



ELUNDINI LOCAL MUNICIPALITY  
Annual Financial Statements  
for the year ended 30 June 2023

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 108 of 1998)
<b>Nature of business and principal activities</b>	Elundini Local Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
<b>Executive Committee</b>	
Mayor	Cllr M. P. S. Leteba Cllr S. Mdoda - Portfolio head: Infrastructure Development Cllr T. V. May - Portfolio head: Community Services Cllr P. Lephafa - Portfolio head: Financial Services Cllr B. N. Nqodi - Portfolio head: Corporate Services Cllr M. Siphamla - Portfolio head: Planning and Economic Development
Councillors	Cllr V. V. Hokwana - Speaker 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 N.D.J. Mfono - Ward 5 (ANC) Cllr N. Tyumbu - Ward 6 (ANC) Cllr T. Lephaila - Ward 7 (ANC) Cllr M.A Mdleleni - Ward 8 (ANC) Cllr N. Mditshane - Ward 9 (ANC) Cllr Z. Sibanda - Ward 10 (ANC) Cllr G.A. 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 M. Siphamla - PR (ANC) Cllr Z. Mampintsha - PR (ANC) Cllr V. Norman - PR (ANC) Cllr B.N. Nqodi - PR (ANC) Cllr F.M. Maqanda- Sonti PR (ANC) Cllr L.B. Magqashela - PR (ANC) Cllr M. Telile - PR (ANC) Cllr A. Mayisha - PR (DA) Cllr L. Botomani - PR (ATM) Cllr R. Moleleki - PR (SARKO) Cllr A.W. Masondo - PR (UDM) Cllr P. Lephafa - PR (EFF) Cllr P. Tsoaeli - PR (EFF)
<b>Grading of local authority</b>	3

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Accounting Officer</b>	J T Mdeni (From 1 July 2022)
<b>Chief Finance Officer (CFO)</b>	Vacant
<b>Registered office</b>	No. 1 Seller Street Maclear 5480
<b>Business address</b>	No. 1 Seller Street Maclear 5480
<b>Bankers</b>	First National Bank Standard Bank
<b>Auditors</b>	Auditor General South Africa (AGSA)
<b>Attorneys</b>	Mgxaji Attorneys Clark Laing Inc Magqabi Seth Zitha Attorneys Gray Moodliar Attorneys Gwabeni Inc Fikile Ntayiya & Associates Joubert Galpin & Searle Inc
<b>Other Directors</b>	Director: Corporate Services -N K Fololo ( July 2023 - April 2023) Director: Infrastructure Planning and Development - S Mrengqwa ( from 1 March 2023) Director: Planning and Economic Development - N C Eddie ( July 2022 - October 2022 and June 2023) Director: Community Service - L. Kutwana-Gomana ( From 1 July 2022)
<b>Section 79 Chairpersons</b>	Members Interest Committee - Cllr M. Telile Rules Committee -Cllr V.V. Hokwana Municipal Public Accounts Committee - Cllr Z. Mampintsha Mandate Committe - Cllr M.V. Tokozwayo Strategic Governance - CLLR M.P.S. Leteba Women Caucus - Cllr C.L. Marrand
<b>Audit Committee</b>	Chairperson - NL Mnconywa Member- Y Madolo Member- M Sikhosana Member- R Vuzane

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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

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ANC	African National Congress
ATM	African Transformation Movement
DA	Democcratic Alliance
EFF	Economic Freedom Fighters
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CFO	Chief Financial Officer
CIGFARO	Chartered Institute off Government Finance Audit and Risk Officers
INEP	Intergrated National Electrification Programme
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SARKO	South African Royal Kingdoms Organisation
UDM	United Democratic Movement
VAT	Value Added Tax

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and 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 period 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 Officer 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 page 6 - 79s 6 to 81, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:



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**Accounting Officer**  
**J T Mdeni**

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting officer's Report

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The accounting officer's submits his report for the period ending 30 June 2023.

### 1. Review of activities

#### Main business and operations

Net deficit of the municipality was R 15,784,091 (2022: deficit R 12,602,092).

### 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. Corporate governance

#### General

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

The annual financial statements set out on pages 6 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:



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**Accounting Officer**  
**J T Mdeni**

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	13,976,984	12,055,592
Receivables from non-exchange transactions	4	19,649,740	14,848,996
VAT receivable	5	7,616,033	8,139,678
Employee benefit asset	12	-	-
Cash and cash equivalents	6	45,752,319	77,313,337
		<b>86,995,076</b>	<b>112,357,603</b>
<b>Non-Current Assets</b>			
Investment property	7	44,149,269	44,628,368
Property, plant and equipment	8	553,761,613	537,998,499
Intangible assets	9	430,266	1,050
		<b>598,341,148</b>	<b>582,627,917</b>
<b>Total Assets</b>		<b>685,336,224</b>	<b>694,985,520</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	10	-	147,486
Payables from exchange transactions	11	54,028,159	41,367,810
Employee benefit obligation	12	14,686,130	14,798,380
Unspent conditional grants and receipts	13	40,472	5,521,260
Consumer Deposits	15	400,350	400,350
		<b>69,155,111</b>	<b>62,235,286</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	12	8,397,000	6,937,000
Provisions	14	31,868,879	35,239,439
		<b>40,265,879</b>	<b>42,176,439</b>
<b>Total Liabilities</b>		<b>109,420,990</b>	<b>104,411,725</b>
<b>Net Assets</b>		<b>575,915,234</b>	<b>590,573,795</b>
Accumulated surplus	50	575,915,234	590,573,794
<b>Total Net Assets</b>		<b>575,915,234</b>	<b>590,573,794</b>

\* See Note

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance for the period ending 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	32,615,693	36,485,079
Rental of facilities and equipment	17	1,757,537	1,748,103
Licences and permits	18	3,743,902	3,515,418
Other income	19	769,005	2,887,133
Interest earned - trade and other receivables	20	3,400,311	2,215,468
Interest earned - investments	20	6,367,152	4,786,371
Actuarial gains	21	1,047,668	293,754
Insurance refunds		138,880	299,860
<b>Total revenue from exchange transactions</b>		<b>49,840,148</b>	<b>52,231,186</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	25,782,794	26,053,891
Electricity availability charges	58	8,731,134	8,176,582
Donations	23	2,551,882	-
<b>Transfer revenue</b>			
Government grants & subsidies	24	244,947,411	228,065,133
Fines, penalties and forfeits	25	2,367,035	913,292
Interest from non exchange receivables	26	3,197,115	1,834,716
<b>Total revenue from non-exchange transactions</b>		<b>287,577,371</b>	<b>265,043,614</b>
<b>Total revenue</b>		<b>337,417,519</b>	<b>317,274,800</b>
<b>Expenditure</b>			
Employee related costs	27	(126,300,682)	(115,603,523)
Remuneration of councillors	28	(13,412,823)	(12,679,148)
Depreciation and amortisation	29	(39,044,077)	(47,136,806)
Finance costs	30	(4,341,402)	(4,607,834)
Debt Impairment	31	(18,594,761)	(12,041,445)
Bulk purchases	32	(27,312,969)	(27,666,355)
Contracted services	33	(56,202,750)	(66,116,119)
Transfers and subsidies	34	(5,531,558)	(6,458,792)
Sale of goods/inventory	35	(1,434,429)	(1,045,986)
Loss on disposal of non-monetary asset	36	(10,799,205)	(752,882)
General expenses	37	(50,226,954)	(35,768,002)
<b>Total expenditure</b>		<b>(353,201,610)</b>	<b>(329,876,892)</b>
<b>Deficit for the year</b>		<b>(15,784,091)</b>	<b>(12,602,092)</b>

\* See Note



# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2021</b>	<b>605,055,033</b>	<b>605,055,033</b>
Changes in net assets		
Surplus for the year	(12,602,092)	(12,602,092)
Other 1	(1,879,147)	(1,879,147)
<b>Total changes</b>	<b>(14,481,239)</b>	<b>(14,481,239)</b>
<b>Restated* Balance at 01 July 2022</b>	<b>577,358,049</b>	<b>577,358,049</b>
Changes in net assets		
Other adjustments	14,341,276	14,341,276
Net income (losses) recognised directly in net assets	14,341,276	14,341,276
Surplus for the year	(15,784,091)	(15,784,091)
<b>Total recognised income and expenses for the year</b>	<b>(1,442,815)</b>	<b>(1,442,815)</b>
<b>Total changes</b>	<b>(1,442,815)</b>	<b>(1,442,815)</b>
<b>Balance at 30 June 2023</b>	<b>575,915,234</b>	<b>575,915,234</b>
Note(s)		

\* See Note

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		28,293,837	33,488,935
Other revenue		9,554,128	9,502,879
Property rates		20,773,248	19,449,874
Interest income		9,767,463	4,786,372
Government grants		239,466,999	232,971,000
		<b>307,855,675</b>	<b>300,199,060</b>
<b>Payments</b>			
Employees		(124,952,932)	(113,314,472)
Suppliers		(112,424,255)	(141,985,970)
Finance charges		(4,324,242)	(69,177)
Transfers and grants		(5,447,558)	(6,348,702)
Remuneration of councillors		(13,412,823)	(12,679,148)
		<b>(260,561,810)</b>	<b>(274,397,469)</b>
<b>Net cash flows from operating activities</b>	<b>38</b>	<b>47,293,865</b>	<b>25,801,591</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(61,799,131)	(57,440,273)
Proceeds from sale of property, plant and equipment	8	-	425,932
Purchase of other intangible assets	9	(569,699)	-
<b>Net cash flows from investing activities</b>		<b>(83,443,323)</b>	<b>(57,014,352)</b>
<b>Cash flows from financing activities</b>			
Movement in consumer deposits		(161)	-
Finance lease payments		-	(269,728)
<b>Net cash flows from financing activities</b>		<b>(161)</b>	<b>(269,728)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(36,149,619)</b>	<b>(31,482,489)</b>
Cash and cash equivalents at the beginning of the year		77,313,337	110,529,209
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>41,163,718</b>	<b>79,046,720</b>

\* See Note

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges-Electricity	44,580,000	(4,000,000)	<b>40,580,000</b>	26,627,435	<b>(13,952,565)</b>	
Service charges- Solid Waste	3,757,000	-	<b>3,757,000</b>	5,988,258	<b>2,231,258</b>	
Rental of facilities and equipment	2,244,000	-	<b>2,244,000</b>	1,757,538	<b>(486,462)</b>	
Interest received - investment income	5,125,000	-	<b>5,125,000</b>	6,367,152	<b>1,242,152</b>	
Interest received - trade and other receivables	921,500	-	<b>921,500</b>	3,400,311	<b>2,478,811</b>	
Agency services	592,000	-	<b>592,000</b>	-	<b>(592,000)</b>	
Licences and permits	2,525,000	-	<b>2,525,000</b>	3,743,902	<b>1,218,902</b>	
Other Income	114,721,000	(555,000)	<b>114,166,000</b>	792,580	<b>(113,373,420)</b>	
Gains	35,234,500	-	<b>35,234,500</b>	1,047,668	<b>(34,186,832)</b>	
<b>Total revenue from exchange transactions</b>	<b>209,700,000</b>	<b>(4,555,000)</b>	<b>205,145,000</b>	<b>49,724,844</b>	<b>(155,420,156)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	34,092,000	-	<b>34,092,000</b>	25,782,794	<b>(8,309,206)</b>	
Donations	-	-	-	2,551,882	<b>2,551,882</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	187,532,000	488,000	<b>188,020,000</b>	244,947,411	<b>56,927,411</b>	
Fines, Penalties and Forfeits	360,000	-	<b>360,000</b>	2,367,035	<b>2,007,035</b>	
Availability charges	-	-	-	8,731,134	<b>8,731,134</b>	
Interest received - Property rates	921,500	-	<b>921,500</b>	3,197,115	<b>2,275,615</b>	
<b>Total revenue from non-exchange transactions</b>	<b>222,905,500</b>	<b>488,000</b>	<b>223,393,500</b>	<b>287,577,371</b>	<b>64,183,871</b>	
<b>Total revenue</b>	<b>432,605,500</b>	<b>(4,067,000)</b>	<b>428,538,500</b>	<b>337,302,215</b>	<b>(91,236,285)</b>	
<b>Expenditure</b>						
Employee costs	(138,278,000)	(327,000)	<b>(138,605,000)</b>	(126,300,682)	<b>12,304,318</b>	
Remuneration of councillors	(14,255,000)	-	<b>(14,255,000)</b>	(13,412,823)	<b>842,177</b>	
Depreciation and amortisation	(51,816,000)	-	<b>(51,816,000)</b>	(39,044,077)	<b>12,771,923</b>	
Finance costs	(61,000)	-	<b>(61,000)</b>	(4,341,402)	<b>(4,280,402)</b>	
Debt Impairment	(7,235,000)	915,000	<b>(6,320,000)</b>	(18,594,761)	<b>(12,274,761)</b>	
Bulk purchases	(32,438,000)	1,500,000	<b>(30,938,000)</b>	(27,312,969)	<b>3,625,031</b>	
Contracted Services	(91,820,000)	15,121,000	<b>(76,699,000)</b>	(56,266,023)	<b>20,432,977</b>	
Transfers and Subsidies	-	-	-	(5,531,558)	<b>(5,531,558)</b>	
Sale of goods and inventory	(1,512,000)	(831,000)	<b>(2,343,000)</b>	(1,434,429)	<b>908,571</b>	
Loss on disposal of non-monetary assets	-	-	-	(10,082,650)	<b>(10,082,650)</b>	
General Expenses	(60,448,000)	(5,838,000)	<b>(66,286,000)</b>	(50,810,121)	<b>15,475,879</b>	
<b>Total expenditure</b>	<b>(397,863,000)</b>	<b>10,540,000</b>	<b>(387,323,000)</b>	<b>(353,131,495)</b>	<b>34,191,505</b>	
<b>Deficit before taxation</b>	<b>5,622,000</b>	<b>35,592,000</b>	<b>41,214,000</b>	<b>(9,402,658)</b>	<b>(50,616,658)</b>	

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## 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						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>5,622,000</b>	<b>35,592,000</b>	<b>41,214,000</b>	<b>(9,402,658)</b>	<b>(50,616,658)</b>	

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	155,058,000	(59,535,000)	<b>95,523,000</b>	19,612,283	<b>(75,910,717)</b>	
Call investments deposit	164,277,000	-	<b>164,277,000</b>	26,140,037	<b>(138,136,963)</b>	
Consumer debtors	92,160,000	7,085,000	<b>99,245,000</b>	30,704,319	<b>(68,540,681)</b>	
Other debtors	11,343,000	4,684,000	<b>16,027,000</b>	2,829,447	<b>(13,197,553)</b>	
Inventory	-	(123,000)	<b>(123,000)</b>	-	<b>123,000</b>	
	<b>422,838,000</b>	<b>(47,889,000)</b>	<b>374,949,000</b>	<b>79,286,086</b>	<b>(295,662,914)</b>	
<b>Non-Current Assets</b>						
Investment property	42,007,000	-	<b>42,007,000</b>	44,149,269	<b>2,142,269</b>	
Property, plant and equipment	631,306,000	25,929,000	<b>657,235,000</b>	548,376,093	<b>(108,858,907)</b>	
Intangible assets	-	-	-	430,266	<b>430,266</b>	
	<b>673,313,000</b>	<b>25,929,000</b>	<b>699,242,000</b>	<b>592,955,628</b>	<b>(106,286,372)</b>	
<b>Total Assets</b>	<b>1,096,151,000</b>	<b>(21,960,000)</b>	<b>1,074,191,000</b>	<b>672,241,714</b>	<b>(401,949,286)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	(58,690,000)	7,942,000	<b>(50,748,000)</b>	54,520,253	<b>105,268,253</b>	
Employee benefit obligation	-	-	-	14,686,130	<b>14,686,130</b>	
Unspent conditional grants and receipts	-	-	-	40,848	<b>40,848</b>	
Provisions	(4,713,000)	4,713,000	-	8,581,713	<b>8,581,713</b>	
Consumer Deposits	(377,000)	-	<b>(377,000)</b>	400,350	<b>777,350</b>	
	<b>(63,780,000)</b>	<b>12,655,000</b>	<b>(51,125,000)</b>	<b>78,229,294</b>	<b>129,354,294</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	-	(20,000,000)	<b>(20,000,000)</b>	8,397,000	<b>28,397,000</b>	
Provisions	(49,151,000)	-	<b>(49,151,000)</b>	22,016,547	<b>71,167,547</b>	
	<b>(49,151,000)</b>	<b>(20,000,000)</b>	<b>(69,151,000)</b>	<b>30,413,547</b>	<b>99,564,547</b>	
<b>Total Liabilities</b>	<b>(112,931,000)</b>	<b>(7,345,000)</b>	<b>(120,276,000)</b>	<b>108,642,841</b>	<b>228,918,841</b>	
<b>Net Assets</b>	<b>1,209,082,000</b>	<b>(14,615,000)</b>	<b>1,194,467,000</b>	<b>563,598,873</b>	<b>(630,868,127)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1,209,082,000	(14,615,000)	<b>1,194,467,000</b>	563,598,873	<b>(630,868,127)</b>	

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	34,138,000	-	<b>34,138,000</b>	20,772,872	<b>(13,365,128)</b>	
Service charges	45,921,000	(3,520,000)	<b>42,401,000</b>	28,293,837	<b>(14,107,163)</b>	
Other revenue	114,923,000	(21,089,000)	<b>93,834,000</b>	9,438,823	<b>(84,395,177)</b>	
Transfer and Subsidies- Operational	187,532,000	488,000	<b>188,020,000</b>	-	<b>(188,020,000)</b>	
Transfer and Subsidies- Capital	56,366,000	561,000	<b>56,927,000</b>	-	<b>(56,927,000)</b>	
Interest	5,125,000	-	<b>5,125,000</b>	9,767,463	<b>4,642,463</b>	
	<b>444,005,000</b>	<b>(23,560,000)</b>	<b>420,445,000</b>	<b>68,272,995</b>	<b>(352,172,005)</b>	

##### Payments

Suppliers and employees	(338,751,000)	(576,000)	<b>(339,327,000)</b>	(120,068,497)	<b>219,258,503</b>	
Finance charges	(61,000)	-	<b>(61,000)</b>	(8,580)	<b>52,420</b>	
	<b>(338,812,000)</b>	<b>(576,000)</b>	<b>(339,388,000)</b>	<b>(120,077,077)</b>	<b>219,310,923</b>	

<b>Net cash flows from operating activities</b>	<b>105,193,000</b>	<b>(24,136,000)</b>	<b>81,057,000</b>	<b>(51,804,082)</b>	<b>(132,861,082)</b>	
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#### Cash flows from investing activities

Proceeds from sale of property, plant and equipment	35,234,000	-	<b>35,234,000</b>	-	<b>(35,234,000)</b>	
Purchases of capital assets	(91,109,000)	(55,399,000)	<b>(146,508,000)</b>	79,055,443	<b>225,563,443</b>	
Decrease (increase) non-current investments	-	741,000	<b>741,000</b>	-	<b>(741,000)</b>	

<b>Net cash flows from investing activities</b>	<b>(55,875,000)</b>	<b>(54,658,000)</b>	<b>(110,533,000)</b>	<b>79,055,443</b>	<b>189,588,443</b>	
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#### Cash flows from financing activities

Borrowing long-term financing	-	(20,000,000)	<b>(20,000,000)</b>	-	<b>20,000,000</b>	
Net increase/(decrease) in cash and cash equivalents	49,318,000	(78,794,000)	<b>(29,476,000)</b>	27,251,361	<b>56,727,361</b>	
Cash and cash equivalents at the beginning of the year	270,018,000	-	<b>270,018,000</b>	77,213,337	<b>(192,804,663)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>319,336,000</b>	<b>(78,794,000)</b>	<b>240,542,000</b>	<b>104,464,698</b>	<b>(136,077,302)</b>	

### Reconciliation

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2023</b>											
<b>Financial Performance</b>											
Property rates	34,092,000	-	34,092,000	-		34,092,000	25,782,794		(8,309,206)	76 %	76 %
Service charges	48,337,000	4,000,000	52,337,000	-		52,337,000	32,615,693		(19,721,307)	62 %	67 %
Investment revenue	6,968,000	-	6,968,000	-		6,968,000	9,767,463		2,799,463	140 %	140 %
Transfers recognised - operational	187,532,000	488,000	188,020,000	-		188,020,000	202,420,077		14,400,077	108 %	108 %
Other own revenue	155,676,500	(420,500)	155,256,000	-		155,256,000	24,304,158		(130,951,842)	16 %	16 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>432,605,500</b>	<b>4,067,500</b>	<b>436,673,000</b>	-		<b>436,673,000</b>	<b>294,890,185</b>		<b>(141,782,815)</b>	<b>68 %</b>	<b>68 %</b>
Employee costs	(187,532,000)	488,000	(187,044,000)	-	-	(187,044,000)	(126,300,682)	-	60,743,318	68 %	67 %
Remuneration of councillors	(114,721,000)	555,000	(114,166,000)	-	-	(114,166,000)	(13,412,823)	-	100,753,177	12 %	12 %
Debt impairment	(7,235,000)	915,000	(6,320,000)			(6,320,000)	(18,594,761)	-	(12,274,761)	294 %	257 %
Depreciation and asset impairment	(51,816,000)	-	(51,816,000)			(51,816,000)	(39,044,077)	-	12,771,923	75 %	75 %
Finance charges	61,000	-	61,000	-	-	61,000	(4,341,402)	-	(4,402,402)	(7,117)%	(7,117)%
Materials and bulk purchases	(32,438,000)	1,500,000	(30,938,000)	-	-	(30,938,000)	(27,312,969)	-	3,625,031	88 %	84 %
Transfers and grants	-	-	-	-	-	-	(5,531,558)	-	(5,531,558)	DIV/0 %	DIV/0 %
Other expenditure	(61,960,000)	(6,669,000)	(68,629,000)	-	-	(68,629,000)	(118,663,338)	-	(50,034,338)	173 %	192 %
<b>Total expenditure</b>	<b>(455,641,000)</b>	<b>(3,211,000)</b>	<b>(458,852,000)</b>	-	-	<b>(458,852,000)</b>	<b>(353,201,610)</b>	-	<b>105,650,390</b>	<b>77 %</b>	<b>78 %</b>
<b>Surplus/(Deficit)</b>	<b>(23,035,500)</b>	<b>856,500</b>	<b>(22,179,000)</b>	-		<b>(22,179,000)</b>	<b>(58,311,425)</b>		<b>(36,132,425)</b>	<b>263 %</b>	<b>253 %</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	56,366,000	561,000	56,927,000	-		56,927,000	42,527,334		(14,399,666)	75 %	75 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>33,330,500</b>	<b>1,417,500</b>	<b>34,748,000</b>	-		<b>34,748,000</b>	<b>(15,784,091)</b>		<b>(50,532,091)</b>	<b>(45)%</b>	<b>(47)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>33,330,500</b>	<b>1,417,500</b>	<b>34,748,000</b>	-		<b>34,748,000</b>	<b>(15,784,091)</b>		<b>(50,532,091)</b>	<b>(45)%</b>	<b>(47)%</b>
<b>Cash flows</b>											
Net cash from (used) operating	105,193,000	(23,560,000)	81,633,000	-		81,633,000	47,293,865		(34,339,135)	58 %	45 %
Net cash from (used) investing	(55,875,000)	(54,658,000)	(110,533,000)	-		(110,533,000)	(83,443,323)		27,089,677	75 %	149 %
Net cash from (used) financing	319,336,000	(58,795,000)	260,541,000	-		260,541,000	(161)		(260,541,161)	- %	- %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>368,654,000</b>	<b>(137,013,000)</b>	<b>231,641,000</b>	-		<b>231,641,000</b>	<b>(36,149,619)</b>		<b>(267,790,619)</b>	<b>(16)%</b>	<b>(10)%</b>
Cash and cash equivalents at the beginning of the year	270,018,000	-	270,018,000	-		270,018,000	77,313,337		(192,704,663)	29 %	29 %
<b>Cash and cash equivalents at year end</b>	<b>638,672,000</b>	<b>(137,013,000)</b>	<b>501,659,000</b>	-		<b>501,659,000</b>	<b>41,163,718</b>		<b>460,495,282</b>	<b>8 %</b>	<b>6 %</b>



# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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 2023

## Accounting Policies

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### 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:

	<b>Years</b>
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 2023

## Accounting Policies

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### 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 items 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 2023

## Accounting Policies

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### 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.

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

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

Property, plant and equipment is initially measured at cost.

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

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

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

# **ELUNDINI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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

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

# **ELUNDINI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Policies**

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### **1.8 Intangible assets**

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.8 Intangible assets (continued)

#### 1.8 Intangible Assets

##### 1.8.1 Initial Recognition

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

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

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value, at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

##### 1.8.2 Subsequent measurement

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

##### 1.8.3 Amortisation

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

Amortisation of an intangible asset with a finite life begins when it is available for use, i.e. when it is available in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

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

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

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

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

	Years
Computer Software	2 - 5

##### 1.8.4 Impairment

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

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



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### 1.8 Intangible assets (continued)

#### 1.8.5 Derecognition

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

### 1.9 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

##### 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.

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### 1.9 Employee benefits (continued)

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.

### 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

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### 1.9 Employee benefits (continued)

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.

### 1.10 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

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

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.

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### 1.11 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.

#### 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.

# ELUNDINI LOCAL MUNICIPALITY

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## Accounting Policies

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### 1.11 Financial instruments (continued)

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

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.

### 1.12 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.

### 1.13 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.

### 1.14 Payables and annuity loans

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

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### 1.15 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.

### 1.16 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.

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.

### 1.17 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.

### 1.18 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.

### 1.19 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.

### 1.20 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.

### 1.21 Fruitless and wasteful expenditure

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

# ELUNDINI LOCAL MUNICIPALITY

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### 1.21 Fruitless and wasteful expenditure (continued)

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.

### 1.22 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.

### 1.23 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.

### 1.24 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.

### 1.25 Accounting by principals and agents

#### Identification

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## Accounting Policies

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### 1.25 Accounting by principals and agents (continued)

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

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

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

#### Identifying whether an entity is a principal or an agent

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

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

#### Binding arrangement

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

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

### 1.26 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.



# ELUNDINI LOCAL MUNICIPALITY

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## Accounting Policies

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### 1.26 Living and non-living resources (continued)

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.

### 1.27 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.

### 1.28 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 1.27.1

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.

# ELUNDINI LOCAL MUNICIPALITY

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### 1.28 Significant judgements and sources of estimation uncertainty (continued)

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 1.27.2

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 1.27.3

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 1.27.4

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 1.27.5

The Municipality analyses the terms of 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 1.27.6

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 1.27.7

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.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.28 Significant judgements and sources of estimation uncertainty (continued)

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 1.27.8

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 1.27.9

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 1.27.10

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 1.27.11

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 1.27.12

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 1.27.13

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 1.27.14

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.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.29 Statutory receivables

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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

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.

### 1.30 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.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.30 Impairment of cash-generating assets (continued)

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.

### 1.31 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.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.32 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.

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

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.32 Revenue from exchange transactions (continued)

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.

### 1.33 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

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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

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

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.

### 1.34 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.

### 1.35 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

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# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.35 Service concession arrangements: Entity as grantor (continued)

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

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.

### 1.36 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.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.36 Receivables (continued)

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.

### 1.37 Housing development fund

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

### 1.38 Internal reserves

### 1.39 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.40 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 of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

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# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

##### **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 (revised): Financial Instruments**

The standard will be effective on 01 April 2025 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

House Rentals	2,561,346	530,408
Sundry Receivables	666,504	670,320
Electricity	22,937,268	21,056,881
Refuse	9,119,366	6,859,218
VAT Component of outstanding debtors	6,213,788	3,089,714
Interest	15,316,953	10,520,157
Impairment - Electricity	(16,889,434)	(12,752,342)
Impairment - Refuse	(8,158,536)	(5,345,271)
Impairment - VAT Component of outstanding debtors	(4,305,105)	(3,153,726)
Impairment- interest	(12,107,648)	(8,608,222)
Impairment - Housing rentals	(1,377,518)	(811,545)
	<b>13,976,984</b>	<b>12,055,592</b>

Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

#### **Reconciliation of Allowance for Doubtful Debts**

Balance at the beginning of the year	30,671,109	34,629,111
Contributions to provision	15,160,837	8,410,827
Bad debts written off	(2,993,706)	(12,368,829)
	<b>42,838,240</b>	<b>30,671,109</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current ( 0 -30 days)	1,357,345	1,722,096
31 -60 days	930,004	1,065,395
61 -90 days	1,421,793	1,093,998
91 -120 days	818,139	927,957
121 -150 days	1,763,698	892,892
>150 days	16,646,290	15,354,543
	<b>22,937,269</b>	<b>21,056,881</b>
<b>Refuse</b>		
Current ( 0 -30 days)	496,108	473,638
31 -60 days	353,547	279,014
61 -90 days	338,377	266,287
91 -120 days	329,884	257,123
121 -150 days	320,722	253,319
>150 days	7,280,727	5,329,837
	<b>9,119,365</b>	<b>6,859,218</b>
<b>House Rentals</b>		
Current ( 0 -30 days)	143,336	134,981
31 -60 days	71,173	85,576
61 -90 days	65,056	73,997
91 -120 days	60,626	72,239
121 -150 days	59,437	73,653
>150 days	2,161,718	89,962
	<b>2,561,346</b>	<b>530,408</b>
<b>Interest</b>		
Current ( 0-30 days )	674,950	363,426
31- 60 days	693,704	427,526
61- 90 days	633,597	389,706
91-120 days	616,370	373,509
121-150 days	557,712	357,603
>150 days	12,140,620	8,608,388
	<b>15,316,953</b>	<b>10,520,158</b>
<b>VAT Component of outstanding debtors</b>		
Current ( 0 -30 days)	278,041	329,893
31 -60 days	192,848	202,848
61 -90 days	274,656	205,306
91 -120 days	172,930	179,072
121 -150 days	314,070	167,438
>150 days	4,981,244	2,005,157
	<b>6,213,789</b>	<b>3,089,714</b>
	-	-
<b>Total receivables from exchange transactions</b>	<b>13,842,049</b>	<b>12,055,592</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions (continued)</b>		
<b>Trade and other receivables from exchange transactions impaired</b>		
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 there payments trends, management is satisfied that no further credit provision is required in excess of the current allowance		
<b>4. Receivables from non-exchange transactions</b>		
Rates	35,471,663	28,846,372
Other receivables- Deposits	581,480	581,480
Other receivables- Office of the Premier Grant unpaid	119,842	119,842
Traffic fines	3,615,414	3,345,514
Other Debtors	1,671,177	740,553
Other receivables -Joe GqabiDistrict Municipality	456,572	456,572
Impairment - Rates	(18,650,994)	(15,895,823)
Impairment - Traffic fines	(3,615,414)	(3,345,514)
	<b>19,649,740</b>	<b>14,848,996</b>
<b>Reconciliation of Allowance for Doubtful Debts</b>		
Balance at the beginning of the year	19,241,337	18,085,586
Contributions to provision	3,675,818	3,262,591
Bad debts written off	(650,746)	(2,106,840)
	<b>22,266,409</b>	<b>19,241,337</b>
<b>Rates</b>		
31 - 60 days	1,153,381	925,229
61 - 90 days	1,058,711	873,091
91 - 120 days	1,039,997	853,447
121 - 150 days	1,022,657	831,102
> 150 days	31,196,918	24,812,518
	<b>35,471,664</b>	<b>28,295,387</b>
	-	-
<b>Total receivables from non-exchange transactions</b>	<b>19,649,740</b>	<b>14,848,996</b>
<b>Receivables from non-exchange transactions impaired</b>		
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 there payments trends, management is satisfied that no further credit provision is required in excess of the current allowance.		
Property rates	19,409,627	16,473,681
Traffic fines	3,615,414	3,345,514
<b>5. VAT receivable</b>		
VAT	7,616,033	8,139,678
VAT Receivable from SARS	2,701,219	2,498,280
VAT in Suspense	609,709	2,487,672
VAT on Provision for Debt Impairment	4,305,105	3,153,726
	<b>7,616,033</b>	<b>8,139,678</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash and cash equivalents	45,752,319	77,313,337

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB Acc no 62159933772 ( Primary Account)	6,967,053	2,079,569	4,288,248	6,915,052	532,700	4,360,750
FNB Acc no 62312151848 (Petty Cash)	-	-	9,186	19,489	22,214	17,780
FNB Account no 62857839298 (Vendor)	4,417,869	2,661,428	933,323	4,417,869	2,661,428	933,323
Standard Bank Acc no 280642407 (Revenue Account)	6,312,529	5,526,955	4,627,843	6,312,283	5,526,709	4,655,915
Wesbank Acc no 13179 ( Fuel Account)	470,398	422,581	162,860	470,400	422,581	162,860
Standard Bank Acc no 388497173001 (EPWP)	2,628,994	2,625,686	3,384,209	2,628,994	2,625,687	3,384,209
Standard Bank Acc no 388497165001 ( Elundini Voting Station)	1,584	1,531	1,518	1,582	1,531	1,518
Standard Bank Acc no 388493410002 (FMG)	1,732,217	1,694,084	1,742,060	1,732,216	1,694,083	1,742,060
Standard Bank Acc no 388493003001 (Municipal Disaster Grant)	1,552	1,501	608,743	1,552	1,501	608,743
Standard Bank Acc no 388490810001 (NER)	1,284,127	2,386,896	111,138	1,284,127	2,386,896	111,138
FNB Acc no 62189194170 (Equitable share)	1,286,755	178,492	6,086,746	1,286,756	178,492	6,086,746
FNB Acc no( 62189180111)-MIG	9,296,327	6,315,378	9,771,792	9,296,327	6,315,378	9,771,792
FNB Acc no 62284785121 (Working capital Reserve)	2,803,073	45,793,668	70,400,617	2,803,073	45,793,668	70,400,617
FNB Acc no 62378875226 (Mayors Social Investment)	587,161	558,474	546,158	587,161	558,474	546,158
FNB Acc no 62557779322 (Joe Gqabi)	6,367,211	5,982,183	5,783,103	6,367,211	5,982,183	5,783,103
FNB Acc no 62785909650 (Energy Efficiency)	5,553	1,013,008	836,415	5,553	1,013,008	836,415
FNB Acc no 62852498023 (Solidarity Fund)	144,473	135,724	131,215	144,473	135,724	131,215
Cash on Hand	-	-	-	1,477,190	1,461,082	994,871
FNB Acc no 63043360592 (Smart Meters)	1,010	-	-	1,010	-	-
<b>Total</b>	<b>44,307,886</b>	<b>77,377,158</b>	<b>109,425,174</b>	<b>45,752,318</b>	<b>77,313,339</b>	<b>110,529,213</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53,326,710	(9,177,441)	44,149,269	53,326,710	(8,698,342)	44,628,368

#### Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Investment property	44,628,368	(479,099)	44,149,269

#### Reconciliation of investment property - 2022

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

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 1 754 374 ( R 1 723 423 - 2022) was generated on there 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 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment

	2023			2022		
	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	173,419,062	(43,730,626)	129,688,436	138,478,821	(37,650,058)	100,828,763
Machinery and equipment	28,732,458	(21,821,033)	6,911,425	27,632,842	(20,775,976)	6,856,866
Furniture and office equipment	6,733,015	(4,727,625)	2,005,390	6,457,553	(4,682,725)	1,774,828
Motor vehicles	30,171,207	(21,592,185)	8,579,022	26,185,341	(19,215,691)	6,969,650
Lease asset	156,950	(99,829)	57,121	1,256,903	(1,138,698)	118,205
Computer equipment	12,710,479	(7,384,199)	5,326,280	11,700,990	(5,681,288)	6,019,702
Electricity Infrastructure	92,181,221	(28,300,588)	63,880,633	83,503,168	(23,004,414)	60,498,754
Roads Infrastructure	576,659,535	(311,558,431)	265,101,104	559,064,771	(289,666,819)	269,397,952
Capitalised Restoration Cost - Landfill sites	29,168,145	(14,784,970)	14,383,175	35,260,968	(13,702,188)	21,558,780
Work in Progress	55,434,533	-	55,434,533	61,580,505	-	61,580,505
<b>Total</b>	<b>1,007,761,099</b>	<b>(453,999,486)</b>	<b>553,761,613</b>	<b>953,516,356</b>	<b>(415,517,857)</b>	<b>537,998,499</b>



# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Transfer to Capital Assets	Disposals	Transfers received	Revaluations	Donations	Depreciation	Impairment loss	Total
Land	2,394,494	-	-	-	-	-	-	-	-	2,394,494
Buildings	100,828,759	-	-	-	34,940,244	-	-	(6,080,567)	-	129,688,436
machinery and equipment	6,856,864	1,495,278	-	(17,159)	-	-	-	(1,423,558)	-	6,911,425
Furniture and office equipment	2,208,450	334,484	-	(13,422)	-	-	-	(524,122)	-	2,005,390
Motor vehicles	6,969,649	-	1,764,062	(43,924)	-	-	2,551,882	(2,662,647)	-	8,579,022
Lease assets	179,267	-	-	(3,062)	-	-	-	(119,084)	-	57,121
Computer equipment	5,583,847	1,517,372	-	(12,834)	-	-	-	(1,762,105)	-	5,326,280
Electricity Infrastructure	60,498,754	-	-	-	6,600,483	-	-	(3,218,604)	-	63,880,633
Roads Infrastructure	269,397,952	-	-	-	17,594,764	-	-	(21,175,057)	(716,555)	265,101,104
Capitalised Restoration Cost - Landfill sites	21,558,780	-	-	-	-	(5,716,861)	-	(1,458,744)	-	14,383,175
Work in Progress	61,580,505	62,984,832	(59,135,492)	(9,995,312)	-	-	-	-	-	55,434,533
	<b>538,057,321</b>	<b>66,331,966</b>	<b>(57,371,430)</b>	<b>(10,085,713)</b>	<b>59,135,491</b>	<b>(5,716,861)</b>	<b>2,551,882</b>	<b>(38,424,488)</b>	<b>(716,555)</b>	<b>553,761,613</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## 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	Revaluation	Depreciation	Impairment reversal	Total
Land	2,394,494	-	-	-	-	-	-	2,394,494
Buildings	93,955,072	-	-	12,218,276	-	(5,344,585)	-	100,828,763
Machinery and equipment	5,239,662	354,734	(1,070)	2,624,129	-	(1,360,589)	-	6,856,866
Furniture and office equipment	2,156,406	128,323	(7,453)	-	-	(502,448)	-	1,774,828
Motor vehicles	7,973,542	1,152,333	(351,002)	-	-	(1,805,223)	-	6,969,650
Lease asset	399,940	-	(21,184)	-	-	(260,551)	-	118,205
Computer equipment	3,223,592	2,383,776	-	1,660,072	-	(1,247,738)	-	6,019,702
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 -Landfill sites	24,930,278	-	-	-	(1,229,652)	(2,141,846)	-	21,558,780
Work in progress	63,708,779	51,290,783	(140,075)	(53,278,982)	-	-	-	61,580,505
	<b>531,859,567</b>	<b>55,309,949</b>	<b>(520,784)</b>	<b>109,199</b>	<b>(1,229,652)</b>	<b>(46,652,285)</b>	<b>(877,495)</b>	<b>537,998,499</b>

#### 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:

	2023	2022
Maintenance of Buildings and Facilities	11 490 549	13 615 625

#### Other information

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

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

#### Slow moving projects

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

##### - Water and Sanitation

The carrying value for the project is R 4 359 145

#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Land and buildings	Total
Opening balance	30,268,264	31,312,240	61,580,504
Additions/capital expenditure	42,835,450	20,149,381	62,984,831
Impairment	(6,555,222)	(3,440,090)	(9,995,312)
Transferred to completed items	(24,195,248)	(34,940,244)	(59,135,492)
	<b>42,353,244</b>	<b>13,081,287</b>	<b>55,434,531</b>

#### Reconciliation of Work-in-Progress 2022

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

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 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	955,539	(525,273)	430,266	385,837	(384,787)	1,050

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	1,050	569,699	(140,483)	430,266

#### Reconciliation of intangible assets - 2022

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

### 10. Finance lease obligation

#### Minimum lease payments due

- within one year	-	156,066
	-	156,066
less: future finance charges	-	(8,580)
<b>Present value of minimum lease payments</b>	-	<b>147,486</b>

Capital lease liabilities at amortised cost is calculated at 19.68% interest rate, with the maturity date of 30 June 2023 .

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>11. Payables from exchange transactions</b>		
Trade payables	11,731,262	8,775,771
Unknown receipts	2,727,862	2,673,246
Accruals	17,931,420	11,007,158
Retentions	13,868,353	12,908,976
Deposits received	200,041	381,464
Payments received in advance	4,358,213	2,721,015
Other Creditors	-	(1)
Sundry creditors	1,615,892	1,318,127
Advance licence fees	1,595,116	1,582,054
	<b>54,028,159</b>	<b>41,367,810</b>

## 12. Employee benefit obligations

### Defined benefit plan

The defined benefit plan, to which -% (2022: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

### Post retirement benefit plan

### Post retirement medical aid plan

### Post retirement housing subsidy plan

### Post retirement gratuity plan

### Pension benefits

### Other defined benefit pension funds

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

### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(8,397,000)	(6,937,000)
Present value of the defined benefit obligation-partly or wholly funded	(14,686,130)	(14,798,380)
	<b>(23,083,130)</b>	<b>(21,735,380)</b>
Non-current liabilities	(8,397,000)	(6,937,000)
Current liabilities	(14,686,130)	(14,798,380)
	<b>(23,083,130)</b>	<b>(21,735,380)</b>

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
INEP	-	931,376
Voter Education Grant	1,360	1,360
Municipal Infrastructure Grant	1	4,061,086
Libraries grants	-	488,327
DEDEA Grant	39,111	39,111
	<b>40,472</b>	<b>5,521,260</b>

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.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 14. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Unwinding of discounted interest	Reduction due to re-measurement or settlement without cost to entity	Total
Landfill Sites	25,532,205	3,471,822	(6,092,823)	22,911,204

#### Reconciliation of provisions - 2022

	Opening Balance	Unwinding of discounted interest	Reduction due to re-measurement or settlement without cost to entity	Total
Landfill Sites	24,406,684	2,731,135	(1,605,614)	25,532,205

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	11,655,689	12,941,941
Maclear- old	4,959,296	4,551,244
Ugie -old	4,801,480	4,406,412
Maclear- new	1,126,771	1,772,806
Ugie- new	9,325,644	10,441,516
	<b>31,868,880</b>	<b>34,113,919</b>

Location	Estimated Decommission Date	Future Cost of Rehabilitation
Mount Fletcher	2,033	22,375,735
Maclear old	2,022	6,414,062
Ugie -old	2,022	6,170,612
Maclear- new	2,070	12,340,501
Ugie- new	2,032	17,255,274
	-	<b>64,556,184</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 14. 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 6.1716%.

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 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>15. Consumer Deposits</b>		
<b>Consumer Deposits</b>		
Electricity	302,498	302,659
Housing Rental	97,852	97,691
	<b>400,350</b>	<b>400,350</b>
The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amount.		
<b>16. Service charges</b>		
Sale of electricity	27,734,764	31,358,683
Electricity Rebate	(1,107,329)	(806,911)
Refuse removal	6,670,322	6,470,762
Refuse rebate	(682,064)	(537,455)
	<b>32,615,693</b>	<b>36,485,079</b>
<b>17. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	1,754,374	1,723,423
Rental of equipment	3,163	24,680
	<b>1,757,537</b>	<b>1,748,103</b>
<b>18. Licences and permits (exchange)</b>		
Driving licences	388,680	494,560
Learner driving licences	742,500	670,411
Public driving permits	233,145	169,590
Registrations	2,379,577	2,180,857
	<b>3,743,902</b>	<b>3,515,418</b>
<b>19. Other income</b>		
Building plan and inspection fees	132,626	135,260
Tender documents sale	142,990	212,205
Cemetery fees	30,934	49,865
Commission received	-	2,781
Skills Development Levy Refund	332,626	242,503
Sundry income	52,530	2,225,606
Proceeds from Pound Auction	77,299	18,913
	<b>769,005</b>	<b>2,887,133</b>
<b>20. Interest revenue</b>		
<b>Interest earned - trade and other receivables</b>		
Interest earned - trade and other receivables	3,400,311	2,215,468
<b>Interest received - Investments</b>		
Interest on bank balances	6,367,152	4,786,371
	<b>9,767,463</b>	<b>7,001,839</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>21. Actuarial gains</b>		
Post Retirement Medical Benefits	83,634	(118,970)
Long Service Awards	964,034	412,724
	<b>1,047,668</b>	<b>293,754</b>

## 22. Property rates

### Rates received

Reteables Land and Buildings	27,908,899	26,481,600
Less: Rebates	(2,126,105)	(427,709)
	<b>25,782,794</b>	<b>26,053,891</b>

## 23. Donation

The Municipality received a donation of a Waste Compactor Truck during the year from the Department of Forestry, Fisheries and the Environment. The cost of the the Waster Compactor Truck is R 2 551 881.81.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>24. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	180,384,000	166,231,000
Energy Efficient & Demand Side Management	-	1,000,000
Expanded Public Works- EPWP	2,539,000	2,569,000
Municipal Finance Management Grant	1,650,000	1,650,000
Municipal Infrastructure Grant	2,208,750	2,051,550
Intergrated National Electrification Programme- INEP	14,400,000	18,808,624
Libraries grant	1,238,327	836,595
	<b>202,420,077</b>	<b>193,146,769</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	42,527,334	34,918,364
	<b>244,947,411</b>	<b>228,065,133</b>
<b>Intergrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	931,376	-
Current-year receipts	13,468,624	19,740,000
Conditions met - transferred to revenue	(14,400,000)	(18,808,624)
	-	<b>931,376</b>
Conditions still to be met - remain liabilities (see note 13).		
The National Electrification Grant is used for electrical connections in previously disadvantaged areas..		
<b>Municipal Finance Management Grant</b>		
Current-year receipts	1,650,000	1,650,000
Conditions met - transferred to revenue	(1,650,000)	(1,650,000)
	-	-
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.		
<b>Expanded Public Works Program (EPWP)</b>		
Current-year receipts	2,539,000	2,569,000
Conditions met - transferred to revenue	(2,539,000)	(2,569,000)
	-	-
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).		
<b>Voter Station Grant</b>		
Balance unspent at beginning of year	1,360	1,360
This grant is used for maintenance of roads to voting stations.		
<b>Energy Efficient &amp; Demand Side Management</b>		
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
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### 24. Government grants and subsidies (continued)

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

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	4,061,086	-
Current-year receipts	40,675,000	41,031,000
Transferred to Revenue- Operating	(2,208,750)	(2,051,550)
Transferred to Revenue- Capital	(42,527,335)	(34,918,364)
	<b>1</b>	<b>4,061,086</b>

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	488,327	574,922
Current-year receipts	750,000	750,000
Conditions met - transferred to revenue	(1,238,327)	(750,000)
Transferred to Revenue- Capital	-	(86,595)
	-	<b>488,327</b>

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

### 25. Fines, Penalties and Forfeits

Illegal Connections Fines	12,584	162,678
Municipal Traffic Fines	281,500	73,700
Pound Fees	44,052	55,031
Unclaimed Money Forfeits	2,028,899	621,883
	<b>2,367,035</b>	<b>913,292</b>

### 26. Interest from non-exchange receivables

Interest - Property rates	3,197,115	1,834,716
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# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs</b>		
Basic salaries and wages	82,208,820	77,187,906
Bonus	6,805,919	6,711,776
Medical aid contributions	5,746,800	5,274,825
UIF Contributions	600,733	600,567
Other payroll levies	224,874	-
Staff leave	1,459,602	2,185,775
Pension contributions	14,291,425	13,383,362
Other short term costs	-	993,016
Overtime payments	4,395,399	4,129,614
Long-service awards	998,634	911,000
Acting allowances	1,067,991	832,818
Workmens Compensation Fund	694,498	623,896
Motor vehicle allowance	3,786,621	851,530
Housing allowances	141,050	130,327
Post employment benefit	208,348	138,805
Cellphone allowance	191,975	91,686
Scarcity allowance	176,850	197,325
Standby allowance	891,029	785,085
Bargain council	36,988	36,268
Perfomance bonus	2,373,125	537,962
	<b>126,300,681</b>	<b>115,603,543</b>
<b>Municipal manager ( J T Mdeni)</b>		
Annual Remuneration	970,603	-
Car Allowance	360,000	-
Performance Bonuses	243,226	-
Contributions to UIF, Medical and Pension Funds	16,004	-
	<b>1,589,833</b>	<b>-</b>
<b>Chief Finance Officer (J T Mdeni)</b>		
Annual Remuneration	-	805,119
Car Allowance	-	121,000
Performance Bonuses	-	100,935
Contributions to UIF, Medical and Pension Funds	-	1,948
	<b>-</b>	<b>1,029,002</b>
<b>Acting Chief Financial Officer - B Mashologu Dlodlo ( February 2023 - June 2023)</b>		
Acting Allowance	10,248	-
<b>Acting Financial Officer - F. Mbaliswana ( July 2022 - January 2023)</b>		
Acting Allowance	14,122	-
<b>Acting Corporate Services Director - P. Dumalisile (July 2022 and May 2023-June 2023)</b>		
Acting allowance	4,637	-
<b>Director Infrastructure Planning and Development S Sako</b>		
Annual Remuneration	517,928	694,701
Car Allowance	73,808	162,378
Performance Bonuses	132,510	70,090
Contributions to UIF, Medical and Pension Funds	47,357	1,948
Leave Pay	106,343	-

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>27. Employee related costs (continued)</b>		
	<b>877,946</b>	<b>929,117</b>
<b>Director Infrastructure Planning and Development- S Mrengqwa (March 2023 - June 2023)</b>	-	-
Annual remuneration	322,247	-
Car Allowance	73,120	-
Contributions to UIF, Bargaining and skills	4,324	-
	<b>399,691</b>	-
<b>Remuneration of Acting Infrastructure Planning and Development Director - S. Mrengqwa (January 2023 - February 2023)</b>	-	-
Acting allowance	3,695	-
<b>Director Strategic Planning and Economic Development- NC Eddie</b>		
Annual Remuneration	448,720	912,915
Car Allowance	62,400	171,600
Performance Bonuses	52,016	10,403
Contributions to UIF, Medical and Pension Funds	6,398	1,948
Leave Pay	99,871	-
	<b>669,405</b>	<b>1,096,866</b>
<b>Director Community Services- L. Kutwana-Gomana</b>		
Annual Remuneration	938,977	-
Car Allowance	150,000	-
Performance Bonuses	22,768	-
Contributions to UIF, Medical and Pension Funds	25,370	-
	<b>1,137,115</b>	-
<b>Municipal Manager ( K Gashi)</b>		
Annual Remuneration	-	469,984
Car Allowance	-	90,000
Annual Bonus	-	85,278
Contributions to UIF, Medical and Pension Funds	-	71,878
Leave payout	-	121,638
	-	<b>838,778</b>
<b>Director Corporate Services - S R Matubatuba</b>		
Annual Remuneration	-	603,593
Car Allowance	-	124,800
Annual Bonus	-	76,392
Contributions to UIF, Medical and Pension Funds	-	1,594
Leave payout	-	99,871
	-	<b>906,250</b>
<b>Director Corporate Services- N K Fololo</b>		
Annual Remuneration	811,690	-
Car Allowance	166,500	-
Contributions to UIF, Medical and Pension Funds	10,537	-
	<b>988,727</b>	-

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022		
<b>27. Employee related costs (continued)</b>				
<b>Director Community Services - L. Kokose</b>		-		
Annual remuneration		208,504		
Car allowance		45,000		
Performance bonuses		91,138		
Leave pay		708		
Contributions to UIF, Bargaining and Skills		95,767		
		-		
		<b>441,117</b>		
<b>Remuneration of acting Strategic Planning and Economic Development Director - D.E Muthetho (November 2022- May 2023)</b>		<b>Column heading</b>		
Acting allowance		43,118		
<b>28. Remuneration of Councillors</b>				
Executive Mayor	974,628	871,674		
Speaker	783,308	734,075		
Councillors	9,521,763	9,179,183		
Chief Whip	433,677	416,747		
Executive Committee	1,699,447	1,477,469		
	<b>13,412,823</b>	<b>12,679,148</b>		
<b>2023</b>	<b>Basic Salary</b>	<b>Travel Allowance</b>	<b>Cellphone Allowance</b>	<b>Total</b>
Executive Mayor	705,157	223,967	45,504	974,628
Speaker	736,304	1,500	45,504	783,308
Councillors	6,396,391	1,898,964	1,226,408	9,521,763
Chief Whip	295,423	92,750	45,504	433,677
Executive Committee	1,245,717	271,714	182,016	1,699,447
	<b>9,378,992</b>	<b>2,488,895</b>	<b>1,544,936</b>	<b>13,412,823</b>
<b>2022</b>	<b>Basic Salary</b>	<b>Cellphone Allowances</b>	<b>Total</b>	
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	
	<b>8,955,900</b>	<b>3,723,248</b>	<b>12,679,148</b>	
The Mayor and Speaker are full-time. They are provided with secretarial support, office and a municipal motor vehicle.				
<b>29. Depreciation and amortisation</b>				
Property, plant and equipment		39,044,077	47,136,806	
<b>30. Finance charges</b>				
Employee benefits		861,000	682,000	
Finance leases		8,580	69,178	
Landfill site provision		3,471,822	3,856,656	
		<b>4,341,402</b>	<b>4,607,834</b>	

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>31. Debt impairment</b>		
Debt impairment	18,594,761	12,041,445
<b>32. Bulk purchases</b>		
Electricity	27,312,969	27,666,355
<b>33. Contracted Services</b>		
Accounting and Auditing	2,149,278	3,861,804
Audit Committee	702,144	78,870
Catering Services	1,518,655	775,820
Dumping sites	3,544,701	3,900,614
Electrical	13,610,941	19,172,994
Internal Auditors	281,704	352,345
Drivers Licence Cards	162,345	181,700
Legal Services	1,365,468	758,564
Maintenance of Buildings and Facilities	11,490,549	13,386,425
Organisational	3,010,884	2,192,211
Personnel and Labour	5,889,834	7,240,410
Professional Staff	1,867,284	3,176,863
Project Management	-	514,719
Research and advisory	1,186,450	1,014,389
Security Services	7,565,954	7,098,416
Other Contracted Services	1,323,353	1,496,749
Disconnection of electricity	458,861	796,252
Decorations	74,345	116,974
	<b>56,202,750</b>	<b>66,116,119</b>
<b>34. Transfers and Subsidies</b>		
Transfers and Subsidies	5,531,558	6,458,792
<b>Transfers and Subsidies</b>	<b>2023</b>	<b>2022</b>
Indigent Support - Eskom Electricity	4,352,558	3,644,658
Elundini Cooperative Development Centre	1,085,000	917,000
Indigent Support - Other Energy Sources	94,000	1,897,133
	<b>5,531,558</b>	<b>6,458,791</b>
<b>35. Sale of goods/ inventory</b>		
<b>Inventory consumed</b>		
Inventory consumed	1,434,429	1,045,986
<b>36. Loss on disposal of non-monetary assets</b>		
Gain or loss on disposal of non-current assets	(10,799,205)	(752,882)



# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>37. General expenses</b>		
Advertising publicity and marketing	1,055,226	1,650,979
Bank charges	689,082	636,731
Commission paid	1,512,302	1,233,626
Computer expenses	6,795,306	4,434,958
Fines	-	50,000
Learnership and internship	593,392	203,762
Insurance	3,034,763	2,164,974
Lease Rentals	538,154	607,099
Fuel and oil	5,356,068	4,411,374
Printing and stationery	1,999,604	1,423,083
Protective clothing	795,910	1,274,174
Skills Development levy	1,125,551	1,029,090
Professional bodies, membership and subscription	1,510,225	1,419,938
Telephone and fax	1,596,142	1,971,383
Training	1,321,304	962,380
Travel and subsistence	7,210,941	5,390,943
External audit fees	5,568,334	3,511,177
Ward committees and other stipends	4,274,962	1,097,551
Motor vehicle licences	287,836	407,886
Electricity	1,752,348	1,374,425
Employee wellness	37,800	-
Other sundries and consumables	3,171,704	512,469
	<b>50,226,954</b>	<b>35,768,002</b>

### 38. Cash generated from operations

Deficit	(15,784,091)	(12,602,092)
<b>Adjustments for:</b>		
Depreciation and amortisation	39,044,077	47,136,806
Actuarial gains or loss	1,047,668	293,754
Loss/ (Gain) on disposal of non current assets	10,799,205	936,836
Actuarial gains	(1,047,668)	(293,754)
Donations	2,551,882	-
Dividends received	-	877,495
Impairment loss	716,555	-
Debt impairment	18,594,761	12,041,445
Movement in employee benefits obligation -Longterm	-	6,937,000
Movements in employee benefit obligation-Short term	(2,413,025)	337,723
Landfill provisions	(5,716,861)	(1,229,652)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(16,588,237)	(14,195,104)
Other receivables from non-exchange transactions	(11,822,451)	(8,492,333)
Payables from exchange transactions	12,660,349	(12,390,096)
VAT Receivable	401,145	1,537,695
Other	20,331,183	-
Unspent conditional grants and receipts	(5,480,788)	4,905,868
Consumer Deposits	161	-
	<b>47,293,865</b>	<b>25,801,591</b>

### 39. Financial instruments disclosure

#### Categories of financial instruments

2023

#### Financial assets

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Financial instruments disclosure (continued)</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	14,171,274	14,171,274
Cash and cash equivalents	45,752,319	45,752,319
	<b>59,923,593</b>	<b>59,923,593</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	54,520,253	54,520,253
<b>2022</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Trade and other receivables from exchange transactions	12,246,069	12,246,069
Cash and cash equivalents	77,313,337	77,313,337
	<b>89,559,406</b>	<b>89,559,406</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	54,028,159	54,028,159
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Approved and contracted for -Infrastructure.	23,180,398	17,554,869
<b>Total capital commitments</b>		
Already contracted for but not provided for	23,180,398	17,554,869
<b>This expenditure will be financed from :-</b>		
Own revenue	9,708,902	3,945,794
Municipal Infrastructure grant	11,306,143	6,718,042
Office of the Premier Grant	2,165,353	6,891,033
	<b>23,180,398</b>	<b>17,554,869</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>41. Contingencies</b>		
Council have the following contingent liabilities.		
<b>Contingent liabilities</b>		
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	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	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	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 be 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	691,025
<b>Total estimated Contingent liabilities</b>	<b>7,597,664</b>	<b>7,597,664</b>

## 42. 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 2023

## Notes to the Annual Financial Statements

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Figures in Rand 2023 2022

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### 42. 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.

<b>30 June 2023</b>	Within 1 Year	Two to Five Years	After Five years	Total
Payables from exchange transactions	53,266,544	-	-	53,266,544

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<b>30 June 2022</b>	Within 1 Year	Two to five years	After five years	Total
Finance leases	147,486	-	-	147,486
Payables from exchange transactions	41,621,178	-	-	41,621,178
	<b>41,768,664</b>	-	-	<b>41,768,664</b>

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# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 42. 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	2023	2022
Cash and Cash Equivalents	45,752,319	77,313,337
Receivable from exchange transactions	14,171,274	12,246,068

#### 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 payable 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	476,233	385,352
2 months past due	1,020,561	110,373
3 months past due	808,749	316,913
4 months past due	824,420	195,338
5 months past due	376,376	20,870
6-12 months past due	682,553	968,682
	<b>4,188,892</b>	<b>1,997,528</b>

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

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

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

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 42. 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	45,752,319	77,313,336
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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	228,762	386,567
0.5% (2021 -0.5%) decrease	(228,762)	(386,567)

	-	-
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#### 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.

### 43. Fruitless and wasteful expenditure

Opening balance as previously reported	102,578	102,578
<b>Opening balance as restated</b>	<b>102,578</b>	<b>102,578</b>
Add: Expenditure identified - current	1,162	-
<b>Closing balance</b>	<b>103,740</b>	<b>102,578</b>

Fruitless and wasteful expenditure amounts exclude VAT.

### 44. Irregular expenditure

Opening balance as previously reported	118,556	-
<b>Opening balance as restated</b>	<b>118,556</b>	-
Add: Irregular Expenditure - current	-	1,126,075
Less: Amount written off by council	(118,556)	(1,007,519)
<b>Closing balance</b>	<b>-</b>	<b>118,556</b>

# ELUNDINI LOCAL MUNICIPALITY

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### 44. 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
	-	<b>1,126,077</b>

The irregular expenditure reported is VAT inclusive

### Number of incidents

SCM Processes not followed	-	1
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### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	1,478,189	1,343,546
Refund and discount received	(51,737)	(67,173)
Amount paid - current year	(1,426,452)	(1,276,373)
	-	-

#### Audit fees

Current year subscription / fee	5,237,775	3,518,666
Amount paid - current year	(5,568,334)	(3,518,666)
	<b>(330,559)</b>	-

# ELUNDINI LOCAL MUNICIPALITY

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

#### PAYE, SDL and UIF

Opening balance	1,543,912	1,543,912
Payments due to SARS	22,039,053	19,935,451
Amount paid - current year	(22,821,451)	(19,935,451)
	<b>761,514</b>	<b>1,543,912</b>

#### Pension and Medical Aid Deductions

Opening balance	(6,485)	(6,485)
Current year subscription / fee	20,035,492	18,658,192
Amount paid - current year	(20,035,492)	(18,658,192)
	<b>(6,485)</b>	<b>(6,485)</b>

#### VAT

VAT receivable	7,616,033	8,139,678
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VAT output payables and VAT input receivables are shown in note 5.

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 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr P. Cawe	428	2,873	3,301
Cllr V. V. Hokwana	14,404	-	14,404
Cllr T. Mfono	8,448	71,003	79,451
	<b>23,280</b>	<b>73,876</b>	<b>97,156</b>

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr T. Mfono	5,226	59,421	64,647



# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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### 46. 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)	23,800	-
Section 36( 1) (a) (v)	15,042,316	3,805,376
Section 36( 1) (b)	304,579	-
	<b>15,370,695</b>	<b>3,805,376</b>

Municipal Manager Office	1,595,942	214,760
Budget and Treasury Office	1,493,411	378,216
Infrastructure Planning and Development	8,416,877	2,721,208
Corporate Services	3,183,565	265,900
Community Services	625,750	204,684
Strategic Planning and Development	55,150	20,564
	<b>15,370,695</b>	<b>3,805,332</b>

### 47. Statutory receivables

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

Property Rates	16,820,668	12,399,565
Traffic fines	3,615,414	3,345,514
VAT	7,616,033	8,139,678

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	19,409,627	15,895,823
Traffic fines	3,615,414	3,345,514
	<b>23,025,041</b>	<b>19,241,337</b>

#### Statutory receivables that are past due that have not been impaired

Property rates	13,397,402	12,950,549
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Rates - payment percentage of receivables are used to assess whether the receivable is impaired. Refer to note 4 for more detail on the impairment and ageing of the statutory receivable past due not impaired.

Fines - all fines are impaired. Refer to note 4 for more detail on the impairment provision and ageing of the statutory receivable past due not impaired.

VAT - VAT receivable from SARS is not impaired as South African Receiver of Revenue has sufficient funds to pay any outstanding amounts. VAT on output is provision assessed with the debtors impairment provision and included therein. Refer to note 4 for more detail on the impairment provision.

# ELUNDINI LOCAL MUNICIPALITY

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### 48. 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.

<b>Director</b>	<b>Relationship to the person of the state</b>	<b>Amount</b>
Noluthando Thuli	Family to Ms Ntombozanele Thuli	R 271 775
Letitia Zoliswa Nodikana	Mother of Vuyokazi Nodikana	R 0
Siphesihle Sahlulo	Daughter of Bulelwa Sahlulo (Registry Clerk)	R 0
Malungisa Dlokwani	Spouse of Zizipho Mbana ( Clerk-Expenditure)	R 60 092
Nomasiza Winnie Chaka	Fundisiwe Chaka (Child)	R 65 035.20
Thabathani Chaka	Thabathani Chaka (Brother)	R 0
Babalo Mpohlo	Nomtha Nkani (Spouse)	R 0
Bongiwe Cynthia Pula	Sibling of Nombulelo Pula ( Cleaner/ Parks and amenities)	R 0
Nosipho Dumeko	Spouse of Sango Dumeko (Ralations 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
Nkosilizwe Mpeqeka	Spouse of Pelloza Mpeqeka (Eskom)	R 0
Ndiafhi Rerani	Spouse of Mary Renani (Department of Justice	R 7 402 416.95
Ndikho Mahlubandile Malic Ntaba	Interst in other related compay Elundini group 20 where SJT Magadla (Councillor) is a director	R 0
Babalo Mpohlo	Nomtha Nkani (Spouse)	R 0
Sonwabile Bikitsi	Yolisa Majali (Spouse)	R 0
Sydwell Maqula	Spouse of N.J Majula (Department of Human Settlements)	R 1 421 104.35
Ziphelele Nqabeni	Ziphelele Nqabeni (ECDC Administration)	R 0
Oko Mhlwempu	Sivs Arch	R 659 414.16
Litha Mpeqeka	Brat Holdings	R 120 000
Mbodla Matshutsha Vumile	Spouse to Nqobile (Chief of staff KZN Office of The Premier	R 199 920

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## Notes to the Annual Financial Statements

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<b>48. Related parties (continued)</b>			
Anele Thembaletu Nodikana	Brother of Vuyokazi Nodikana who is an official at Elundini Local Municipality	R 52 905	
Nonthuthuzelo Nkalitshana	Timzo and Ntuthu manufacturing and cleaning services	R 3 143.99	
Mcoseleli Humphrey Mthimkhulu	Gabi engineers	R 0	
TOTAL		R 10 447 317.58	

### 49. 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:

#### Statement of financial position

##### 2022

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		11,878,041	215,336	12,093,377
VAT Receivables		8,928,339	(420,632)	8,507,707
Property, plant and equipment		523,537,130	10,091,524	533,628,654
Payables from exchange transactions		41,902,982	(535,172)	41,367,810
		<b>586,246,492</b>	<b>9,351,056</b>	<b>595,597,548</b>

#### Statement of financial performance

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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### 49. Prior-year adjustments (continued)

#### 2022

	Note	As previously reported	Correction of error	Restated
Insurance refunds		936,655	(636,795)	299,860
Service charges		37,291,989	(806,910)	36,485,079
Skills Development Refund		222,699	19,804	242,503
Depreciation and amortisation		54,863,839	(11,629,477)	43,234,362
Employee related costs		115,673,182	(69,659)	115,603,523
Debt impairment		11,673,416	368,029	12,041,445
Bulk purchases		29,040,780	(1,374,425)	27,666,355
Contracted services		67,262,319	(1,146,200)	66,116,119
Transfers and subsidies		6,348,702	110,090	6,458,792
Loss on disposal of non monetary assets		1,081,432	(328,550)	752,882
General expenditure		35,747,077	20,924	35,768,001
<b>Surplus for the year</b>		<b>360,142,090</b>	<b>(15,473,169)</b>	<b>344,668,921</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 49. Prior-year adjustments (continued)

#### Receivables from exchange transactions

An amount of R 1 130 114 was incorrectly mapped as Refuse impairment instead of Refuse Debtors, an adjustment has been made to rectify.

An impairment reversal of VAT component of debtors was incorrectly posted to VAT receivables. The correction of this resulted in an increase in debtors by R368 028.

There was also a decrease in other debtors by R 152 692. The net effect was an increase in debtors by R 215 336.

#### VAT Receivables

The reversal of debt impairment for VAT had not been correctly accounted for. The correction resulted in an adjustment of R420 632 on VAT.

#### Property, plant and equipment

An asset disposed (MV) during the year was incorrectly depreciated for the full year and the disposal of R 204 771 was not processed.

Capitalised restoration cost were understated by R 11 076 360.

#### Payables from exchange transactions

Retention figure for the year was overstated owing to incorrect accounting for some items on repairs and maintenance. This resulted in an adjustment of R281 804. Employee debt repayments amounting to R210 280 had not been processed for the prior year. The journal processed resulted in a decrease in the sundry creditors figure. Medical aid contributions by pensioners had been incorrectly expensed by R43 087.6, and not removed from the medical aid control account after post employment medical aid contributions had been paid.

#### Service charges

Electricity rebates of R 806 909 were misallocated as transfers and subsidies.

#### Insurance refunds

Proceeds from disposal of PPE amounting to R 636 795 were incorrectly processed as insurance refunds.

#### Skills Development

##### Refund

An amount of 19 804 for a bursary paid by the municipality was refunded by the employee.

#### Depreciation and amortisation

An asset disposed during the year was incorrectly depreciated for the full year, a correction of R 67 843 was done.

A correction on prior year depreciation on landfill site amounting to R 11 561 634 was done.

#### Employee related costs

Subsistence and travel allowance of R 26 571 was mismapped as motor vehicle allowance. Pensioners' medical aid contributions amounting to R181 893 had been misallocated as pension fund contributions. Pensioners' contributions towards their medical aid amounting to R43 087.6 had been incorrectly expensed.

#### Debt impairment

Debt impairment reduction for VAT component of debtors was not correctly accounted for. The correction resulted in an adjustment of R368 028.

#### Bulk purchases

Electricity consumption for the municipality was incorrectly posted to bulk purchases. This has been corrected resulting in an adjustment of R 1 374 425

#### General expenses

The reallocation of R 1 374 425 from Bulk Purchases to General expenses resulted in general expenses going up by the same amount.

Subsistence and travel allowance of R 26 571 was mismapped as motor vehicle allowance.

Information technology equipment amounting th R1 380 072 had been misallocated as computer expenses.

#### Contracted services

Retentions were overstated by R 229 200 owing to incorrect accounting to repairs and maintenance.

ECDC transfers and subsidies amounting to R 917 000 were misallocated as contracted services.

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 49. Prior-year adjustments (continued)

#### Transfers and subsidies

ECDC transfers and subsidies amounting to R 917 000 were misallocated as contracted services. Electricity rebates of R 806 909 were misallocated as transfers and subsidies.

#### Loss on disposal of non monetary assets

An asset disposed during the year was incorrectly depreciated for the full year and loss on disposal was not correctly processed. This resulted in an adjustment of R 328 550.

### 2023

#### Cash flow statement

### 2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Other revenue		9,908,284	(405,405)	9,502,879
Cash flow from investing activities				
Proceeds of Property plant and equipment		20,527	405,405	425,932

### 50. Accumulated surplus

#### Accumulated surplus

Closing balance	575,915,234	590,573,795
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### 51. Events after the reporting date

The Municipality has no events after reporting date to report

### 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 Municipality as part of principal-agent arrangement.

Revenue collected from third parties on behalf of the department	11,613,497	10,560,320
Commission earned on vehicle registrations	2,325,298	2,180,857
Collections payable to the Department at year-end	1,595,116	1,582,054

### 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 2023

## Notes to the Annual Financial Statements

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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
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#### The above mentioned- expenditure was funded as follow

Equitable Share	-	1,068,529
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### 56. Unauthorised expenditure

Opening balance as previously reported	86,325	-
<b>Opening balance as restated</b>	<b>86,325</b>	<b>-</b>
Add: Expenditure identified - current	-	86,325
<b>Closing balance</b>	<b>86,325</b>	<b>86,325</b>

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

Unauthorised expenditure	2023 (Actual )	2023(Final Budget)	2023 (Unauthorised)
Vote 1- Executive and Council	51,172,938	60,940,770	-
Vote 2- Budget and Treasury	85,702,686	87,369,056	-
Vote 3- Corporate adm	44,445,432	54,804,747	-
Vote 4- Community services	52,426,393	64,327,167	-
Vote 5 Strategic Planning and Development	10,240,288	20,219,431	-
Vote 6- Infrastructure Planning and Development	100,253,400	216,700,982	-
	<b>344,241,137</b>	<b>504,362,153</b>	<b>-</b>

# ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2023

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### 57. Segment information

#### Segment surplus or deficit, assets and liabilities

#### 2023

	Other	Community Services	Electricity	Public Safety	Planning and development	Roads	Refuse removal	Total
<b>Revenue</b>								
Service charges	-	-	26,627,435	-	-	-	5,988,258	32,615,693
Rental of facilities and equipment	-	1,757,538	-	-	-	-	-	1,757,538
Investment revenue	9,767,463	-	-	-	-	-	-	9,767,463
Licences and permits	-	-	-	3,743,903	-	-	-	3,743,903
Other income	1,676,688	30,934	-	-	132,626	-	-	1,840,248
Property rates	25,719,319	63,475	-	-	-	-	-	25,782,794
Government grants and subsidies	182,034,000	3,777,328	14,400,000	-	-	44,736,085	-	244,947,413
Electricity Availability Charges	-	-	8,731,134	-	-	-	-	8,731,134
Donation	-	-	-	-	-	-	2,551,882	2,551,882
Fine & Penalties	2,072,951	-	12,584	281,500	-	-	-	2,367,035
Interest Received- Rates	3,197,115	-	-	-	-	-	-	3,197,115
<b>Total segment revenue</b>	<b>224,467,536</b>	<b>5,629,275</b>	<b>49,771,153</b>	<b>4,025,403</b>	<b>132,626</b>	<b>44,736,085</b>	<b>8,540,140</b>	<b>337,302,218</b>
<b>Entity's revenue</b>								<b>337,302,218</b>



# ELUNDINI LOCAL MUNICIPALITY

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### 57. Segment information (continued)

#### Expenditure

Employee related costs	63,207,015	11,053,310	7,418,544	11,724,692	8,573,830	11,423,239	12,900,056	126,300,686
Remuneration of councillors	13,412,823	-	-	-	-	-	-	13,412,823
Debt impairment	18,594,761	-	-	-	-	-	-	18,594,761
Depreciation and amortisation	14,647,000	-	3,218,605	-	-	21,178,471	-	39,044,076
Finance cost	869,580	-	-	-	-	-	3,471,822	4,341,402
Bulk purchases	-	-	27,312,969	-	-	-	-	27,312,969
Sale of goods	829,055	81,352	514,204	-	9,817	-	-	1,434,428
Contracted services	23,060,377	3,962,212	16,414,534	500,510	2,969,099	3,720,326	5,575,690	56,202,748
Transfers and subsidies	1,085,000	-	4,446,558	-	-	-	-	5,531,558
General expenses	39,782,915	896,507	2,445,835	651,579	909,808	4,265,068	1,275,240	50,226,952
Loss on disposal of non-monetary assets	10,799,205	-	-	-	-	-	-	10,799,205
<b>Total segment expenditure</b>	<b>186,287,731</b>	<b>15,993,381</b>	<b>61,771,249</b>	<b>12,876,781</b>	<b>12,462,554</b>	<b>40,587,104</b>	<b>23,222,808</b>	<b>353,201,608</b>
<b>Total segmental surplus/(deficit)</b>								<b>(15,899,390)</b>

# ELUNDINI LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

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<b>58. Material losses</b>		
<b>Electricity distribution losses</b>	-	-
Units purchased ( kwh)	17,892,864	19,626,501
Units sold (Kwh)	14,432,200	14,482,063
Units lost during distribution ( kwh)	3,460,664	5,144,438
Percentage lost during distribution	19%	26%
Average Cost per Kwh unit ( excl VAT)	1.47	1.59
Rand Value of Loss	5,093,375	8,179,515
	-	-

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