest (R)	%Change
Estimated interest for 2021/22	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 (+ year)	134,000	(4)
Post-employment mortality (-1)	145,000	4
	-	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Employee benefit obligations (continued)		
Long Service Awards		
The movement in Long Service Awards are reconciled as follows		
Opening Balance	6,170,000	5,475,000
Current-service cost	911,000	940,000
Expenditure for the year	(244,276)	(264,034)
Finance Charges	543,000	385,000
Actuarial loss	(412,724)	(365,966)
Subtotal	6,967,000	6,170,000
Less Current Portion	(1,447,000)	(744,000)
	5,520,000	5,426,000

The following members are eligible for long service bonuses

In- service members	286	286
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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 assumptions used are as follows.

Interest Rates	11	9
Discount Rate	7	6
General Salary Inflation (Long term)	3	3
Net Effective Discount Rate applied to salary- related Long Service Bonuses	-	-

The discount rate used is 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 2022

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
30 June 2022	6,967,000
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

Experience adjustments were calculated as follows:

30 June 2021	Liabilities (Gain)/Loss (43,000)
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
12. Employee benefit obligations (continued)		
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

	Total Liability	% Change
Liability	6,967,000	-
General earnings inflation rate (+1%)	7,371,000	6
General earnings inflation rate (-1%)	6,601,000	(5)
Discount Rate (+1%)	6,591,000	(5)
Discount Rate (-1%)	7,389,000	6
Average retirement age (+ 2 years)	7,428,000	7
Average retirement age (-2 years)	6,631,000	(5)
Withdrawal rates (*2)	5,487,000	(21)
Withdrawal rates (*0.5)	7,999,000	15
	-	-

Sensitivity Analysis on the future Current- service and Interest Costs

Assumption	Current Service Cost	Interest Cost	Total Cost	%Change
Future Cost for 2021/22	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 (*2)	654,000	414,000	1,068,000	(27)
Withdrawal rates (0.5)	1,098,000	634,000	1,732,000	19
	-	-	-	-

The amounts recognised in the Statement of Financial Performance are as follows

Current Service Cost	911,000	940,000
Interest cost	543,000	385,000
Actuarial gain	(412,724)	(365,966)
	1,041,276	959,034

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022 2021

12. Employee benefit obligations (continued)

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 described as benefits 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.

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.

Defined Contributions Funds

The Municipality contributes to the following defined benefit plans:

Consolidated Retirement Fund (former Cape Retirement Fund)	7,269,305	6,451,517
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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 sound financial position with a funding level of 100.5% (30 June 2019 - 100.3%)

Defined contribution funds

The municipality contributes funds which are defined as defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with the 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	1,232,395	1,230,400
SAMWU National	4,325,389	4,390,844
National Municipal Workers Fund	521,670	581,608
Discovery Investment	34,606	33,294
	6,114,060	6,236,146

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	931,376	-
INEP	1,360	1,360
Voter Education Grant	4,061,086	-
Municipal Infrastructure Grant	488,327	574,922
Libraries grants	39,111	39,111
DEDEA Grant		
	5,521,260	615,393

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
13. Unspent conditional grants and receipts (continued)		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 23 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
14. Consumer Deposits		
Consumer Deposits		
Electricity	302,659	302,659
Housing Rental	97,691	97,691
	400,350	400,350

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amount.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

15. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in estimate	Utilised during the year	Unwinding of discounted interest	Total
Landfill sites	32,612,435	(1,605,614)	(8,581,713)	2,731,135	25,156,243

Reconciliation of provisions - 2021

	Opening Balance	Increase in estimate	Decrease in estimate	Unwinding of discounted interest	Restatement	Total
Landfill Sites	19,230,056	942,790	(134,563)	579,930	11,994,222	32,612,435

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.

The Municipality had to restate the landfill provision following errors emanating from previous periods. The correction was applied to the opening balance, not applied retrospectively as per GRAP 3 requirements as it was impracticable to determine the period-specific effects or the cumulative effect of the error.

Mount Fletcher	12,941,941	12,473,914
Maclear- old	4,360,203	4,250,579
Ugie -old	4,221,490	4,115,334
Maclear- new	1,772,806	1,708,695
Ugie- new	10,441,516	10,063,913
	33,737,956	32,612,435

Location	Estimated Decommission Date	Future Cost of Rehabilitation
Mount Fletcher	2,033	21,234,697
Maclear old	2,022	5,604,111
Ugie -old	2,022	5,425,799
Maclear- new	2,070	11,052,245
Ugie- new	2,032	16,600,368
		59,917,220

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

15. Provisions (continued)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the General Landfill Closure Costing Model (GLCCM) is based on the three-month average CPA for the quarter that included the financial year-end date. The average of the CPI for the last quarter amounted to 6.6085%.

There are currently five landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, they are named after the town which they service.

Mt Fletcher Landfill Site

Total area of the landfill	35 022 m2
Is the site licenced	Yes
Expected remaining useful life	11 years
Waste type allowed	General Landfill
Size class	Communal
Climatic water balance	B-

Maclear old Landfill Site

Total area of the landfill	10 000 m2
Is the site licenced	No
Expected remaining useful life	0 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B+

Ugie Old Landfill Site

Total area of the landfill	11 353 m2
Is the site licenced	No
Expected remaining useful life	0 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B-

Maclear new Landfill Site

Total area of the landfill	80 900 m2
Is the site licenced	Yes
Expected remaining useful life	48 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B+

Ugie new Landfill Site

Total area of the landfill	65 821 m2
Is the site licenced	Yes
Expected remaining useful life	10 years
Waste type allowed	General Landfill
Size class	Small
Climatic water balance	B-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
16. Service charges		
Sale of electricity	31,358,683	29,623,126
Refuse removal	6,470,762	6,157,912
Refuse rebate	(537,455)	(274,161)
Electricity Rebate	-	(278,998)
	37,291,990	35,227,879
17. Rental of facilities and equipment		
Facilities and equipment	1,723,423	1,650,860
Rental of facilities	24,680	1,720
Rental of equipment		
	1,748,103	1,652,580
18. Licences and permits (exchange)		
Driving licences	493,192	690,715
Learner driving licences	670,411	769,049
Public driving permits	170,958	251,520
Registrations	2,180,857	2,244,009
	3,515,418	3,955,293
19. Other income		
Building plan and inspection fees	135,260	152,562
Tender documents sale	212,205	230,068
Cemetery fees	49,865	38,143
Commission received	2,781	155,885
Skills Development Levy Refund	222,699	112,816
Sundry income	2,225,606	639,776
	2,848,416	1,329,250
20. Investment revenue		
Interest revenue		
Interest on bank balances	4,786,371	4,820,920
Interest charged on trade and other receivables	2,215,468	2,040,119
	7,001,839	6,861,039
21. Actuarial gains		
Post Retirement Medical Benefits	(118,970)	(122,160)
Long Service Awards	412,724	365,966
	293,754	243,806
22. Property rates		
Rates received		
Reteables Land and Buildings	26,481,600	31,391,881
Less: Rebates	(427,709)	(7,624,727)
	26,053,891	23,767,154

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Government grants and subsidies		
Operating grants		
Equitable share	166,231,000	192,290,400
Energy Efficient & Demand Side Management	1,000,000	4,500,000
Expanded Public Works- EPWP	2,569,000	3,333,000
Municipal Finance Management Grant	1,650,000	1,700,000
Municipal Infrastructure Grant	2,051,550	1,935,000
Intergrated National Electrification Programme- INEP	18,808,624	15,739,000
Libraries grant	836,595	750,000
	193,146,769	220,247,400
Capital grants		
Premiers Office Grant	-	11,062,250
Municipal Infrastructure Grant	34,918,364	36,293,000
Libraries Grant Capital	-	136,500
	34,918,364	47,491,750
	228,065,133	267,739,150
Intergrated National Electrification Programme (INEP)		
Current-year receipts	19,740,000	15,739,000
Conditions met - transferred to revenue	(18,808,624)	(15,739,000)
	931,376	-
Conditions still to be met - remain liabilities (see note 13).		
The National Electrification Grant is used for electrical connections in previously disadvantaged areas..		
Expanded Public Works Program (EPWP)		
Balance unspent at beginning of year	-	94,400
Current-year receipts	2,569,000	3,238,600
Conditions met - transferred to revenue	(2,569,000)	(3,333,000)
	-	-
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.		
Municipal Finance Management Grant		
Current-year receipts	1,650,000	1,700,000
Conditions met - transferred to revenue	(1,650,000)	(1,700,000)
	-	-
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).		
Voter Station Grant		
Balance unspent at beginning of year	1,360	1,360
This grant is used for maintenance of roads to voting stations.		
Energy Efficient & Demand Side Management		

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Government grants and subsidies (continued)		
Current-year receipts	1,000,000	4,500,000
Conditions met - transferred to revenue	(1,000,000)	(4,500,000)
	-	-

The grant is used for maintaining electrical infrastructure assets and street lights.

Municipal Infrastructure Grant

Current-year receipts	41,031,000	38,228,000
Transferred to Revenue- Operating	(2,051,550)	(1,935,000)
Transferred to Revenue- Capital	(34,918,364)	(36,293,000)
	4,061,086	-

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprise and social institutions. Also to provide for new municipal infrastructure and rehabilitation of existing ones.

Libraries Grant

Balance unspent at beginning of year	574,922	711,422
Current-year receipts	750,000	750,000
Conditions met - transferred to revenue	(750,000)	(750,000)
Transferred to Revenue- Capital	(86,595)	(136,500)
	488,327	574,922

The library grant is used to pay salaries for libraries staff.

24. Fines, Penalties and Forfeits

Illegal Connections Fines	162,678	20,727
Municipal Traffic Fines	73,700	370,800
Pound Fees	55,031	82,579
Retentions Forfeits	-	1,233,292
Unclaimed Money Forfeits	621,883	535,980
	913,292	2,243,378

25. Interest from non-exchange receivables

Interest - Property Rates	1,834,716	1,379,919
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs		
Basic salaries and wages	77,173,870	74,612,404
Bonus	7,184,239	6,176,800
Medical aid contributions	5,274,825	5,109,332
UIF Contributions	600,567	535,426
Staff leave	2,185,775	1,521,335
Pension contributions	13,565,255	12,662,007
Other short term costs	993,016	160,711
Overtime payments	4,129,614	3,179,855
Long-service awards	911,000	940,000
Acting allowances	832,818	484,822
Workmens Compensation Fund	623,896	588,725
Motor vehicle allowance	878,101	1,405,181
Housing allowances	130,327	95,839
Cellphone allowance	105,722	321,567
Scarcity allowance	197,325	269,813
Standby allowance	785,085	1,274,776
Bargain council	36,268	36,073
Performance bonus	65,479	(2,375,071)
	115,673,182	106,999,595
Remuneration of municipal manager (K Gashi)		
Annual Remuneration	469,984	1,035,868
Car Allowance	90,000	183,397
Performance Bonuses	85,278	36,977
Contributions to UIF, Medical and Pension Funds	71,878	142,810
Leave payout	121,638	-
	838,778	1,399,052
Remuneration of chief finance officer- J Mdeni		
Annual Remuneration	805,119	759,249
Car Allowance	121,000	110,000
Performance Bonuses	100,935	-
Contributions to UIF, Medical and Pension Funds	1,948	1,516
	1,029,002	870,765
Director Coprorate Services- SR Matubatuba		
Annual Remuneration	603,593	940,000
Car Allowance	124,800	187,200
Performance Bonuses	76,392	-
Contributions to UIF, Medical and Pension Funds	1,594	1,813
Leave payout	99,871	-
	906,250	1,129,013
Director InfrastructurePlanning and Development S Sako		
Annual Remuneration	694,701	834,463
Car Allowance	162,378	177,140
Performance Bonuses	70,090	-
Contributions to UIF, Medical and Pension Funds	1,948	91,378
	929,117	1,102,981
Director Strategic Planning and Economic Development- NC Eddie		

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs (continued)		
Annual Remuneration	912,915	892,964
Car Allowance	171,600	187,200
Performance Bonuses	10,403	-
Contributions to UIF, Medical and Pension Funds	1,948	1,813
	1,096,866	1,081,977

Director Community Services-L Kokose

Annual Remuneration	208,504	911,610
Car Allowance	45,000	180,000
Performance Bonuses	91,138	-
Contributions to UIF, Medical and Pension Funds	708	1,813
Leave payout	95,767	-
	441,117	1,093,423

27. Remuneration of Councillors

Executive Mayor	871,674	905,259
Speaker	734,075	733,088
Councillors	9,179,183	8,940,353
Chief Whip	416,747	404,593
Executive Committee	1,477,469	1,617,931
	12,679,148	12,601,224

2022	Basic salary	Cellphone allowance	Total
Executive Mayor	627,924	243,750	871,674
Speaker	692,675	41,400	734,075
Councillors	6,302,912	2,876,271	9,179,183
Chief Whip	288,575	128,172	416,747
Executive Committee	1,043,814	433,655	1,477,469
Subtotal	8,955,900	3,723,248	12,679,148
	8,955,900	3,723,248	12,679,148

2021	Basic Salary	Cellphone Allowances	Total
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
Subtotal	11,214,024	1,387,200	12,601,224
	11,214,024	1,387,200	12,601,224

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

28. Depreciation and amortisation

Property, plant and equipment	54,863,839	29,816,975
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
29. Finance charges		
Employee benefits	682,000	513,000
Finance leases	69,178	113,746
Interest on overdue accounts	-	1,720
Landfill site provision	2,731,135	579,931
	3,482,313	1,208,397
30. Debt impairment		
Debt impairment	11,673,416	15,193,003
31. Bulk purchases		
Electricity	29,040,780	24,593,488
32. Contracted Services		
Accounting and Auditing	3,861,804	2,409,776
Audit Committee	78,870	281,965
Catering Services	775,820	295,782
Dumping sites	3,900,614	3,139,533
Electrical	19,172,994	19,754,836
Internal Auditors	352,345	603,013
Drivers Licence Cards	181,700	178,461
Legal Services	758,564	1,029,921
Maintenance of Buildings and Facilities	13,615,625	9,373,392
Organisational	2,192,741	3,779,339
Personnel and Labour	7,317,410	7,598,315
Professional Staff	3,176,863	1,818,850
Project Management	514,719	516,386
Research and advisory	1,854,389	1,676,977
Security Services	7,098,416	5,256,397
Valuer and Assesors	-	60,030
Other Contracted Services	1,557,243	1,628,484
Disconnection of electricity	796,252	-
	67,206,369	59,401,457
33. Sale of goods/ inventory		
Inventory consumed	1,045,986	774,150
34. Loss on disposal of non-monetary assets		
Cash received	-	329,047
Carrying value of assets disposed	(1,081,432)	(741,034)
	(1,081,432)	(411,987)

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
35. General expenses		
Advertising publicity and marketing	1,650,979	1,330,334
Bank charges	636,731	592,991
Commission paid	1,233,626	805,999
Computer expenses	5,815,030	4,292,536
Fines	50,000	-
Learnership and internship	203,762	179,514
Insurance	2,164,974	1,714,160
Lease Rentals	607,099	795,285
Fuel and oil	4,411,374	3,481,027
Printing and stationery	1,423,083	2,200,838
Protective clothing	1,274,174	883,314
Skills Development levy	1,029,090	831,356
Professional bodies, membership and subscription	1,419,938	1,204,707
Telephone and fax	1,971,383	1,752,303
Training	962,380	1,492,215
Travel and subsistence	5,364,372	2,105,390
External audit fees	3,511,177	3,218,461
Ward committees and other stipends	1,097,551	2,276,706
Motor vehicle licences	407,886	419,418
Electricity	-	2,368,532
Other sundries and consumables	512,468	725,214
	35,747,077	32,670,300
36. Cash generated from operations		
(Deficit) surplus	(20,218,406)	64,342,468
Adjustments for:		
Depreciation and amortisation	54,863,839	29,816,975
Loss/ (Gain) on disposal of non current assets	1,081,432	411,987
Actuarial gains	(293,754)	(243,806)
Debt impairment	11,673,416	15,193,003
Movement in employee benefits obligation -Longterm	2,963,710	(976,636)
Movements in employee benefit obligation-Short term	77,000	558,000
Landfill provisions	2,731,136	13,382,379
Changes in working capital:		
Receivables from exchange transactions	(14,195,104)	(8,844,979)
Other receivables from non-exchange transactions	(8,492,333)	(1,836,351)
Payables from exchange transactions	(12,108,293)	(1,093,731)
VAT	1,485,092	(2,359,808)
Unspent conditional grants and receipts	4,905,867	(230,900)
Consumer Deposits	-	15,801
	24,473,602	108,134,402
37. Financial instruments disclosure		
Categories of financial instruments		
2022		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	11,878,041	11,878,041
Cash and cash equivalents	77,313,337	77,313,337
	89,191,378	89,191,378

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
37. Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Finance lease - current portion	147,486	147,486
Trade and other payables from exchange transactions	41,902,982	41,902,982
	42,050,468	42,050,468
2021		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	6,461,789	6,461,789
Cash and cash equivalents	110,529,214	110,529,214
	116,991,003	116,991,003
Financial liabilities		
	At amortised cost	Total
Finance lease current portion	269,728	269,728
Trade and other payables from exchange transactions	54,011,274	54,011,274
Finance leases	147,486	147,486
	54,428,488	54,428,488
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
▪ Approved and contracted for -Infrastructure.	17,554,869	21,855,635
Total capital commitments		
Already contracted for but not provided for	17,554,869	21,855,635
This expenditure will be financed from :-		
Own revenue	3,945,794	4,619,893
Municipal Infrastructure grant	6,718,042	7,631,641
Office of the Premier Grant	6,891,033	9,584,101
	17,554,869	21,835,635

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
39. Contingencies		
Council have the following contingent liabilities.		
Contingent liabilities		
Zilwa Contractors are claiming an amount of R1 250,000.00 for alleged unlawful termination of their contract by the Municipality. (Mt Fletcher Craft Centre).	1,250,000	-
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
A claim for damages resulting from an alleged unlawful arrest, the Municipality is defending the matter as the Municipal officials were not involved in the arrest.	200,000	-
The plaintiff's claim is for damages resulting from alleged unlawful confiscation of his drivers license by the municipal traffic police.	800,000	-
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
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
Summons were served to the Municipality in relation to non payment of services alleged to been rendered to the Municipality by the travelling agent. The Municipality is defending the matter.	268,268	268,268
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.	691,025	381,903
A company was contracted to do road repairs in Mclear , but failed to do work to the satisfaction of the Municipality. The municipality rightfully retained a certain portion percentage of the retention to an estimate of R950 000. The plaintiff is suing the Municipality for retention fees. The Municipality has defended the action. The Municipality is now awaiting for its attorneys to give a reponse to the claim. (Plea)	-	950,000
Total estimated Contingent liabilities	7,597,664	5,988,542

40. Risk management

Financial risk management

The municipality is potentially exposed to the following risks

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

40. Risk management (continued)

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 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.

30 June 2022	Within 1 Year	Two to Five Years	After Five years	Total
Finance leases	156,066	-	-	156,066
Payables from exchange transactions	41,912,951	-	-	41,912,951
	42,069,017	-	-	42,069,017

30 June 2021	Within 1 Year	Two to five years	After five years	Total
Finance leases	327,114	156,066	-	483,180
Payables from exchange transactions	54,011,274	-	-	54,011,274
	54,338,388	156,066	-	54,494,454

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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40. Risk management (continued)

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.

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

Financial instrument	2022	2021
Cash and Cash Equivalents	77,313,337	110,529,209
Receivable from exchange transactions	11,878,041	6,461,788

Cash and Cash Equivalent

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 user, 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 to 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 service" 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 payables within 30 days. All receivables outstanding for more than 30 days are considered past due date.

Refer to note 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	385,352	685,567
2 months past due	110,373	573,390
3 months past due	316,913	346,624
4 months past due	195,338	265,350
5 months past due	20,870	288,180
6-12 months past due	968,682	919,676
More than 1 year past due	-	821,588
	<u>1,997,528</u>	<u>3,900,375</u>

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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
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40. Risk management (continued)

Market risk

Interest rate risk

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

The following are exposed to interest rate fluctuations

Cash and Cash equivalents	77,313,336	110,529,214
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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 statement

Potential effect of changes in interest rates on surplus and deficit for the year/period		
0.5% (2021 -0.5%) increase	386,567	552,646
0.5% (2021 -0.5%) decrease	(386,567)	(552,646)
	-	-

Foreign exchange 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

Other price risk (Market Risk)

Other price risk is the risk that the fair value of future cashflows 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 other price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

41. Fruitless and wasteful expenditure

Opening balance as previously reported	102,578	102,578
Opening balance as restated	102,578	102,578
Add: Expenditure identified - current	-	7,000
Less: Amounts recoverable - current	-	(7,000)
Closing balance	102,578	102,578

Fruitless and wasteful expenditure amounts exclude VAT.

Details of Fruitless and wasteful expenditure		
Lost water tank	-	7,000

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
42. Irregular expenditure		
Opening balance as previously reported	-	1,988,897
Opening balance as restated	-	1,988,897
Add: Irregular Expenditure - current	1,126,075	12,688,105
Less: Amount written off by council	(1,007,519)	(14,641,344)
Less: Amount to be recovered	-	(35,658)
Closing balance	118,556	-

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

42. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
SCM processes not followed		118,558	-
Breach of Regulation 29, where there was less than 4 Senior Managers sitting in the BAC		1,007,519	12,125,163
Policy not followed when appointing an employee		-	527,284
Excess payment on approved total remuneration package of senior managers		-	35,658
		<u>1,126,077</u>	<u>12,688,105</u>

The irregular expenditure reported is VAT inclusive

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,378,396	1,177,589
Refund and discount received	-	(577,350)
Amount paid - current year	<u>(1,378,396)</u>	<u>(600,239)</u>
	-	-

Audit fees

Opening balance	-	4,597
Current year subscription / fee	3,518,666	3,701,230
Amount paid - current year	<u>(3,518,666)</u>	<u>(3,699,376)</u>
	-	6,451

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
43. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE, SDL and UIF		
Opening balance	1,543,246	1,537,246
Payments due to SARS	19,934,216	18,760,567
Amount paid - current year	(19,934,216)	(18,753,901)
	1,543,246	1,543,912
Pension and Medical Aid Deductions		
Opening balance	(6,485)	(5,729)
Current year subscription / fee	13,844,474	28,294,218
Amount paid - current year	(13,844,474)	(28,294,973)
	(6,485)	(6,484)
VAT		
VAT receivable	8,928,339	10,045,402

VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
T Mfono	5,226	59,421	64,647
<hr/>			
30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
LS Ndumndum	-	468	468

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
44. Deviation from supply chain management regulations		
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)(1)	55,497	2,921
Section 36(1)(a)(ii)	20,564	-
Section 36(1)(a)(v)	4,303,346	4,119,202
Section 36(1)(b)	11,620	-
	4,391,027	4,122,123
Municipal Manager Office	214,760	203,205
Budget and Treasury Office	963,911	1,194,000
Infrastructure Planning and Development	2,721,208	1,563,127
Corporate Services	265,900	481,108
Community Services	204,684	533,395
Strategic Planning and Development	20,564	147,288
	4,391,027	4,122,123

45. Statutory receivables

In accordance with the principle of GRAP108, Statutory Receivables of the municipality are classified as follows.

Property Rates	12,950,549	7,761,248
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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 22 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, 1997. Refer to note 24 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 that are past due at the reporting date, and have been impaired

Property Rates	15,895,823	14,793,672
Traffic fines	3,345,514	3,291,914
	19,241,337	18,085,586

Statutory receivables that are past due that have not been impaired

Property rates	12,950,549	7,735,923
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

46. 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 relate 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 parties.

Related party loans

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

Compensation of Management Personnel

Remuneration of related parties are disclosed in note 26 and 27.

Relationship to the person of the state.

Director	Relationship to the person of the state	Amount
Noluthando Thuli	Family to Ms Ntombozanele	R 0
Letitia Zoliswa Nodikana	Mother of Vuyokazi Nodikana	R 0
Siphehle Sahlulo	Daughter of Bulelwa Sahlulo (Registry Clerk)	R 0
Malungisa Dlokweni	Spouse of Zizipho Mbana (Clerk-Expenditure)	R 0
Nomasiza Winnie Chaka	Fundisiwe Chaka (Child)	R 9 000
Thabathani Chaka	Thabathani Chaka	R 0
Babalo Mphohlo	Nomtha Nkani (Spouse)	R 0
Bongiwe Cynthia Pula	Sibling of Nombulelo Pula (Cleaner/ Parks and amenities)	R 0
Nosipho Dumeko	Spouse of Sango Dumeko (Relations Practitioner) - Interest in other related company changing lives collect a can Multi Purpose where LC Nxelana (cleaner) and Klass (Special Programme Coordinator) and Director	R 191 510.93
Ron Watermeyer	Benjamin Watermeyer - Son	R 0
Kumkani Electricals	Spouse of Pelloza Mpeqeka (Eskom)	R 0
Munsoft	Spouse of Mary Renani (Department of Justice)	R 4 764 035
Ndikho Mahlubandile Malic Ntaba	Interst in other related compay Elundini group 20 where SJT Magadla (Councilor) is a director	R 0
Babalo Mphohlo	Nomtha Nkani (Spouse)	R 0
Sonwabile Bikitsi	Yolisa Majali (Spouse)	R 0
Sanile Business	Spouse of Zikhona Mxinwa Nyandeni Local Municipality)	R 0
Sydwel Maqula	Spouse of N.J Majula (Department of Human Settlements)	R 157 879
Ziphelele Nqabeni	Ziphelele Nqabeni (ECDC Administration)	R 0
Mawande Gobeni	Sivs Arch	R 0

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

47. Prior-year adjustments

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

A review of the municipality's payables revealed that accruals had been overstated by R1.8 million. The landfill site and the provision for rehabilitation were understated by 11.9 million. The municipality also decided to reclassify capitalised restoration cost to PPE as opposed to it being as stand alone item.

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Property Plant and Equipment		505,712,025	11,994,222	5,481,858	523,188,105
Capitalisation Restoration Cost -(PPE)		5,481,858	-	(5,481,858)	-
Payables from exchange transactions		(55,823,633)	1,812,360	-	(54,011,273)
Non-Current Provision		(20,618,213)	(11,994,222)	-	(32,612,435)
		434,752,037	1,812,360	-	436,564,397

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Interest received- Exchange Transactions		8,240,958	(1,379,919)	6,861,039
Interest received- Non-exchange Transactions		-	1,379,919	1,379,919
Service Charges		42,374,238	(7,146,359)	35,227,879
Availability Charges		-	7,146,359	7,146,359
General expenditure		34,398,299	(1,728,000)	32,670,299
Contracted services		59,485,818	(84,000)	59,401,818
Surplus for the year		144,499,313	(1,812,000)	142,687,313

To comply with the requirements of GRAP, the municipality reclassified interest received on non-exchange debtors to non exchange revenue. Equally, the municipality also reclassified the availability charges from exchange transactions to non exchange transactions as shown above
It was also discovered that general expenditure had been overstated by R1.7 million and these were duly corrected.

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Property rates		21,751,696	1,559,026	23,310,722
Other revenue		10,751,462	(1,057,871)	9,693,591
VAT		47,894,953	(47,894,953)	-
Suppliers		(256,265,447)	146,824,647	(109,440,800)
		(175,867,336)	99,430,849	(76,436,487)
Cash flow from investing activities				
Purchase of Property plant and equipment		70,117,727	12,936,627	83,054,354

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
48. Accumulated surplus		
Accumulated surplus		
Closing balance	577,689,843	597,908,249

49. Events after the reporting date

After submission of the Annual Financial Statements, the municipality's sewer plant was destroyed by fire. The carrying value of the plant was R 9 955 312. The incident happened in September 2022.

50. In-kind donations and assistance

No in-kind donations and assistance were received by the Municipality during the year.

51. Budget differences

Material differences between budget and actual amounts

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

51. Budget differences (continued)

1. Service Charges- Electricity

The actual is less than the budget due to power outages experienced in the current financial period and consumers opted to use other sources of energy.

2. Service Charges-Solid Waste

The budget is net of indigent relief and the billing is not netted.

3. Rental of facilities and equipment.

The budget is more due to tenants who moved out and not replaced.

4. Licences and permits

Actual was more than the budget due to the fact that the Municipality has the only licencing station within the region, Mt Fletcher, Elliot and Qumbu were not operating and also affected by network outages.

5. Other income

Included in the budget for other income there is an amount for capital grants of R58 719 000.00. Other income is under collected by R16 645 462.00 after reducing the budget with the amount of R58 719 000.00 being capital grants budget.

6. Gains on disposal of assets

There was no gain on disposal but the municipality incurred a loss.

7. Property rates

The budget was more than the actual due to the fact that the budget does not include the rebates.

8. Government grants & subsidies

Included in the actuals is an amount of R53m spent on capital grants whereas in the budget it is not included. The amount of R58 719 000 being the budget for capital grants is linked to other income.

9. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits, the budget may have been understated, it will be corrected in the next budget cycle

10. Interest - Transfer revenue

Interest on investment, the interest is over collected due to investments that were kept and withdrawn after year end for the purpose of generating revenue and also interest rates that were higher than previous financial year. Interest on receivables is collected more than what was anticipated due to increased debt book and slow payment trends from customers and also the budget was undersated and it will be corrected in the next budget cycle.

11. Employee cost

The budget was more than the actual due to vacant positions not filled.

12. Remuneration of councillors

The budget was incorrectly overbudgeted for.

13. Depreciation and amortisation

The budget was understated. The actual is based on calculations from the asset register.

14. Finance cost

Interest on landfill site provision restated which was not anticipated.

15. Debt impairment

Debt impairment was more than the budget due to low collection

16. Transfer and grants

The budget of R5 819 547.00 for Transfers & subsidies is included on other income budget. It will be corrected in the next budget. It is under budgeted by R529 155.00.

17. Other expenditure

Savings on projects.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

51. Budget differences (continued)

18. General expenses

General expenditure is under spent due to savings on implemented projects and also due to projects that are not fully implemented during the year and over budgeting for some projects as we are budgeting on estimates

Statement of Financial Position

19. Current Assets

The variance was due to reduced bank balance at year end as the payables were settled more than what was budgeted for.

20. Non-current Assets

The budget was more than the actual due to some capital projects that were not implemented.

21. Current liabilities

The actual was lower than the actual the fact that the payables were settled before year end which reduced payables at year end less than the budget.

22. Non-current liabilities

The budget was less than the actual due to a 30 million loan that was not implemented in the current as year as budgeted.

Cash Flow Statement

23. Net Cashflow from Operating Activities

The actual was more than the budgeted due to collections from property rates, service charges and other revenue significantly lower than the budgeted.

24. Net Cashflow from Investing Activities

The variance was due to capital projects not implemented as budgeted for.

Interest on investment, the interest is over collected due to investments that were kept and withdrawn after year

Interest on investment, the interest is over collected due to investments that were kept and withdrawn after year

52. Principals- Agent Arrangements

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 by the as part of principle-agent arrangement.

Revenue collected from third parties on behalf of the department	10,560,320	10,995,072
Commission earned on vehicle registrations as per note 18	2,180,857	2,244,009
Collections payable to the Department at year-end	1,582,054	313,055

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53. 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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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54. Private Public Partnerships (PPP)

Council entered into a Private Public Partnership with Interwaste (Pvt) Ltd ("Operator ") on 13 May 2013.

In terms of the PPP the operator will be responsible for the maintenance and operation of the landfill sites in the Ulgie 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:

Year	Amount Payable
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 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.

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 of 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 lockdown levels.

Cost incurred in the fight against the COVID-19 pandemic	1,068,529	8,168,842
<hr/>		
The above mentioned- expenditure was funded as follow		
Municipal Disaster Relief Grant	-	8,168,842
Equitable Share	1,068,529	-
	1,068,529	8,168,842

56. Unauthorised expenditure

Opening balance as previously reported	-	20,370,364
Opening balance as restated	-	20,370,364
Add: Expenditure identified - current	86,325	-
Less: Unauthorised expenditure written off by Council	-	(20,370,364)
Closing balance	86,325	-

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
56. Unauthorised expenditure (continued)			
Unauthorised expenditure - Operating	2022 (Actual)	2022(Final Budget)	2022 (Unauthorised)
Vote 1- Executive and Council	42,583,543	49,669,560	-
Vote 2- Budget and Treasury	56,176,719	65,619,510	-
Vote 3- Corporate admin	38,778,069	41,206,304	-
Vote 4- Community services	46,615,132	54,677,640	-
Vote 5 Strategic Planning and Development	15,241,684	15,573,394	-
Vote 6- Infrastructure Planning and Development	71,475,049	114,073,732	-
	270,870,196	340,820,140	-
Unauthorised Capital Expenditure			
Vote 1-Executive and Council	1,340,109	2,234,812	-
Vote 2- Budget and Treasury	7,544,007	42,242,173	-
Vote 3 Corporate Admin	1,180,299	2,630,000	-
Vote 4- Community services	801,919	2,674,922	-
Vote 5-Strategic Planning Development	1,726,325	1,640,000	(86,325)
Vote 6- Infrastructure Planning and Development	58,634,586	68,411,144	-
	71,227,245	119,833,051	(86,325)
Unauthorised Expenditure - Operating	2021 (Actual)	2021 (Final Budget)	2021 (Unauthorised)
Vote 1-Executive and Council	43,891,545	55,862,195	-
Vote 2- Budget and Treasury	45,955,392	64,095,952	-
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 and Development	106,469,823	117,173,533	-
	289,528,789	345,414,328	-
Unauthorised Expenditure - Capital	2021 (Actual)	2021 (Final Budget)	2021 (Unauthorised)
Vote 1-Executive and Council	2,487,810	2,673,458	-
Vote 2- Budget and Treasury	4,166,201	8,045,088	-
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 and Development	57,155,280	78,049,447	-
	70,117,728	102,598,428	-

Unauthorised expenditure amounts exclude VAT.

57. Segment information

General information

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

57. Segment information (continued)

Identification of segments

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 follows

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
1 Community Services	Halls, cemeteries, parks, tourism, and library services
2 Electricity	Electricity services
3 Public Safety	Traffic control and animal pounds
4 Planning and Development	Town planning, building control and project management unit
5 Roads	Construction and maintenance of roads and storm water
6 Refuse Removal	Refuse removal

Reporting on segment 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.

Geographic Segment Reporting

Although the Municipality operates in a number of geographical areas (i.e wards), the geographical information is not 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.

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 to the structure of its internal or organisation in a manner that caused the composition of its reportable segments to change from prior year.

Other

Other relates to a reconciliation between the segments and the Annual Financial Statements

Information about the surplus/ (deficit) and capital expenditure are disclosed below:

ELUNDINI LOCAL MUNICIPALITY

Note 57 - SEGMENT REPORTING (Cont...)

	Other	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse Removal	Total
2022								
REVENUE								
REVENUE FROM EXCHANGE TRANSACTIONS	12,144,943	50,083	33,029,042	1,412,541	(166,740)	-	5,933,307	52,403,176
Service Charges	-	-	31,358,684	-	-	-	5,933,307	37,291,991
Rental of Facilities and Equipment	77,744	-	1,670,359	-	-	-	-	1,748,103
Investment Revenue	7,001,839	-	-	-	-	-	-	7,001,839
Licences and Permits	2,102,877	-	-	1,412,541	-	-	-	3,515,418
Other Income	2,962,482	50,083	-	-	(166,740)	-	-	2,845,825
REVENUE FROM NON-EXCHANGE TRANSACTIONS	200,248,522	836,595	28,147,884	73,700	12,696,721	24,273,193	-	266,276,615
Property Rates	26,053,891	-	-	-	-	-	-	26,053,891
Government Grants and subsidies	170,450,000	836,595	19,808,624	-	12,696,721	24,273,193	-	228,065,134
Actuarial Gains	293,754	0	-	-	-	-	-	293,754
Interest Received- Rates	1,834,716	-	-	-	-	-	-	1,834,716
Fines, Penalties and Forfeits	679,506	-	162,678	73,700	-	-	-	915,883
Electricity Availability Charges	-	-	8,176,582	-	-	-	-	8,176,582
Insurance Refunds	936,655	-	-	-	-	-	-	936,655
TOTAL REVENUE	212,393,464	886,678	61,176,927	1,486,241	12,529,982	24,273,193	5,933,307	318,679,791
EXPENDITURE								
Employee Related Costs	61,569,828	8,472,620	6,786,092	10,910,320	7,306,608	7,695,290	12,932,428	115,673,186
Remuneration of Councillors	12,679,148	-	-	-	-	-	-	12,679,148
Debt Impairment	8,058,656	-	377,282	53,600	-	-	3,183,878	11,673,416
Depreciation and Amortisation	20,872,047	-	3,967,710	-	-	30,024,083	-	54,863,839
Impairment Loss	-	-	-	-	-	-	2,731,135	3,482,313
Finance Cost	751,178	-	-	-	-	-	-	751,178
Bulk Purchases	-	-	27,666,355.00	-	-	-	-	27,666,355
Sale of goods/inventory	778,415	6,300	259,504	-	-	1,767	-	1,045,986
Contracted Services	28,475,313	185,278	22,611,492	381,088	1,276,268	9,215,853	5,117,023	67,262,314
Transfers and Subsidies	-	-	6,348,702.00	-	-	-	-	6,348,702
General Expenses	30,268,161	310,255	462,954	543,195	407,479	3,460,315	1,669,142	37,121,502
Actuarial Losses	-	-	-	-	-	-	-	-
Loss on disposal Non-Monetary Assets	1,081,432.00	-	-	-	-	-	-	1,081,432
TOTAL EXPENDITURE	164,534,177	8,974,453	68,480,093	11,888,203	8,990,355	50,397,308	25,633,605	338,898,194
SURPLUS FOR THE YEAR	47,859,287	(8,087,775)	(7,303,166)	(10,401,962)	3,539,627	(26,124,115)	(19,700,298)	(20,218,403)
CAPITAL EXPENDITURE	14,886,944	198,445	5,582,281	-	1,726,325	34,529,815	516,879	57,440,688

ELUNDINI LOCAL MUNICIPALITY

Note 57 - SEGMENT REPORTING (Cont...)

	Other	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse Removal	Total
2021								
REVENUE								
REVENUE FROM EXCHANGE TRANSACTIONS	9,421,789	85,693	30,954,709	3,907,457	152,562	-	5,883,751	49,539,133
Service Charges	-	-	29,344,129	-	-	-	5,883,751	35,227,880
Rental of Facilities and Equipment	(5,159)	47,159	1,610,580	-	-	-	-	1,652,580
Investment Revenue	6,861,039	-	-	-	-	-	-	6,861,039
Licences and Permits	47,837	-	-	3,907,457	-	-	-	3,955,294
Insurance refunds	513,090	-	-	-	-	-	-	513,090
Other Income	1,138,154	38,534	-	-	152,562	-	-	1,329,250
REVENUE FROM NON-EXCHANGE TRANSACTIONS	223,699,301	886,500	27,406,086	370,800	1,935,000	47,355,250	-	302,519,766
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
Interest Received- Rates	1,379,919	-	-	-	-	-	-	1,379,919
Availability Charges- Electricity	-	-	7,146,359	-	-	-	-	7,146,359
Fines, Penalties and Forfeits	1,851,851	-	20,727	370,800	-	-	-	2,243,378
TOTAL REVENUE	233,121,090	972,193	58,360,795	4,278,257	2,087,562	47,355,250	5,883,751	352,058,899
EXPENDITURE								
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	27,000,915	333,081	20,924,005	372,955	1,311,469	4,971,146	4,487,887	59,401,458
Transfers and Subsidies	1,096,441	-	2,949,372	-	-	-	-	4,045,813
General Expenses	26,751,636.00	323,466.00	560,253.00	389,821.00	657,448.00	3,128,639.00	859,037.00	32,670,300.00
Actuarial Losses	-	-	-	-	-	-	-	-
Loss on disposal Non-Monetary Assets	411,987	-	-	-	-	-	-	411,987
TOTAL EXPENDITURE	136,736,521	7,911,416	62,101,912	10,548,381	7,563,959	40,237,633	22,616,607	287,716,429
SURPLUS FOR THE YEAR	96,384,569	(6,939,223)	(3,741,117)	(6,270,124)	(5,476,397)	7,117,617	(16,732,856)	64,342,470
CAPITAL EXPENDITURE	10,228,204.28	136,500.00	5,931,047.12	-	-	51,016,069.35	2,805,906.50	70,117,727.25

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
58. Material losses		
Electricity distribution losses		
Units purchased (kwh)	19,626,501	20,456,910
Units sold (Kwh)	14,482,063	15,792,890
Units lost during distribution (kwh)	5,144,438	4,664,019
Percentage lost during distribution	26%	23%
Average Cost per Kwh unit (excl VAT)	1.59	0.90
Rand Value of Loss	8,179,515	4,388,582

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 include distribution network losses that account for electric energy used by the distribution utility in the proper operation of the distribution network

Figures in Rand	Note(s)	2022	2021
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