



Emfuleni Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

General Information

Mayoral committee

Executive Mayor	G Moerane
Speaker	ME Tsokolibane
Chief whip	MC Sale
Members of mayoral committee	
MMC - Infrastructure planning and development	K Ntombela
MMC - Human settlement	ME Kele
MMC - Public safety	MJ Mosholuba
MMC - Shared services	B Mncube
MMC - Health and social development	DM Malisa
MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries	S Sengoatsi
MMC - Finance and revenue	R Thema
MMC - Public works	B. Ntsele
MMC - Agriculture, local economic development, development planning and tourism	BP Maseko

Accounting Officer

L. Leseane

Auditors

Auditor-General of South Africa

Bankers

First National Bank

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Postal address

P.O Box 3
Vanderbijlpark
1900

Telephone

+27169505000

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's responsibilities and approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 10
Accounting policies	11 - 34
Notes to the Annual Financial Statements	35 - 101

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RUL	Review of Useful Lives

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 4 to 87, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearer's act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

L. Leseane
Accounting Officer

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

	Note(s)	2021	2020
Assets			
Current Assets			
Cash and cash equivalents	2	269,479,407	240,337,798
Trade and other receivables from exchange transactions	3	453,277,814	194,222,804
Trade and other receivables from non-exchange transactions	4	688,688,490	262,172,877
Vat receivable	6	803,357,109	525,754,293
Inventories	5	24,695,148	20,986,357
		2,239,497,968	1,243,474,129
Non-Current Assets			
Property, plant and equipment	7	10,682,146,974	10,132,674,021
Investment property	8	1,006,950,719	973,320,363
Intangible assets	9	17,968,231	20,095,032
Heritage assets	10	57,016	57,016
Sanlam shares		16,570	15,914
		11,707,139,510	11,126,162,346
Total Assets		13,946,637,478	12,369,636,475
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	6,076,091,810	4,594,902,312
Unspent conditional grants and receipts	12	60,993,069	119,727,809
Employee benefit obligation	13	23,736,000	19,772,828
Borrowings	19	-	2,061,807
Finance lease obligation		-	(1)
		6,160,820,879	4,736,464,755
Non-Current Liabilities			
Employee benefit obligation		210,786,000	180,116,670
Provisions	20	168,039,078	158,378,342
Consumer deposits	14	56,914,226	53,183,996
		435,739,304	391,679,008
Total Liabilities		6,596,560,183	5,128,143,763
Net Assets		7,350,077,295	7,241,492,712
Accumulated surplus		7,350,077,295	7,241,492,712

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Service charges	15	4,121,552,622	4,315,434,016
Finance income	21	81,988,236	96,621,549
Fair value adjustments		40,402,403	41,702,229
Rental of facilities and equipment	18	19,958,697	13,578,289
Trade and other licenses		87,483	62,353
Actuarial gains		-	31,018,779
Other income	16	172,550,007	72,276,573
Total revenue from exchange transactions		4,436,539,448	4,570,693,788
Revenue from non-exchange transactions			
Property rates	22	936,971,737	884,384,166
Fines	17	9,075,418	214,912,950
Donations		1,517,390,366	55,216,597
Government grants & subsidies	23	1,063,210,980	870,410,277
Total revenue from non-exchange transactions		3,526,648,501	2,024,923,990
Total revenue		7,963,187,949	6,595,617,778
Expenditure			
Employee related costs	24	(1,137,542,328)	(1,100,479,502)
Remuneration of councillors	25	(56,644,823)	(56,590,383)
Bulk purchases	27	(3,222,665,150)	(3,016,956,357)
Debt Impairment		(1,080,096,708)	(1,925,122,120)
Depreciation and amortisation		(585,837,700)	(352,995,225)
Contracted services		(359,101,916)	(335,598,638)
Finance costs	26	(205,228,454)	(232,128,303)
(Loss)/gain on sale of assets		(190,115,254)	(80,103,319)
Actuarial losses		(28,155,570)	-
Imputed interest		11,457,535	7,541,229
General Expenses	28	(1,000,673,010)	(896,503,474)
Total expenditure		(7,854,603,378)	(7,988,936,092)
Surplus (deficit) for the year		108,584,571	(1,393,318,314)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2019	8,634,811,026	8,634,811,026
Changes in net assets		
Surplus for the year	(1,393,318,314)	(1,393,318,314)
Total changes	(1,393,318,314)	(1,393,318,314)
Balance at 01 July 2020	7,241,492,724	7,241,492,724
Changes in net assets		
Surplus for the year	108,584,571	108,584,571
Total changes	108,584,571	108,584,571
Balance at 30 June 2021	7,350,077,295	7,350,077,295
Note(s)		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,850,432,068	3,018,769,574
Grants		1,004,476,240	933,280,276
Interest income		18,641,683	31,092,944
Other receipts		429,840,299	810,372,718
		<u>4,303,390,290</u>	<u>4,793,515,512</u>
Payments			
Employee costs		(1,164,442,211)	(1,186,362,147)
Suppliers		(2,170,104,484)	(2,276,939,872)
Finance costs		(199,050,675)	(213,540,710)
Other payments		(616,062,878)	(975,282,155)
		<u>(4,149,660,248)</u>	<u>(4,652,124,884)</u>
Net cash flows from operating activities	29	<u>153,730,042</u>	<u>141,390,628</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(128,318,663)	(116,446,177)
Purchase of other intangible assets	9	-	(709,356)
		<u>(128,318,663)</u>	<u>(117,155,533)</u>
Net cash flows from investing activities		<u>(128,318,663)</u>	<u>(117,155,533)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(2,061,807)
Movement in consumer deposits		3,730,230	656,114
		<u>3,730,230</u>	<u>(1,405,693)</u>
Net cash flows from financing activities		<u>3,730,230</u>	<u>(1,405,693)</u>
Net increase/(decrease) in cash and cash equivalents		29,141,609	22,829,402
Cash and cash equivalents at the beginning of the year		240,337,798	217,508,396
Cash and cash equivalents at the end of the year	2	<u>269,479,407</u>	<u>240,337,798</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3,728,267,695	181,858,776	3,910,126,471	4,121,552,622	211,426,151	38
Rental of facilities and equipment	13,782,411	-	13,782,411	19,958,697	6,176,286	38
Trade and other licenses	19,817	-	19,817	87,483	67,666	38
Other income	101,457,913	700,000	102,157,913	172,550,007	70,392,094	38
Interest received - investment	154,305,691	-	154,305,691	81,988,236	(72,317,455)	38
Total revenue from exchange transactions	3,997,833,527	182,558,776	4,180,392,303	4,396,137,045	215,744,742	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	932,745,128	-	932,745,128	936,971,737	4,226,609	38
Grants in kind	-	-	-	1,517,390,366	1,517,390,366	38
Fines	200,466,442	-	200,466,442	9,075,418	(191,391,024)	38
Transfer revenue						
Government grants & subsidies	1,062,576,267	196,426,959	1,259,003,226	1,063,210,980	(195,792,246)	38
Total revenue from non-exchange transactions	2,195,787,837	196,426,959	2,392,214,796	3,526,648,501	1,134,433,705	
Total revenue	6,193,621,364	378,985,735	6,572,607,099	7,922,785,546	1,350,178,447	
Expenditure						
Employee related cost	(1,221,473,967)	(119,241,414)	(1,340,715,381)	(1,137,542,328)	203,173,053	38
Remuneration of councillors	(55,860,450)	(4,398,621)	(60,259,071)	(56,644,823)	3,614,248	38
Depreciation and amortisation	(387,830,711)	-	(387,830,711)	(585,837,700)	(198,006,989)	38
Finance costs	(19,011,065)	18,625,377	(385,688)	(205,228,454)	(204,842,766)	38
Debt Impairment	(941,419,812)	(477,676,011)	(1,419,095,823)	(1,080,096,708)	338,999,115	38
Collection costs	-	-	-	(190,115,254)	(190,115,254)	38
Bulk purchases	(2,301,220,480)	(112,025,957)	(2,413,246,437)	(3,222,665,150)	(809,418,713)	38
Contracted Services	(179,868,696)	(85,840,222)	(265,708,918)	(359,101,916)	(93,392,998)	38
Imputed interest	-	-	-	11,457,535	11,457,535	38
General Expenses	(384,251,928)	25,759,451	(358,492,477)	(1,000,673,010)	(642,180,533)	38
Total expenditure	(5,490,937,109)	(754,797,397)	(6,245,734,506)	(7,826,447,808)	(1,580,713,302)	
Deficit for the year	702,684,255	(375,811,662)	326,872,593	96,337,738	(230,534,855)	
Fair value adjustments	-	-	-	40,402,403	40,402,403	38
Actuarial gains/losses	-	-	-	(28,155,570)	(28,155,570)	38
	-	-	-	12,246,833	12,246,833	
Deficit for the year	702,684,255	(375,811,662)	326,872,593	108,584,571	(218,288,022)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	702,684,255	(375,811,662)	326,872,593	108,584,571	(218,288,022)	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	141,129,221	87,022,482	228,151,703	269,479,407	41,327,704	38
Trade and other receivables from exchange transactions	1,110,973,869	(862,665,533)	248,308,336	453,277,814	204,969,478	38
Trade and other receivables from non-exchange transactions	118,838,278	275,185,238	394,023,516	688,688,490	294,664,974	38
Vat receivable	(134,031,061)	881,851,001	747,819,940	803,357,109	55,537,169	38
Inventories	17,576,287	1,144,683	18,720,970	24,695,148	5,974,178	38
	1,254,486,594	382,537,871	1,637,024,465	2,239,497,968	602,473,503	
Non-Current Assets						
Property, plant and equipment	10,512,991,071	(61,168,986)	10,451,822,085	10,682,146,974	230,324,889	38
Investment property	972,604,120	716,243	973,320,363	1,006,950,719	33,630,356	38
Intangible assets	19,279,342	859,045	20,138,387	17,968,231	(2,170,156)	38
Heritage assets	57,016	-	57,016	57,016	-	38
Sanlam shares	21,103	(5,189)	15,914	16,570	656	38
	11,504,952,652	(59,598,887)	11,445,353,765	11,707,139,510	261,785,745	
Total Assets	12,759,439,246	322,938,984	13,082,378,230	13,946,637,478	864,259,248	
Liabilities						
Current Liabilities						
Payables from exchange transactions	3,444,865,048	2,126,475,461	5,571,340,509	6,076,091,810	504,751,301	38
Unspent conditional grants and receipts	-	1,160,599	1,160,599	60,993,069	59,832,470	38
Borrowings	3,162,631	(3,162,631)	-	-	-	38
Finance lease obligation	2,319,535	(2,319,535)	-	-	-	38
Provisions	13,885,861	-	13,885,861	-	(13,885,861)	
Employee benefit obligation	-	-	-	23,736,000	23,736,000	38
	3,464,233,075	2,122,153,894	5,586,386,969	6,160,820,879	574,433,910	
Non-Current Liabilities						
Employee benefit obligation	229,181,760	(53,868,717)	175,313,043	210,786,000	35,472,957	38
Provisions	122,885,348	21,607,133	144,492,481	168,039,078	23,546,597	38
Borrowings	2,061,807	(2,061,807)	-	-	-	38
Consumer deposits	52,425,106	2,032,878	54,457,984	56,914,226	2,456,242	38
	406,554,021	(32,290,513)	374,263,508	435,739,304	61,475,796	
Total Liabilities	3,870,787,096	2,089,863,381	5,960,650,477	6,596,560,183	635,909,706	
Net Assets	8,888,652,150	(1,766,924,397)	7,121,727,753	7,350,077,295	228,349,542	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	8,888,652,150	(1,766,924,397)	7,121,727,753	7,350,077,295	228,349,542	38

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

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. They are presented in South African Rand.

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

1.1 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 (refer to note 33).

1.2 Materiality

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

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

1.3 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis.

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Some significant judgement include:

Trade receivables and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each quarter. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.3 Significant judgements and sources of estimation (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Assumptions:

Traffic fines.

As there is not yet a GRAP Accounting Standard prescribing the accounting of traffic fines, the following assumptions are done based on management best estimation:

The difference between the previous years outstanding amounts, plus fines issued for the year under review, minus the withdrawals, reductions and paid fines, are calculated and deducted from the total amount of outstanding fines as per the schedules received from the Municipal Court and assumed to be the written offst

Landfill sites

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. These norms are based on South African Institution of Civil Engineering norms. Management will decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The discount rate was set as the nominal and zero curves as at 30 June 2020 supplied by the JSE and the CPI assumptions at each relevant time period.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June 2021. This rate is similar to the interest rate levied on arrear consumer accounts.

Impairment of receivables

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.3 Significant judgements and sources of estimation (continued)

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments due and an assessment of their ability to make payments based on their credit worthiness. This was performed per service identifiable category across all classes of debtors.

Allowance for doubtful debts

Impairment loss is recognised in surplus and deficit when there is objective evidence that debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of receivables represent management's best estimate 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. This is performed on each category of debtors across all debtor classes.

Property Plant and Equipment

The useful life of property plant and equipment are based on management's estimation. Infrastructure assets useful life are based on technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate.

Other

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses are recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts.

1.4 Investment property

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

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

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- A building that is vacant but is held to be leased out under one or more operating leases.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 7).

Initial measurement

Investment property is initially recognised at cost.

Subsequent measurement

Subsequently investment property is recognised at fair value and fair value of investment property reflects market conditions at the reporting date

Where investment property is acquired through a non exchange transaction, it's cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.4 Investment property (continued)

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

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the investment property. A gain or loss arising from the disposal or retirement of an item of investment property is determined as difference between the proceeds and the carrying value and is recognised in the statement of financial performance.

1.5 Property, plant and equipment

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

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

Asset classification

The criteria used for determining significant asset components are:

- Any component with a useful life of longer than 12 months with economic or service potential;
- The value of the component itself can be fairly accurately determined;
- Its useful life can be distinguished from that of the parent asset;
- The value of the component is material in relation to its parent asset;
- It carries a significant risk profile;
- It is a maintenance significant item, and
- For which there may be specific requirements for significant statutory tests or licensing.

Initial measurement

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation are newly identified assets.

Property, plant and equipment are measured at fair value at the date of acquisition, where assets have been acquired by donation or grant and for assets that are newly identified through formal assets verification procedures for which cost records are not available or not reliable at the date of acquisition.

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

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

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

Subsequent measurement

After initial recognition property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.5 Property, plant and equipment (continued)

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.

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

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.

Assets under construction are carried at cost.

Enhancement to property, plant and equipment do not qualify as assets unless these extend the useful life of the enhanced property, plant and equipment. Day to day servicing cost of an assets are not recognised in the carrying amount of an item of property, plant and equipment.

Major spare parts, standby equipment which are expected to be used for more than one period are included in the property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (Cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and paving		20
• Electricity		50-60
• Water		15-20
• Sewerage		15-20
• Housing		30
Community assets		
• Buildings		30
• Recreational facilities		20-30
• Security		5
Other assets		
• Buildings		30
• Specialised vehicle		10
• Other vehicles		5
• Office equipment		3-7
• Furniture and fittings		7-10
• Bins and containers		5
• Specialised plant and equipment		10-15
• Other items of plant and equipment		2-5
• Landfill sites		30-55
• Computer software		3-5
• Art, paintings, sculptures and ornaments		10

An asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The municipality is utilizing the straight-line depreciation method.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.5 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to surplus and deficit.

Derecognition

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.

1.6 Intangible assets

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

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 cost or fair value of the asset can be measured reliably.

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

Initial measurement

Intangible assets are initially recognised at cost.

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.

If an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of its acquisition.

Subsequent measurement

After the initial recognition intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Internally generated intangible assets

Websites

Initial recognition.

Website are internally generated intangible assets that are initially recognised at the value of improvement/development costs in terms of IGRAP16.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.6 Intangible assets (continued)

The cost of an internally generated intangible asset (website) is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, and intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent measurement

After initial measurement, websites will be carried at cost less accumulated amortisation and impairment loss.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

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

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

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.

For intangible assets with a finite useful life the residual value is always deemed zero unless:

- A third party has committed to purchase the asset at the end of the useful life;
 - There is an active market for the asset; and
- a) the residual value can be determined by reference to that market; and
- b) it is probable that such market will exist at the end of the asset's useful life.

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

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

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

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

Item	Useful life
Computer software, internally generated	3-5 years
Computer software, other	3-5 years
Intangible assets under development	3-5 years
Servitude	Indefinite

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.6 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

By their nature, servitudes confer upon the holder a right in perpetuity over the property and as these rights have an indefinite useful life, they are not amortised

1.7 Heritage assets

Heritage assets are defined as any asset that has a cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

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

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

Recognition and measurement

Initial recognition

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Subsequent measurement

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment.

An impairment is reversed only to the extent that the asset's carrying amount that would have been determined had no impairment been recognised.

Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage assets. The gain or loss arising from the disposal or retirement of heritage asset is determined as a difference between the sales proceeds and the carrying value of the heritage assets and is recognised in the statement of financial performance.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.8 Financial Instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Consumer debtors	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Investments	Financial asset at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.8 Financial Instruments (continued)

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The municipality de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is de-recognised or impaired, or through the amortisation process.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.8 Financial Instruments (continued)

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent measurements

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

After the calculations for irrecoverable debt, the movement in the impairment allowance, is recognized in the Statement of Financial Performance impairment gains or losses. If a decrease in the value, a gain is recognised and if there is an increase, a loss is recognised.

Allowance for doubtful debts

Impairment loss is recognised in surplus and deficit when there is objective evidence that debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired

After the calculations for irrecoverable debt, the movement in the impairment allowance, is recognized in the Statement of Financial Performance impairment gains or losses. If a decrease in the value, a gain is recognised and if there is an increase, a loss is recognised.

Impairment of receivables represent management's best estimate 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. This is performed on each category of debtors across all debtor classes.

Bad debt written off

Bad debt is written off against the provision for impairment in the Statement of Financial Position,

Trade receivables and other receivables from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Impairment of non-exchange transactions excluding fines

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments due and an assessment of their ability to make payments based on their credit worthiness. This was performed per service identifiable category across all classes of debtors.

Bad debt written off

Bad debt is written off against the provision for impairment in the Statement of Financial Position.

Impairment of fines

Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice to offenders, and can:

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.8 Financial Instruments (continued)

Traffic fines are accounted for in terms of iGRAP 1 – Applying the probability test on initial recognition of revenue and GRAP 23 – Revenue from non-exchange transactions. In terms of IGRAP 1 the impact on the initial measurement of fines was assessed and appropriate adjustments based on assumptions were made from reliable information.

Subsequent measurement (Impairment)

The assessment and recognition of impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting the revenue when the fines fall into arrears. Such assessments are not made at the initial recognition.

Subsequent measurement was done by utilising reliable information from the past 7 years. The average percentage payment of fines versus fines issued of the past 7 years, was utilised to calculate the estimated recoverable fines for the period under review.

The recoverable amount was deducted from the calculated outstanding as at 30 June 2021, resulting in the calculated impairment (non-recoverable fines) of fines. In the event that the percentage payment of fines versus the fines issued for the year under review is higher than the average percentage payment of fines versus the fines issued for the past 7 years, the percentage payment of fines versus fines issued for the current year was utilised to calculate the recoverable amount.

The difference between the previous years outstanding amounts, plus fines issued for the year under review, minus the withdrawals, reductions and paid fines, are calculated and deducted from the total amount of outstanding fines as per the schedules received from the Municipal Court and assumed to be the written offs.

Bad debt is written off against the provision for impairment in the Statement of Financial Position,

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

1.9 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction,
- if the transaction is a non-exchange transaction,

Taxes and transfers

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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 changed subsequent to initial recognition to reflect any:

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

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss.

1.10 Taxes

Value added tax

Revenue, expenditure and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. The Municipality is registered at SARS for VAT on the payment basis.

1.11 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 - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.12 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress, water, the ash and land and property held for sale.

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. Assets that generate a commercial return are those that generate positive cashflows which are expected to be significantly higher than the cost of the assets. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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).

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than the carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable and willing parties

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

Reversal of impairment loss

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.13 Impairment of cash generating assets (continued)

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash generating assets

Non-cash-generating assets are assets where its objective is not to use the asset to generate a commercial return but to deliver services.

1.15 Employee benefits

Short term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

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

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.16 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.18 Revenue from exchange transactions (continued)

Interest and dividends

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Prepaid electricity estimation

The electricity is made available to the vendor and the vendor only pays over to the municipality once the electricity is sold, resulting in no electricity on hand at year end.

It is not possible to provide any statistics regarding the electricity smart meters as a process of installing the CIU(Communication device) takes a long time. After the installation of the communication device as well as the correcting of the consumer account, it will be possible to measure electricity on hand at year end.

1.19 Revenue from non-exchange transactions

Measurement

Revenue is measured at the fair value of the asset recorded less any liability recognised.

Rates, including collection charges and penalties interest

Property rates are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria of an asset.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the amount due by a particular offender is specified on the notice, summons or equivalent document and the offender is informed of any reductions following certain processes within the municipality's discretion (i.e. it can decide on the reductions) these are estimated when measuring the asset (receivable) and the amount of revenue to be recognised. Any variations in the amount of reductions estimated are treated as a change in the estimated revenue and are accounted for as a change in accounting estimate.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.19 Revenue from non-exchange transactions (continued)

Public contributions and donations including in-kind donations

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations.

Public contributions and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Public contribution and donations including goods in-kind are measured at their fair value as at the date of acquisition.

Government grants

Government grants are recognised to the extent that the asset can be recognised less any liability for conditions imposed in terms of the grant.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling the fair value of the asset received.

Other grants and donations

Where there are conditions attached to the grant, transfer or donation that gives rise to a liability at initial recognition, that liability is transferred to revenue as and when conditions attached to the grant are met.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.20 Gifts and donations, including goods in kind

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

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

1.21 Services in kind

Services in kind are recognised where they are significant to the municipality's operations or service delivery objectives.

If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

1.22 Accounting by principals and agents

Identification

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

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

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.22 Accounting by principals and agents (continued)

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.

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.

1.23 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.24 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.27 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Recognised Accounting Practices (GRAP).

1.28 Segment information

A segment is an activity of an entity:

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

The characteristics of a segment may apply to two or more overlapping sets of activities for which managers are held responsible. For example, some managers are responsible for different goods and service lines across geographical areas, whereas others are responsible for specific geographical areas. Management may regularly review the results of both sets of components, and financial information is available for both.

The following are the different segments of the municipality:

- Water
- Electricity
- Waste removal
- Waste water
- Property Rates

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.28 Segment information (continued)

- Corporate services

There are two types of segments:

- Reportable segments

Segments identified per definition, or aggregation of two or more segments which are reported in the segment report

- Geographical segments

Segment reporting will only affect the disclosure in the notes and not the accounting journal entries

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. An explanation of the measurements of segment surplus or deficit, segment assets and segment liabilities for each reportable segment shall be provided.

Disclosures

General information

Total carrying amount of segment assets

Total carrying amount of segment liabilities

Surplus or deficit, e.g. revenue, depreciation, interest, material items of revenue and expenses

Basis of accounting for transactions between segments

Nature of difference between segment and municipality for:

- Surplus or deficit
- Assets
- Liabilities

Which differences could include accounting policies and policies for allocation of centrally incurred costs that are necessary for an understanding of the reported segment information.

Changes from prior periods in measurement methods which differences could include accounting policies and policies for allocation of jointly-used assets that are necessary for an understanding of the reported segment information.

Nature and effect of asymmetrical allocations to reportable segments, for example, an entity allocation of depreciation expense to a segment without allocating the related depreciable assets to that segment.

Reconciliations of total reportable segments to entity:

- revenue
- surplus/deficit
- assetst

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.28 Segment information (continued)

- liabilities
- every other material item

Disclosures of geographical segments

- Geographical areas of operation
- External revenues from non-exchange transactions
- External revenues from exchange transactions
- Total expenditure
- Non-current assets

- The amounts reported shall be based on the financial information that is used to produce the financial statements. If the necessary information is not available and the cost to develop it would be excessive, that fact shall be disclosed. Subtotals may be provided of geographical information for geographical areas

1.29 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget. The budget information is based on the same period as the actual amount.

1.30 Related parties and related party transactions

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 relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include

Key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 56 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not 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 entity to have adopted if dealing with that individual entity or person in the same circumstances; and

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.30 Related parties and related party transactions (continued)

- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Related party relationships where control exists are disclosed. The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

1.31 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

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).

1.32 Taxes (property rates) GRAP 108 – Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction,
- if the transaction is a non-exchange transaction, transactions

Taxes and transfers

if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, that receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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 changed subsequent to initial recognition to reflect any:

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

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting policies

1.33 Accounting by principals and agents – GRAP 109

Identification.

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

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

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

Identifying whether an entity is a principal or an agent

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.

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 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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
<hr/>		
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Call accounts	102,211,931	248,268,993
Bank balances	167,260,305	(7,948,001)
Cash on hand	7,171	16,806
	<u>269,479,407</u>	<u>240,337,798</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 2020

2. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
ABSA bank - current account - 530-000-087	2,166,376	2,709,277	2,030,623	(7,264,753)
ABSA bank - salary account - 405-774-9059	158,451	528,195	158,451	528,195
ABSA bank - fines - 407-683-0782	10,000	10,000	10,000	10,000
Standard bank - current account - 420-502-084	4,181,905	9,685,371	4,071,885	(6,763,821)
Standard bank - current account - 021-879-370	219,084	5,613,032	218,916	5,391,530
Standard bank - current account - 080-488-129	82,626	150,848	82,626	150,848
FNB - current account - 62865705746	155,882,959	-	140,884,952	-
FNB - current account - 62865706083	16,197,599	-	16,197,599	-
FNB - current account - 62865706538	3,605,254	-	3,605,254	-
Total	182,504,254	18,696,723	167,260,306	(7,948,001)

Invested with	01 July 2020	Invested	Interest capitalised	Withdrawn	Total
ABSA - 9208236189	572,489	-	14,944	-	587,433
ABSA - 4100604479	-	1,363,000	11,954	-	1,374,954
ABSA - 4100604699	-	76,897,143	619,689	(5,634,408)	71,882,424
ABSA - 4096216150	2,469,487	-	32,169	(2,501,726)	(70)
STD Bank - 028606817#75	819,034	-	9,385	(827,983)	436
STD Bank - 028606817#72	25,598,203	3,000,000	1,791,876	(30,261,231)	128,848
STD Bank - 028606817#78	20,337,120	-	1,641,623	(21,978,743)	-
STD Bank - 028606817#60#62	83,955,250	24,978,744	444,277	(86,955,250)	22,423,021
STD Bank 028606817#70	50,000	-	-	(50,000)	-
STD Bank - 028606817#76	37,044,173	-	-	(37,044,173)	-
STD Bank - 028606817#77	38,802,321	-	489,174	(39,268,439)	23,056
Nedbank - 03/7881044284/0036	219,788	-	660	(220,448)	-
Nedbank - 03/7881044284/0038	836,333	-	28,587	-	864,920
Nedbank - 03/7881044284/0039	1,186,128	-	39,958	(69,188)	1,156,898
Nedbank - 03/7881044284/0040	400,768	-	1,203	(401,971)	-
Nedbank - 03/7881044284/0042	472,513	-	1,419	(473,932)	-
Nedbank - 03/7881044284/0043	379,989	-	2,225	(382,214)	-
Nedbank - 03/7881044284/0015	3,000,000	1,136,000	-	(3,380,312)	755,688
Nedbank - 03/7881044284/0044	2,617,991	-	7,861	(2,625,852)	-
FNB - 62825314181	2,108,368	-	29,227	(2,132,605)	4,990
FNB - 62791255469	8,584,415	-	118,885	(8,693,994)	9,306
Investec - 1400192509500	18,814,598	83,161,000	76,486	(99,052,084)	3,000,000
	248,268,968	190,535,887	5,361,602	(341,954,553)	102,211,904

Unlimited cession dated 25/07/2008 of a ABSA call account no.9208236189, held to partly secure 76% of a R587 094 financial guarantee facility.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
3. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	1,589,464,926	1,173,631,408
Water	5,177,242,507	4,716,764,205
Sewerage	1,464,748,949	1,297,154,103
Refuse	893,608,126	778,485,663
	9,125,064,508	7,966,035,379
Less: allowance for impairment		
Electricity	(1,189,860,518)	(1,059,018,434)
Water	(5,150,839,531)	(4,661,789,185)
Sewerage	(1,446,834,436)	(1,278,855,330)
Refuse	(884,252,209)	(772,149,626)
	(8,671,786,694)	(7,771,812,575)
Net balance		
Electricity	399,604,408	114,612,974
Water	26,402,976	54,975,020
Sewerage	17,914,513	18,298,773
Refuse	9,355,917	6,336,037
	453,277,814	194,222,804
Age analysis		
Current (0-30 days)	326,085,030	356,990,523
31 - 60 days	229,255,669	173,543,623
61 - 90 days	222,140,424	212,103,066
91 days +	8,347,583,385	7,223,398,166
	9,125,064,508	7,966,035,378
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7,771,812,575)	(6,147,116,722)
Contributions to allowance	(788,546,015)	(1,420,513,652)
Vat contribution	(112,162,588)	(204,182,201)
Debt impairment written off against allowance	734,484	-
	(8,671,786,694)	(7,771,812,575)
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Statutory receivable impairment		
Value Added Tax	112 162 588	204 182 201
Collectable debt		
Government accounts - Ratio - debt on current, previous,30days, 60days		
Indigent accounts - 0% of outstanding accounts		
Sundry accounts - Ratio - debt on current, previous,30days, 60days		
Business/industrial - Ratio - debt on current, previous,30days, 60days		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

3. Trade and other receivables from exchange transactions (continued)

All other accounts - Ratio - debt on current, previous, 30days, 60days

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
3. Trade and other receivables from exchange transactions (continued)		
Bad debt		
Government accounts : 100% from 90days and more plus balance on collectable debt on ratios that are less than 100%		
Indigent accounts - 100% of outstanding accounts		
Sundry accounts - 100% from 90days and more plus balance on collectable debt on ratios that are less than 100%		
Business/industrial - 100% from 90days and more plus balance on collectable debt on ratios that are less than 100%		
All other accounts - 100% from 90days and more plus balance on collectable debt on ratios that are less than 100%		
4. Trade and other receivables from non-exchange transactions		
Property rates	1,230,771,533	1,031,098,624
Impairment property rates	(1,168,323,149)	(957,709,574)
Other receivables - fines	135,231,750	357,203,600
Impairment fines	(129,819,059)	(324,346,789)
Other debtors	1,124,620,361	601,840,233
Impairment other debtors	(503,792,946)	(445,913,217)
	<u>688,688,490</u>	<u>262,172,877</u>
Age analysis : property rates		
Current(0 to 30 days)	60,083,866	61,748,813
31 to 60 days	42,195,796	41,138,683
61 to 90 days	31,579,329	35,335,500
91 days +	1,096,912,543	892,875,627
	<u>1,230,771,534</u>	<u>1,031,098,623</u>
Statutory receivables are included in the above note as follows:		
Property Rates	1,230,771,533	1,031,098,624
Fines	135,231,750	357,203,600
	<u>1,366,003,283</u>	<u>1,388,302,224</u>
Total receivables from non-exchange transactions	688,688,490	262,172,877
Impairment		
The following impairment is included in the above note as Statutory Receivables:		
	2020/2021	2019/2020
Property rates	(1,168,323,149)	(957,709,574)
Fines	(129,819,059)	(324,346,789)
	<u>(1,298,142,208)</u>	<u>(1,282,056,363)</u>
Reconciliation of provision for impairment of trade and other receivables from non-exchange transactions		
Opening balance	(1,727,969,580)	(1,682,941,481)
Provision for impairment	(291,550,695)	(504,608,468)
Vat contribution	(7,112,953)	(131,970)
Amounts written off against the allowance	224,698,074	459,712,339
	<u>(1,801,935,154)</u>	<u>(1,727,969,580)</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

4. Trade and other receivables from non-exchange transactions (continued)

Debtors are payable within 30days. This credit period granted is considered to be consistent with the terms used in public sector, through established practices and legislation.

Interest at a rate of prime plus 2% is levied on arrear debtors accounts.t

All debtors accounts are assessed for impairment, where applicable the municipality impairs debtors over 90days.

5. Inventories

Consumable stores	23,006,089	19,905,055
Water for distribution	1,689,059	1,081,302
	24,695,148	20,986,357

6. Value added tax receivable

VAT receivable	803,357,109	525,754,293
Statutory receivable impairment	2020/2021	2019/2020
Value Added Tax	801,207,721	525,754,293

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2021		2020			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	13,563,527,420	(5,075,266,553)	8,488,260,867	13,177,729,071	(4,672,078,676)	8,505,650,395
Community	1,494,606,445	(298,198,891)	1,196,407,554	1,479,270,116	(265,525,736)	1,213,744,380
Buildings	1,038,190,316	(119,130,545)	919,059,771	666,112,199	(348,112,148)	318,000,051
Other assets	322,275,320	(243,856,538)	78,418,782	322,312,746	(227,033,551)	95,279,195
Total	16,418,599,501	(5,736,452,527)	10,682,146,974	15,645,424,132	(5,512,750,111)	10,132,674,021

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals/ derecognition	Donated	Provision adjustment	Depreciation	Impairment	Total
Infrastructure	8,505,650,395	106,574,245	(24,617,773)	325,864,802	(158,869)	(333,989,093)	(91,062,840)	8,488,260,867
Community	1,213,744,380	17,547,329	(727,461)	-	-	(32,520,000)	(1,636,694)	1,196,407,554
Buildings	318,000,051	198,403	(150,728,942)	845,638,918	-	(93,895,634)	(153,025)	919,059,771
Other assets	95,279,195	3,998,686	(7,269,688)	16,864,201	-	(30,453,612)	-	78,418,782
	10,132,674,021	128,318,663	(183,343,864)	1,188,367,921	(158,869)	(490,858,339)	(92,852,559)	10,682,146,974

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals/ derecognition	Donated	Provision adjustment	Depreciation	Impairment	Total
Infrastructure	8,672,061,981	68,618,592	(1,999,933)	(4,627,273)	46,126,597	3,069,006	(273,652,472)	(3,946,103)	8,505,650,395
Community	1,304,537,925	14,842,959	-	(72,425,019)	2,045,684	-	(28,143,303)	(7,113,866)	1,213,744,380
Buildings	337,982,064	-	-	-	8,164,999	-	(28,147,012)	-	318,000,051
Other assets	68,412,732	32,984,626	1,999,933	(35,829)	1,746,793	-	(9,829,060)	-	95,279,195
	10,382,994,702	116,446,177	-	(77,088,121)	58,084,073	3,069,006	(339,771,847)	(11,059,969)	10,132,674,021

Provision adjustment

Provision has been made for the estimated cost of rehabilitating waste landfill sites, included in solid waste infrastructure on the 2020/2021 Asset Register. An amount of R22 743 116.53 was determined as the provision adjustment for the 2020//2021 financial year

Reconciliation of assets under construction 2020/21

	Infrastructure	Community	Total
Opening balance	101,347,054	17,903,548	119,250,602
Additions	29,574,401	3,933,473	33,507,874
Transferred to completed assets	(52,567,247)	(10,000,000)	(62,567,247)
	78,354,208	11,837,021	90,191,229

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 2020

7. Property, plant and equipment (continued)

Reconciliation of assets under construction 2019/20

	Infrastructure	Community	Other	Total
Opening balance	144,476,436	75,095,606	-	219,572,042
Prior year corrections	903,060	-	-	903,060
Additions	29,755,739	10,139,496	-	39,895,235
Transferred to classes	(1,999,933)	-	1,999,933	-
Transfer to completed assets	(71,788,247)	(67,331,554)	(1,999,933)	(141,119,734)
	101,347,055	17,903,548	-	119,250,603

Project - EX0333

EX0333 NDPG

For the 2019/20 financial year, the Neighbourhood Development Partnership (NDP) Unit converted transfers to Emfuleni from Schedule 5B funds to Schedule 6B funds going forward due to poor municipal grant management. However, the municipality still has control over the implementation of the project funded by this grant, and still facilitates the completion of the project..

Due to the municipality still having control on how it implements or facilitates the project, the project is an asset in the control of the municipality. The project is accounted for under WIP as project EX0333..

The total grant amount received from NDP is R2,352,983.50 which has been recognised under revenue. This amount has been recognised inclusive of VAT as ELM will not claim VAT and the VAT will be claimed by Treasury.

Donations/grants in kind

Capital

Donations and infrastructure create by private entities/individuals	23,513,666	22,464,266
Gauteng Department of Human Settlements	-	845,638,918
Gauteng Department Arts and Cultural	2,867,477	-
Gauteng Department of Roads & Transport	-	11,425,224
Neighbourhood Partnership Development Grant	31,702,931	-
National Department of Water and Sanitation	-	290,536,794
Gauteng Department of Agriculture, and Rural Development	-	15,949,737
Operational		
National Department of Water and Sanitation	-	329,022,444
	58,084,074	1,515,037,383

Change in estimate RUL and RV

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
7. Property, plant and equipment (continued)		
Current year effect of change in RUL	2020/21	2021/22
Community facilities - decrease in depreciation expenses	311,767	-
Computer equipment - decrease in depreciation	1,802,827	-
Furniture and office equipment- decrease in depreciation	529,057	-
Machinery and equipment decrease in depreciation	415,695	-
Roads infrastructure - decrease in depreciation	852,717	-
Sanitation infrastructure - increase in depreciation	(46,042,050)	-
solid waste infrastructure - decrease in depreciation	570,013	-
Transport assets- decrease in depreciation	3,343,176	-
Water infrastructure - Increase in depreciation	(558,428)	-
Storm water infrastructure - increase in depreciation	(3,060)	-
Community facilities- increase in depreciation	(2,072,848)	-
Electrical infrastructure - increase in depreciation	(13,766,075)	-
Sports and recreation - increase in depreciation	(505,017)	-
Operational building - increase in depreciation	(73,323)	-
Housing - increase in depreciation	(13,810)	-
	(55,209,359)	-
Effect in future periods 2021/22		2021/22
Community facilities - decrease in depreciation		310,783
Computer equipment- decrease in depreciation		1,785,745
Furniture and office equipment - decrease in depreciation		492,247
Intangible assets - decrease in depreciation		852,717
Machinery and equipment - decrease in depreciation		396,641
Sanitation infrastructure - increase in depreciation		(46,042,050)
Solid waste infrastructure - decrease in depreciation		570,013
Transport assets - decrease in depreciation		3,343,176
Water infrastructure - increase in depreciation		(558,425)
Storm water infrastructure - increase in depreciation		(3,060)
Community facilities - increase in depreciation		(2,072,848)
Electrical infrastructure - increase in depreciation		(13,766,075)
Sports and recreation - increase in depreciation		(505,017)
Operational buildings - increase in depreciation		(73,323)
Housing - increase in depreciation		(13,810)
		(55,283,286)

Recognitions

A total amount of R404 795 946 in cost was recognised for assets . This includes an amount of R172 028 495 which were developer created assets accounted for as prior year errors.

During the current year, developer created assets recognised amounted to R14 423 666. The other recognitions were due to WIP projects being completed. The completed WIP projects capitalised relating to prior year amounted to R177 595 914.

Impairment

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
7. Property, plant and equipment (continued)		
Description	2021	2020
Community facilities	(1,622,285)	(7,113,866)
Electrical infrastructure	(9,468,280)	-
Roads infrastructure	-	798,781
Solid waste infrastructure	-	27,907
Water infrastructure	-	3,119,414
Housing	(33,146)	-
Operational buildings	(119,879)	-
Sport and recreation	(14,405)	-
	(11,257,995)	(3,167,764)

Impairment is a reduction in value of an asset (or component) as a result of events or circumstances that are not considered normal (i.e. not expected at the time of the asset was designed, acquired, or constructed). This may, or may not, be accompanied by a reduction in remaining useful life, and in all cases of impairment, this should be considered, but it is in fact a separate consideration. The condition of assets is determined through visual inspection during the assessment process or through specific testing equipment, where applicable and viable.

Condition refers to the tangible physical state that the component is in at the time of the inspection. Upon the inspection of photographic evidence and assets verification results provided by Emfuleni Local Municipality asset custodians there were assets that were triggered for impairment testing due to the significant

Significant performance degradation was experienced on critical sanitation infrastructure which has influenced the standard of service. These facilities are namely Sebokeng WWTW, Leeuwkuil WWTW and Rietspruit WWTW. 11 pump station are not operational (PS1; PS4, PS6; PS7; PS8; PS9; PS10; PS16; PS17; PS27, PS34, PS37 (Z20), PS38 (RIVER) & PS40). A total of 38 of 91 (41%) pumps are out of commission due to maintenance or repairs required. The National Department of Water & Sanitation has implemented interventions to address the sewer spillages from blocked bulk systems (Leeuwkuil Catchment - The focus is on critical collector pump stations and rising mains; Rietspruit Catchment – The focus is bulk pipeline replacement and upgrades; and the Sebokeng Catchment - The focus is bulk pipeline replacement and upgrades. Critical Electrical Infrastructure have also experienced a deterioration in condition and performance. A total of 25 HV/MV substations are running at 60% capacity and there are no spares available for HV transformers; Remaining components are under severe restraint and again influences the standard of service to lag time in acquiring materials for repair. Facilities such as cemeteries and sports stadiums have experienced vandalism over the last few years where external facilities have been partially or completely vandalised or damage deterioration in condition and performance grades which adversely impacted the remaining useful life (RUL) The photographic evidence was analysed against the field guideline for condition grade assessment for particular assets, and the assets condition adjusted accordingly. The approach to determining the remaining useful life of components was based on a system-based algorithm which determines the median remaining useful life based on the new applied condition grade.

A significant drop in condition and performance was observed on the asset components and impairment testing was conducted on them. A recoverable amount for each component that was a candidate for impairment was determined and the impairment was recognised when the recoverable amount is less than the carrying value of the related component. The recoverable amount was determined as follows:

The extent of the component times the unit rate (the amount it would cost to get the similar component in the market) to get the replacement cost (i.e. CRC).

The replacement cost above was then times by the new RUL after taking into account the new condition, divided by the EUL, to get the depreciated replacement cost (i.e. DRC)

Provision adjustment

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020	
7. Property, plant and equipment (continued)			
Landfill sites			
Opening balance	(144,492,482)	(128,195,186)	
Interest @15.74%	(22,743,117)	(13,460,494)	
Adjustment	13,082,380	(2,836,802)	
	(154,153,219)	(144,492,482)	
Provision calculation test			
Waldrift	(41,946,389)	(46,289,740)	
Boitshepi	(102,861,546)	(90,411,849)	
Palm Springs	(9,345,282)	(7,790,893)	
	(154,153,217)	(144,492,482)	
Asset note:	Waldrift	Boitshepi	Palm springs
Useful life as at 1 July 2020	8.79	3.97	21.57
Description	Waldrift	Boitshepi	Palm Springs
Opening cost balance as at 1 July 2020	24,482,100	14,348,729	49,971,001
Opening accumulated depreciation as at 1 July 2020	(24,482,747)	(13,697,793)	(26,338,524)
Opening carrying value as at 1 July 2020	(647)	650,936	23,632,477
Depreciation	647	(163,964)	(1,095,618)
Adjustment to provision	-	(486,972)	328,103
Carrying value as at 30 June 2021	-	-	22,864,962

Work in progress - ongoing projects, projects taken significantly longer to complete and halted projects

Project UID	Project name	Asset Class	Comment on status	Closing WIP
EX0050	Expansion of Ruster-vaal cemetery ptn 4	Community facilities	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	525,779

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

			2021	2020
7. Property, plant and equipment (continued)				
EX0289	N:investigate &dev general landfill site	Community facilities	This is in the design & EIA (ROD) stages and is the taking over of the old Yakani Brickvelde borrow pits to be used as a Waste Management Site. EIA outcome awaited from GDARD	1,983,132
EX0328	R:vanderbijlpark cemetery	Community facilities	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	3,082,333
EX0376	R:upgrading of nanescol cemetery	Community facilities	Design complete. Construction procurement is planned for 2022/2023 financial year	1,515,910
EX0377	R:fencing of tshepiso cemetery	Community facilities	Design complete. Construction procurement is planned for 2020/2021 financial year	796,394
EX0826	N:RECREA FACILITY MOEDI SCHOOL WARD 13	Community facilities	Project is in construction Pahse and completion expected at end of 1st Quarter 2021/2022.	3,933,473

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

				2021	2020
7. Property, plant and equipment (continued)					
EX0708	Inep grant	Electricity	Procurement of Transformers and Mini substations for installation during provision on internal reticulation of Tshepong plus the professional fees for the bulk supply		5,150,262
EX0706	TSHEPONG PHASE 3 ELECTRIFICATION	Electricity	Professional fees for the design of internal electrification		2,353,670
EX0333.1	N:neighbourhood partnership grant phase 2a1	Roads and stormwater	The project scope is being revised and awaiting appointment of new consultant to conclude the additional scope design from National treasury		4,878,941
EX0333.3	N:NEIGHBOURHOOD PARTNERSHIP GRANT Phase 3A2	Roads and stormwater	Design complete. The project was due for implementation in the 2021/2022 FY, however, the project requires the construction of connection bridge. The process to engage National Treasury on the funding for the bridge is ongoing		905,223
EX0333.4	N:NEIGHBOURHOOD PARTNERSHIP GRANT Phase 3A3	Roads and stormwater	Construction started in May 2019 of Phase 3A1 (X17 Road 168) & 3A3 (X10 Road 31) and completion expected early in 2021/2022		13,266,012

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

			2021	2020
7. Property, plant and equipment (continued)				
EX0333.5	N:NEIGHBOURHOOD PARTNERSHIP GRANT Phase 3B1-3	Roads and stormwater	Design Phase	258,164
EX0348	N:TARRING OF DHLAMINI STREET FROM UMZIMV	Roads and stormwater	Design phase. Completion of design phase and construction procurement is planned to continue in 2021/22.	693,775
EX0349	N:TARRING OF PITSENG AND URANIUM STREETS	Roads and stormwater	Design phase. Completion of design phase and construction procurement is planned to continue in 2021/22.	930,038
EX0352	N:TARRING OF ROAD IN LAKESIDE PROPER BLO	Roads and stormwater	Design phase. Completion of design phase and construction procurement is planned to continue in 2021/22.	751,035
EX0810	UPGRADING OF POWERVILLE SUB-PHASE 1	Electricity	Design started for the refurbishment of the substation	332,791
EX0812	SEBOKENG EXT 30 ELECTRIFICATION	Electricity	Design Phase Started for electrification design	1,204,811
EX0528	BLACKTOP ROAD AND SW CHRIS HANI STR	Roads and stormwater	Design complete. Awaiting funding approval and the construction beyond 2022/2023	1,287,569

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

			2021	2020
7. Property, plant and equipment (continued)				
EX0529	CONSTRUCTION OF THOMAS NKOBI	Roads and stormwater	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	561,531
EX0534	R:CONCRETIN G-STORMWATER CHANNEL-ZONE 10	Roads and stormwater	Design complete. Awaiting funding approval and the procurement.	1,191,721
EX0616	N:TARRING OF BEGONIA STREET	Roads and stormwater	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	1,747,697

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

				2021	2020
7. Property, plant and equipment (continued)					
EX0625	N: R & S PIPE AT DR NKOMO IN BOIPATONG	Roads and stormwater	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years	1,550,036	
EX0628	N:CONSTR OF V/SCHALKVYK STR EATON SIDE	Roads and stormwater	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	3,546,545	
EX0678	N:IRONSIDE ROAD 1 STORMWATE R & SIDEWALKS	Roads and stormwater	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years	1,060,314	
Ex0719	SEWER LINE- 3 RIVERS; 3 R-EAST & SOLPARK	Sanitation	Design phase in progress	1,153,006	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

				2021	2020
7. Property, plant and equipment (continued)					
EX0724	UPGRADING OF GRAVITY SEWER PIPELINES	Sanitation	Construction Stage		13,307,951
EX0298	R:WATER SUP FRM EVATON RES TO DADEVILLE	Water	Design complete. The project was planned for construction in 2020/2021. Appointments were concluded but the service provider declined the appointment due to errors in their pricing. Procurement will commence in the 2021/2022 again		3,149,245
EX0299	N:CONSTR WATER PIPE LETHABONG TO HOUTKOP	Water	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.		1,840,185

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

				2021	2020
7. Property, plant and equipment (continued)					
EX0300	N:CONSTR BULK WATER SUP HOUTKOP UNITAS	Water	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	2,023,165	
EX0301	N:WATER SUP WESTERN AREAS & VAALOEWER	Water	Design phase. Completion of design phase and construction procurement was planned to continue in 2021/22 but due to delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years.	2,993,204	
EX0314	N:BULK WATER SUPPLY TSHEPISO TO SHARPEVILLE	Water	Design complete. The project was planned for construction in 2020/2021. Appointments were concluded but the service provider declined the appointment due to errors in their pricing. Procurement will commence in the 2021/2022 again	1,842,849	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
7. Property, plant and equipment (continued)		
Metsi Sanitation	Maintenance of sewer gravity networks, repairs of sewer gravity and rising mains, repair of manholes, pumps, motor control units, telemetry, pipes, valves, cleaning of gravity mains and management of spillages	23,400,012
Metsi Waste Water Treatment Works	Maintenance on motors, switchgear, cable work, transformers, pump control equipment, servicing telemetry equipment, mechanical Screens, de-gritting equipment, centrifugal pumps, compressors, blowers, pipes, valves, classifiers, clarifiers, submersible pumps, aerators, gearboxes, digester's mixers, bio-filters, sluice gates, primary & secondary Settling tanks, emergency & humus tanks, chlorine equipment.	330,539,195
Electricity	Maintenance of substations, servicing of switchgear, replacement of substation batteries, testing of transformers, servicing of transformers, vegetation control, servicing of low voltage panels, replaced & upgraded distribution networks, replacement of insulators, links, arrestors, replacement with LED traffic lights, repair and replace controllers and cables at traffic- & high mast lights, replacement of lamps, - fittings, -cables and - poles, rewiring of high mast light panels & locking mechanisms, replacement of meter boxes, -circuit breakers, wiring and meters.	114,205,761

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
7. Property, plant and equipment (continued)		
Roads & Stormwater	Maintenance of paved roads via patching of potholes were internal municipal teams focused on internal roads and appointed service providers were used on high mobility roads, resealing of strategic roads, maintenance of unpaved roads via grading and re-shaping and graveling of roads, roads traffic signs, road markings, repair of stormwater pipe network, cleaning of stormwater earth open channels, hydro blasting of pipes and cleaning and maintenance of catch-pits.	16,977,861
Transport Fleet	This is the maintenance of the fleet serving the council's departments	14,369,828
Facilities (Investment Properties)	Maintenance via painting of interior and exterior walls, painting of window frames, repair and servicing of air conditioning & lifts, partitioning, replacement of carpets & floor and wall tiling, plumbing maintenance on sanitation and water networks and systems, replacement of geysers, thermostats, electrical wiring, replacement of basins and toilets and repair and sealing of roofing structures.	2,587,300
	0	183,532,826

Derecognitions Movable

Movable assets to the amount of R20 900 318 relating to leased printers that were returned to Service providers as those reached the end of the lease period and insurance claims were derecognised during the year 2020/21.

Fair Value Adjustments

Movable assets, donated to the municipality, were added to the FAR and fair valued. The total fair value, excluding developer created assets is R 1 014 463.56. The following is a breakdown

Class	Developer created assets
Computers:	344,216
Furniture:	654,432
Machinery and equipment	15,815
	1,014,463

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

7. Property, plant and equipment (continued)

The total number of movable assets donated (exclusive of developer created assets) is 396

Other additions to movable assets

Municipal financed

A total of 177 movable assets was recognised at cost

Developer created assets

Donation in kind (30 vehicles for usage only) for next 3 years for solid waste management services

GDARD and GCoGTA donated 30 vehicles to the municipality to use to assist in the solid waste management services for the period 1 April 2021 until 31 March 2024. These vehicles must be insured and maintained by the municipality and will be returned to GDARD at the end of the three years

The vehicles consist of the following

9 Refuse trucks

9 Tipper trucks

9 Hook-lift trucks

3 TLB

3 Front-end loaders

8. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,006,950,719	-	1,006,950,719	973,320,363	-	973,320,363

Reconciliation of investment property - 2021

	Opening balance	Disposal/ derecognition	Fair value adjustments	Total
Investment property	973,320,363	(6,771,391)	40,401,747	1,006,950,719

Reconciliation of investment property - 2020

	Opening balance	Disposal/ derecognition	Fair value adjustments	Total
Investment property	934,619,702	(3,006,758)	41,707,419	973,320,363

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

8. Investment property (continued)

Details of valuation

Fair value adjustments - Investment property.

For determination of the annual fair value of Investment property, an amount of R 40 401 7471 was determined based on the average increase in the value of property in Emfuleni Local Municipality, which escalated by 4.18% during the period from 1 July 2020-30 June 2021

Reconciliation of valuation obtained and the valuation included in the financial statements

Investment property

Opening balance	973,320,362	934,619,702
Fair value adjustment	40,401,747	41,707,418
Disposal	(6,771,391)	(3,006,758)
	<u>1,006,950,718</u>	<u>973,320,362</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	13,849,516	-	13,849,516	13,849,516	-	13,849,516
Computer software	10,885,969	(6,767,254)	4,118,715	10,885,969	(4,640,453)	6,245,516
Total	24,735,485	(6,767,254)	17,968,231	24,735,485	(4,640,453)	20,095,032

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	6,245,516	(2,126,801)	4,118,715
Service concession assets [State class]	13,849,516	-	13,849,516
	20,095,032	(2,126,801)	17,968,231

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposal/derecognition	Amortisation	Total
Computer software, other	7,708,017	709,356	(8,441)	(2,163,416)	6,245,516
Service concession assets [State class]	13,849,516	-	-	-	13,849,516
	21,557,533	709,356	(8,441)	(2,163,416)	20,095,032

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	57,016	-	57,016	57,016	-	57,016

Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets	57,016	57,016

Reconciliation of heritage assets 2020

	Opening balance	Total
Heritage assets	57,016	57,016

Age and/or condition of heritage assets

Assets previously recognised as heritage assets were assessed for significance aligned with Section 3 (3) of the National Heritage Resources Act. The chief criteria for classifying an asset as heritage asset are:

- Social and cultural significance.
- Historical significance
- Archaeological significance.
- Architectural significance.
- Aesthetic significance
- Scientific and technological significance
- Group and relationship significance
- Landmark significance

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
11. Payables from exchange transactions		
Trade payables	5,343,364,139	3,999,137,634
Payments received in advance	286,314,925	223,286,088
Year-end salary creditors	234,533,144	223,962,265
Accrued leave pay	104,240,263	83,900,889
Retentions	34,721,739	34,066,027
Accrued bonus	28,223,101	30,282,734
Unclaimed wages	2,331,819	1,736,652
Accrued interest	-	80,910
Imputed interest	(11,457,535)	(7,541,229)
Other payables	53,820,215	5,990,342
	6,076,091,810	4,594,902,312
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Municipal infrastructure grant	50,471,732	117,044,819
Water services infrastructure grant (WSIG)	-	39,308
Projects funded ex Sedibeng district municipality	1,160,599	1,160,599
Sedibeng maintenance grant	1,003,104	1,003,104
Education & training (SETA)	648,168	466,367
Finance management grant	-	13,612
Integrated national electrification grant(INEP)	4,872,223	-
Fire & Rescue services grant	1,600,000	-
EPWP Grant	1,237,243	-
	60,993,069	119,727,809

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
13. Employee benefit obligation		
Post-employment health care benefits		
Opening accrued liability	120,465,470	145,718,460
Current-service cost	824,947	896,994
Interest cost	11,981,660	12,327,300
Contributions (benefit paid)	(11,584,659)	(11,259,708)
Actuarial loss/(gain)	22,882,582	(27,217,576)
	144,570,000	120,465,470

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by Arch Actuarial Consulting

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 301, and is consistent with the requirements of GRAP25.

The main reasons for the actuarial loss can be attributed to the following factors:

These unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: the effect of the change in the basis (assumptions), unexpected increases in the subsidies, unpredicted movements in the membership profile, and the effect of actual benefits vested being different from what was expected..

1. Actuarial (gain)/loss for the period - R22 882 582
2. Basis changes: Net effect of changes in net discount rates - R11 175 000.
3. Subsidy increases higher than assumed - R339 000.
4. Changes to membership profile different from assumed - R11 620 021
5. Actuarial benefits vested lower than expected - (R251 439).

Key financial assumptions used

Discount rates	9.28 %	-
Health care cost inflation rate	6.39 %	-
Net of health care cost inflation discount rate	2.72 %	-
Net of Maximum Subsidy inflation rate	4.42 %	-
Net of Maximum Subsidy inflation discount rate	4.66 %	-

Key Demographic assumption

Average Retirement Age	62	62
Pre retirement mortality	SA 85-90 PA(90) -1 with a 1% mortality improvement p.a. form 2010	SA 85-90 PA(90) -1 with a 1% mortality improvement p.a. form 2010
Post retirement mortality		
Withdrawal rate	see table below	See table below
Proportion with a spouse dependant at retirement	65%	65%
Continuation of membership at retirement	80%	80%

Withdrawal from service (20/21)

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
13. Employee benefit obligation (continued)		
	45	4%
	50	3%
	50+	0%
	<u>45</u>	<u>4%</u>
	<u>50</u>	<u>3%</u>
	<u>50+</u>	<u>0%</u>

Long service awards

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by Arch Actuarial Consulting..

Reconciling and projecting the unfunded accrued liability:

Unfunded Accrued Liability

Opening accrued liability	79,424,028	83,463,300
Current service cost	5,470,292	5,903,187
Interest cost	6,177,779	6,260,293
Benefit vestings	(6,393,087)	(12,401,549)
Actuarial loss/(gain)	5,272,988	(3,801,203)
	<u>89,952,000</u>	<u>79,424,028</u>

Net Liability to reflect on the Statement of Financial Position:

Net Liability	30 June 2021	30 June 2020
Opening balance	79,424,028	83,463,300
Current Service costs	5,470,292	5,903,187
Interest cost	6,177,779	6,260,293
Actuarial (gain)/loss	5,272,988	(3,801,203)
Employer benefit vesting	(6,393,087)	(12,401,549)
	<u>89,952,000</u>	<u>79,424,028</u>

The Current-Service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year. The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefits vesting, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

Assumptions

The most relevant actuarial assumptions used in this valuation are discussed below:

Key Financial Assumptions

Assumption	Value p.a 30 06 2021
Discount Rate	8.89%
General earnings inflation rate CPI+1%	5.71%%
Net Effective Discount rate	3.01%

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:.

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

13. Employee benefit obligation (continued)

Consequently a discount rate of 8.89% per annum was used. This yield was obtained calculating the duration of the liability and then taking the yield from the yield curve at that duration using an interactive process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 3.52%. These rates do not reflect any adjustment to taxation and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021. The duration of the total liability was estimated to be 8.25 years

Earnings inflation rate

The LSA is based on the employee's earnings on the date of the award.

The assumption is based in two components:

General earnings inflation and Promotional earnings inflation

General earnings inflation rate

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected CPI inflation assumption of 4.71% was obtained from the differential between market yields on index-linked bonds (3.52%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.89%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.89\%-0.50\%)/(1+3.52\%))-1$.

Thus, a general earnings inflation rate of 5.71% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.01%.

Key demographic assumptions

Promotional earnings scale

Age band	Additional promotional scale
20-24	5%
25-29	4%
30-34	3%
35-39	2%
40-44	1%
150	15

Withdrawal rates

A table setting out the assumed rates of withdrawal from service is set out below:

Age

	Males	Female
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0%

Reasons for movement in the liability

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

13. Employee benefit obligation (continued)

The average liability has increased by 1% since the last valuation due to an increase in the average earnings and an increase in the average past service, mostly offset by an increase in the net discount rate. The total liability has decreased by 2% (or R 1,769,416) due to the above being more than offset by the fact that there are 79 fewer eligible employees than at the last valuation.

The average liability has increased by 19% since the last valuation due to an increase in the average earnings, an increase in average past service, and a decrease in the net discount rate.

The total liability has increased by 13% (or R 10,527,972) due to the above, partially offset by the fact that there are 119 fewer eligible employees than at the last valuation.

Analysis of the Unexpected Movement in the Liability:

The table below analyses the extent of unexpected increases or decreases in the liability over the period from the previous valuation date to the current Valuation Date. These unexpected movements (otherwise termed Actuarial Gains and Losses) are separated into four main components: the effect of the change in the basis (assumptions), changes to earnings, and to the employee profile and actual benefits vested being different from what was expected as at the previous valuation.

Actuarial (gain)/loss for the period	5,272,98	
Basis changes: decrease in net discount rate	4,019,00	
Earnings increases higher than assumed	1,940,00	
Changes to employee profile different from assumed	857,63	
Actuarial benefits vesting lower than expected	(1,543,643)	-

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

13. Employee benefit obligation (continued)

Long service award arrangement

The municipality offers employees long service awards for every 5yrs of service completed, from 10yrs of service to 45yrs of service. inclusive

Completed years of service	Long service award(% of annual earnings)	Description
10	4%	10/250 x annual earnings
15	8%	20/250 x annual earnings
20-45	12%	30/250 x annual earnings
	24	60

Retirement gifts per level of service of retirement

Completed years of service	Retirement gift value for year ending 30 June 2022
10	3,810
15	4,804
20	6,943
25	6,904
30	13,884
35+	24,009
	60,354

Valuation of assets

At the valuation date the long service leave award liability of the municipality was unfunded .i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Full details are included in the actuarial valuation report at the municipality.

14. Consumer deposits

Electricity and water	56,914,226	53,183,996
-----------------------	------------	------------

15. Service charges

Sale of electricity	2,568,478,509	2,377,867,621
Sale of water	863,244,613	1,208,840,178
Sewerage and sanitation charges	412,565,385	483,167,483
Refuse removal	277,264,115	245,558,734
	4,121,552,622	4,315,434,016

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
16. Other income		
Industrial effluent	31,542,889	31,634,721
Sundries/Unallocated income	100,654,532	10,463,205
Landfill site provision adjustment	12,923,511	-
Cemeteries	12,249,697	8,640,763
Reconnection fees	6,494,418	10,650,437
General service fees	4,820,068	4,795,451
Building plans	1,678,982	732,463
Advertising	554,636	825,771
Sale of tender documents	441,894	667,416
Fire and rescue services	379,993	365,605
Capital contribution	277,397	2,058,087
Planning fees	201,458	376,768
Refuse dumping landfill site	119,754	54,605
Warning services	108,958	138,374
Access to information	34,545	94,837
Deed searches	66,250	201
Entrance fees	1,025	768,028
Health services	-	9,841
	172,550,007	72,276,573
17. Fines		
Traffic fines	8,890,600	214,821,480
Other fines	184,818	91,470
	9,075,418	214,912,950
18. Rental of facilities and equipment		
Premises		
Premises	19,958,697	13,578,289
19. Borrowings		
At amortised cost		
Borrowings	-	2,061,807
Terms and conditions		
Current liabilities		
At amortised cost	-	2,061,807

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 2020

20. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Reduction due to remeasurement or settlement without cost to entity	Total
Environmental rehabilitation	144,492,481	22,743,116	(13,082,380)	154,153,217
Legal proceedings	13,885,861	-	-	13,885,861
	158,378,342	22,743,116	(13,082,380)	168,039,078

Reconciliation of provisions - 2020

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	128,195,185	13,460,494	2,836,802	144,492,481
Legal proceedings	13,885,861	-	-	13,885,861
	142,081,046	13,460,494	2,836,802	158,378,342

Landfill sites

The discount rate of 10% utilised to account for the finance cost is based on the weighted average cost of capital rate to the municipality. Using the methodology of the calculation of first escalating the proposed costs, then discounting the costs by the relevant dates allows for a full life cycle analysis as well as appropriate cost value which takes into consideration the time value of money.

The financial provision calculated represents the expenditure required for rehabilitation of the cell areas currently used (not the entire site), including areas that have been used but not rehabilitated. The expected rehabilitation costs have been determined by escalating the current rehabilitation costs over the remaining useful life up to the expected date of rehabilitation of the respective landfill cell areas by using percentage increase year on year from 30 June 2020 to 30 June 2021, should the design have remained the same.

The Engineering fees were estimated at the following percentage of the construction amount:

Boitshepi : 2%

Waldrift : 3%

Palm Springs : 5%

The municipality has three landfill sites:

Boitshepi

The landfill site was licensed in 2011 as a G:L:B+ landfill site and is situated in the outskirts of the Tshepiso residential area near Vanderbijlpark. The extent of the property is 34,4195Ha and the footprint of the current waste disposal area is 26,843Ha. As no progressive rehabilitation has taken place, the entire site will need to be rehabilitated as part of the final closure. The areas to be closed off as at 30th of June 2021 is 24.37Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2021 is R141 127 730.13 excluding VAT of 15%.

Waldrift

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

20. Provisions (continued)

The landfill site was licensed in 2011 as a G:L:B- site. The Waldrift landfill site is situated on portion 100 of the Farm Kookfontein 545 IQ. The extent of the property is 29.4237ha and the proposed waste disposal area 15, 2894Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2021 is R84 493 367.40 excluding VAT of 15%.

Palm Springs

The landfill site was licensed in 2007 as a G:M:B- landfill site and is situated near Orange Farm. The disposal cells of the site have recently been upgraded to include to formal disposal phases, both of which are still operational. The site will grow to include 6 disposal phases over the life of the site.

The extent of the property is 100 000 Ha and the waste disposal area is 24,9866 Ha

The area to be closed off at 30 June 2021 is 8,50Ha and the cost to undertake this closure at 30 June 2021 is R52,107,447-72 excluding 15% VAT.

The proposed values of the properties to be listed on the Valuation role are as follows

Boitshepi Landfill Site – minus (R 1 005 369 425)

Palm Springs Landfill Site – minus (R 190 185 000)

Waldrift Landfill Site – minus (R 41 836 000)

On this basis the provisions at 30 June 2021 can be summarised as follows:

i) Waldrift landfill site : R84 493 367.40

ii) Boitshepi landfill site : R141 127 730.13

iii) Palm springs landfill site: R52 102 447.72

Total for rehabilitation as at 30 June 2021 for all three sites at the respective closure dates is estimated at R 277 728 545:

Total provision for rehabilitation as if closure was at 30 June 2021 in terms of iGRAP 2 for all three landfill sites is:

i) Waldrift landfill site : R41 946 388.89

ii) Boitshepi landfill site : R102 861 546.22

iii) Palm springs landfill site: R9 345 282.35

Total: R154 153 217.46:

21. Finance income

Interest revenue

Interest on arrears
Bank

75,582,161

6,406,075

81,988,236

83,791,218

12,830,331

96,621,549

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
22. Property rates		
Rates received		
Rates levied	<u>936,971,737</u>	<u>884,384,166</u>
The valuations are utilised to levy property rates on a monthly basis.		
Rebates on property rates levied can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission.		
Valuations		
Residential	69,585,543,000	69,455,018,000
Business	11,050,953,000	11,014,249,000
Industrial	5,790,588,000	5,794,758,000
State owned properties	2,760,106,000	2,758,831,000
Municipal	1,197,062,000	1,197,227,000
Agricultural	1,384,985,000	1,388,075,000
Other	1,267,670,078	1,241,455,078
	<u>93,036,907,078</u>	<u>92,849,613,078</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
23. Government grants and subsidies		
Operating grants		
Equitable share	959,112,739	772,335,016
Health and environmental subsidies	38,247,483	46,241,923
Financial management grant	2,000,000	2,001,388
Social development grant	-	5,371,680
Performance grant	-	6,364
	999,360,222	825,956,371
Capital grants		
Municipal infrastructure grant(MIG)	40,254,268	4,913,935
Library grant	14,638,000	20,020,605
Integrated national electrification programme	698,777	6,000,000
Energy Efficiency Demand Site Management grant	3,600,000	5,000,000
Expanded public works programme(EPWP)	3,305,757	3,559,000
Education and training(SETA)	1,353,956	1,876,895
Water Services Infrastructure grant	-	1,487,471
Infrastructure assets management grant	-	1,000,000
Disaster management relief grant	-	596,000
	63,850,758	44,453,906
	1,063,210,980	870,410,277

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic Services to indigent customers and administrative activities of the municipality.

The original allocation for 2020/21 financial year was R 835, 994 000 and It was adjusted to the above amount due to the impact of COVID 19 on revenue collection.

The amount of R 117,097,738 was offset against the equitable share during the year, this amount arises from the unspent conditional grant of the previous financial year, MIG (R 117,044,819.00), FMG (R 13,612.00) and WSIG (R 39,308.00).The application of roll-overs for this grants was rejected by National Treasury.

Financial management grant

Balance unspent at beginning of year	13,612	-
Current-year receipts	2,000,000	2,015,000
Conditions met - transferred to revenue	(2,000,000)	(2,001,388)
Repayment of unspent	(13,612)	-
	-	13,612

Conditions still to be met - remain liabilities (see note 12).

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

Library grant

Balance unspent at beginning of year	-	5,265,850
Current-year receipts	14,638,000	11,887,278
Conditions met - transferred to revenue	(14,638,000)	(17,153,128)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 2020

23. Government grants and subsidies (continued)

The purpose of the grant is to provide financial support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.

Infrastructure asset management grant

Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

The purpose of this grant is to support identified municipalities to update and maintain their infrastructure assets registers and compliance with GRAP 17.\

Education and training SETA

Balance unspent at beginning of year	466,367	494,189
Current-year receipts	1,535,757	1,849,073
Conditions met - transferred to revenue	(1,353,956)	(1,876,895)
	<u>648,168</u>	<u>466,367</u>

Conditions still to be met - remain liabilities (see note 12).

This grant consists of discretionary and mandatory grant. The purpose of the grant is to subsidise municipalities paying the skills development levy for workplace skills training based on the workplace skills plan submitted by the municipality and to provide graduates with work experience.

Integrated national electrification programme grant(INEP)

Current-year receipts	5,571,000	6,000,000
Conditions met - transferred to revenue	(698,777)	(6,000,000)
	<u>4,872,223</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to implement the integrated national electrification programme(INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply.

Project funded ex-Sedibeng District Municipality

Balance unspent at beginning of year	<u>1,160,599</u>	<u>1,160,599</u>
--------------------------------------	------------------	------------------

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to assist the municipality with the upgrading of cemeteries.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
23. Government grants and subsidies (continued)		
Municipal infrastructure grant(MIG)		
Balance unspent at beginning of year	117,044,819	34,736,753
Current-year receipts	90,726,000	87,222,000
Conditions met - transferred to revenue	(40,254,268)	(4,913,934)
Repayment of unspent	(117,044,819)	-
	<u>50,471,732</u>	<u>117,044,819</u>

Conditions still to be met - remain liabilities (see note 12).

This grant was used to construct roads and sewage infrastructure as part of the upgrading of informal settlement areas. No funds were withheld by the grantor.

Social development grant

Balance unspent at beginning of year	-	5,371,680
Conditions met - transferred to revenue	-	(5,371,680)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is for the construction of 20(Twenty) township projects(Early childhood development centers)

Sedibeng maintenance grant

Balance unspent at beginning of year	<u>1,003,104</u>	<u>1,003,104</u>
--------------------------------------	------------------	------------------

Conditions still to be met - remain liabilities (see note 12).

The purpose of this grant is the maintenance of farming equipment and implants donated by GDARD to Sedibeng Municipality as part of GDARDs mechanisation programme.

Neighbourhood development partnership grant(NDPG)

Balance unspent at beginning of year	-	4,425,016
Repayment of unspent	-	(4,425,016)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

To plan, catalise, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships.

Performance management grant

Balance unspent at beginning of year	-	6,364
Conditions met - transferred to revenue	-	(6,364)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

To support the municipality with the cascading of performance management to employees below senior management.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
23. Government grants and subsidies (continued)		
Water services infrastructure grant(WSIG)		
Balance unspent at beginning of year	39,308	1,526,778
Conditions met - transferred to revenue	-	(1,487,470)
Repayment of unspent	(39,308)	-
	<u>-</u>	<u>39,308</u>
Conditions still to be met - remain liabilities (see note 12).		
Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities;		
Provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of boreholes;		
Provide on-site sanitation solutions;		
The rollover for this grant was approved from last financial year with the intention to support vaalriver intervention programme		
Grants in kind		
Current-year deemed receipts	2,352,984	34,570,408
Neighbourhood partnership development grant(NDPG)	(2,352,984)	(31,702,931)
Provincial libraries (Furniture & Books)	-	(2,867,477)
	<u>-</u>	<u>-</u>
These amounts refer not to monetary value but were received in kind.		
Health and environmental subsidies		
Current-year receipts	38,247,483	46,241,923
Conditions met - transferred to revenue	(38,247,483)	(46,241,923)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		
These amounts are reimbursements to the municipality for the public health services which are delivered by the municipality on behalf of the Gauteng Department of Health and Sedibeng District Municipality.		
Fire & Rescue services grant		
Current-year receipts	<u>1,600,000</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		
This grant was gazetted through Provincial Extraordinary gazette no. 23 of 23 November 2020. The purpose of this grant is to procure one grass fire unit with equipment.		
Extended public works programme(EPWP)		
Current-year receipts	4,543,000	3,559,000
Conditions met - transferred to revenue	(3,305,757)	(3,559,000)
	<u>1,237,243</u>	<u>-</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).

To provide expanded public works programme(EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Energy efficiency and demand site management grant

Current-year receipts	3,000,000	5,000,000
Conditions met - transferred to revenue	(3,600,000)	(5,000,000)
Amount spent but not received	600,000	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

An amount of R3 600 000 was gazetted for the 2020/21 financial year, but only received R3 000 000 from the transferring authority. A debtor was raised for the balance not received of R600 000.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
<hr/>		
23. Government grants and subsidies (continued)		
Disaster management relief grant		
Current-year receipts	-	596,000
Conditions met - transferred to revenue	-	(596,000)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Conditions still to be met - remain liabilities (see note 12).

The purpose of this grant is to assist the municipality with the impact of Covid 19 pandemic with the following activities: decontamination of specific selected municipal spaces i.e municipal offices, municipal buildings used by communities, ablution facilities in public spaces, ppe, hygiene packs and waste management..

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
24. Employee related costs		
Basic	640,005,501	616,630,562
Defined contribution plans	123,206,606	119,637,600
Overtime payments	102,696,271	100,998,799
Bonus	46,845,529	50,183,019
Medical aid - company contributions	60,033,754	57,609,546
Group insurance	31,084,574	35,331,651
Car allowance	39,029,831	34,085,726
Acting allowances	20,342,412	24,364,507
Long service awards and medical aid	17,105,225	16,040,634
Leave pay provision charge	26,434,149	15,446,061
Skills development and casualty contributions	7,940,391	7,851,457
Housing benefits and allowances	4,528,811	4,202,537
UIF	4,044,485	4,127,992
Other allowances	14,244,789	13,969,411
	1,137,542,328	1,100,479,502
Remuneration of executive directors		
Municipal manager		
Annual remuneration	1,847,941	1,369,495
Travel, motor car, accommodation, subsistence and other allowances	24,000	23,000
Annual leave	-	316,155
	1,871,941	1,708,650
Chief financial officer		
Annual remuneration	1,520,711	1,546,057
Travel, motor car, accommodation, subsistence and other allowances	18,000	18,000
	1,538,711	1,564,057
Executive director: shared services		
Annual remuneration	1,269,283	1,269,283
Travel, motor car, accommodation, subsistence and other allowances	282,000	282,523
Acting allowance	7,984	15,967
	1,559,267	1,567,773
Executive director: public works		
Annual remuneration	1,231,142	1,121,722
Travel, motor car, accommodation, subsistence and other allowances	162,000	148,500
	1,393,142	1,270,222
Executive director: economic development and planning		
Annual remuneration	1,160,560	1,247,995
Travel, motor car, accommodation, subsistence and other allowances	236,500	264,474
Annual leave	103,214	-
	1,500,274	1,512,469
The position was vacant as at the 30 June 2021, the incumbent resigned on 31 May 2021.		
Executive director: public safety and community development		
Annual remuneration	1,591,756	1,302,346
Travel, motor car, accommodation, subsistence and other allowances	16,500	13,500
Acting allowance	11,417	-

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
24. Employee related costs (continued)		
Annual leave	84,115	-
	1,703,788	1,315,846
The position was vacant as at the 30 June 2021, the incumbent resigned on 31 May 2021.		
Chief risk officer		
Annual remuneration	-	576,548
Travel, motor car, accommodation, subsistence and other allowances	-	69,000
Annual leave	-	254,153
	-	899,701
The incumbent resigned on the 31st of December 2019 and the position was phased out.		
Executive director: infrastructure development & planning		
Annual remuneration	808,865	-
Travel, motor car, accommodation, subsistence and other allowances	92,000	-
	900,865	-
The position was vacant in the last financial year, the current incumbent was appointed on 01 November 2020.		
Chief audit executive		
The position is vacant as at 30 June 2021.		
Head of revenue		
The position is vacant as at 30 June 2021.		
25. Remuneration of councillors		
Executive Mayor	1,394,650	1,394,650
Speaker	1,134,888	1,134,888
Mayoral Committee Members	10,712,512	11,165,819
Councillors	43,402,773	42,895,026
	56,644,823	56,590,383
In-kind benefits		
The Office of the Executive Mayor, Speaker and Mayoral committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.		
The Mayor and Speaker make use of municipal owned vehicles for official duties.		
26. Finance costs		
Interest: external borrowings and creditors	191,509,446	225,868,010
Imputed interest realised	7,541,229	-
Interest: long service awards	6,177,779	6,260,293
	205,228,454	232,128,303

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
27. Bulk purchases		
Electricity - Eskom	2,166,319,522	1,955,056,936
Water	1,056,345,628	1,061,899,421
	<u>3,222,665,150</u>	<u>3,016,956,357</u>
28. General expenses		
Indigent support	341,123,966	462,433,053
Repairs and maintenance	395,917,756	103,530,591
Hire	57,433,681	66,809,698
Insurance	35,650,505	52,472,739
Legal consulting and professional fees	30,627,595	52,575,179
Regulatory & professional membership fees	30,507,439	6,248,017
Postage and courier	6,590,842	23,893,599
Auditors remuneration	8,713,209	9,181,673
Venue expenses	4,874,955	25,856,467
Advertising	4,593,490	6,222,241
Software expenses	4,655,048	5,838,637
Telephone and fax	4,640,725	4,234,944
Printing and stationery	2,632,991	3,680,997
Uniforms	1,329,293	4,530,123
Bank charges	1,083,775	1,387,924
Commission paid	230,615	6,107,144
Departmental charges	-	1
Other expenses	70,067,125	61,500,447
	<u>1,000,673,010</u>	<u>896,503,474</u>
29. Cash generated from operations		
Surplus (deficit)	108,584,571	(1,393,318,314)
Adjustments for:		
Depreciation and amortisation	585,837,700	352,995,225
Fair value adjustments	(40,402,403)	(41,702,229)
Grant in kind	(1,517,390,366)	(34,570,409)
Non cash relating to repairs and maintenance	329,022,444	-
Debt impairment	1,080,096,708	1,925,122,120
Loss on sale of assets	190,115,254	80,103,319
Movements in provisions	44,452,107	16,297,296
Donations	-	(23,513,666)
Changes in working capital:		
Inventories	(3,708,791)	2,161,214
Trade and other receivable from exchange transactions	(1,047,601,025)	(1,150,549,920)
Other receivables from non-exchange transactions	(718,066,308)	(428,913,138)
Vat receivable	(277,602,816)	(222,553,853)
Payables from exchange transactions	1,481,189,514	998,056,640
Unspent conditional grants and receipts	(58,734,740)	65,737,476
(Decrease)/increase in current borrowings	(2,061,807)	(1,619,526)
Finance lease	-	(2,341,607)
	<u>153,730,042</u>	<u>141,390,628</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
30. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Approved and contracted for Property, Plant & Equipment	<u>114,557,864</u>	<u>185,989,068</u>
Total capital commitments		
Already contracted for but not provided for	<u>114,557,864</u>	<u>185,989,068</u>
Authorised operational expenditure		
Already contracted for but not provided for		
• Approved and contracted	<u>13,457,079</u>	<u>171,907,668</u>
Total operational commitments		
Already contracted for but not provided for	<u>13,457,079</u>	<u>171,907,668</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
31. Contingencies		
Contingent liabilities		
Civil matters:		
	2021	2020
Description		
Megazone	154,000,000	154,000,000
Vaal Show Society	80,000,000	80,000,000
AL Mphago Civil Construction	17,111,888	17,111,888
Aphane Consulting	7,797,674	3,615,910
Setheo	7,453,461	-
Old Apostolic Church	5,500,651	-
NURCHA Development Finance	3,187,346	-
Ndaramawe Building Construction	2,725,594	2,725,594
Inhlavuka Consultation CC	2,419,156	-
Seriti Maluleke Attorneys	1,787,495	1,787,495
Phale	1,000,000	-
Devinity Trading	724,794	-
Erwat	608,619	608,819
King & Associates Engineering CC	536,361	-
Sungu Sungu Projects	433,281	7,274,555
Potwig Property Investments	390,000	-
MT Teleko	230,000	230,000
McLean	200,000	-
I McLeod	50,186	50,186
B Hanyane	46,444	-
Darren Pather	38,475	-
AU Kingdom	34,097	34,097
MJ Makume	25,990	-
M Moeti	22,157	-
Beijing Fuxing Xiao	-	470,000,000
MDB(Transaction Capital)	-	33,886,984
SALA Pension Fund	-	5,000,000
Teljulene	-	3,070,895
Lebohang Mnyadeni	-	3,500,000
Du Preez	-	807,433
Radius Industrial - Compensation	-	670,750
Bownam Gilfilian	-	517,082
SANBRO	-	221,915
M Mclean	-	200,000
Continental Outdoor Media (Pty) Ltd	-	100,000
Bernard Fred Petersen	-	60,000
J Mafale	-	50,000
MP Skosana - delictual claim	-	40,000
FR Kruger	-	33,016
C Viljoen	-	31,414
Dark Fibre Africa	-	31,414
C Parsons	-	30,000
E Kotze	-	28,923
E Potgieter	-	26,997
CP Oosthuizen	-	26,352
M Moeti	-	22,157
WH Lambrecht	-	16,796
G Ross	-	16,510
I Steffen	-	16,240
Q Jones	-	16,128

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
31. Contingencies (continued)		
V Du Preez	-	14,112
Eben Schoeman	-	13,967
SJ Botha	-	11,906
I Beukes	-	10,097
HM Bezuidenhout	-	9,311
	286,323,669	785,918,943

Contingent assets

The amount of R739 587.42 relating to a claim on acting allowance benefits was lodged by an employee and the amount was paid over to the Sheriff awaiting the court outcome.

Contingent liabilities(Labour)

There are a number of labour related cases that are still under conciliation, arbitration and review at labour court amounting to R127 776 830.97(2019/20 R129 883 106).

Contingent liabilities (Insurance)

During the 2019/20 financial year, the municipality encountered insurance claims amounting to R7 964 695.67(2019/20: R11 090 065)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

32. Related parties

Section 56 Managers

Councillors

Section 56 managers received compensation as set out in note 26

No remuneration was paid to families of Section 56 managers.

Members of council received compensation as set out in note 24

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

32. Related parties (continued)

No remuneration was paid to family members of councillors.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

32. Related parties (continued)

On 2021-04 and 2021-05 The Emfuleni Municipal Council, Per resolution Number item A3976 resolved that the arrears on Councillors accounts can be written off. The following is detail information of the write-off:

	Account number	Reason	Amount	VAT	Written off
SL & LM Mzongwane	.10050708	Debt was written off, indigent prior to date of engagement	(33,586)	(4,702)	(38,288)
MP Moerane	.10064124	Debt was written off, indigent prior to date of engagement	(11,463)	(1,71)	(13,179)
NPG Ngxongo	.11119853	Debt was written off, indigent prior to date of engagement	(46,900)	(5,078)	(51,978)
MP & JS Moerane	.11166452	Debt was written off, indigent prior to date of engagement	(15,778)	(45)	(15,823)
NJ Msolo	.11221107	Debt was written off, indigent prior to date of engagement	(19,051)	(2,497)	(21,548)
OA Mkhwanazi	.20046640	Debt was written off, indigent prior to date of engagement	(35,842)	(4,760)	(40,602)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

32. Related parties (continued)

E Mokoena	.20061526	Debt was written off, indigent prior to date of engagement	(61,709)	(7,291)	(69,000)
MP Ndlovu	.20065231	Debt was written off, indigent prior to date of engagement	(77,909)	(9,489)	(87,398)
H & T Tshabalala	.20077663	Debt was written off, indigent prior to date of engagement	(3,967)	(543)	(4,510)
MJ Sale	.10033822	Debt was written off, indigent prior to date of engagement	(33,165)	(4,863)	(38,028)
PA Seqaqa	.10036299	Debt was written off, indigent prior to date of engagement	(5,968)	(875)	(6,843)
LR Mzizi	.11043118	Debt was written off, indigent prior to date of engagement	(9,556)	(1,394)	(10,950)
MM & MV Leoatle	.11126215	Debt was written off, indigent prior to date of engagement	(1,983)	(297)	(2,280)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

32. Related parties (continued)

MM Tsolo	.20037769	Debt was written off, indigent prior to date of engagement	(4,209)	(575)	(4,784)
SM Mahanke	.20039789	Debt was written off, indigent prior to date of engagement	(11,170)	(1,629)	(12,799)
MM Nthebe	.11231691	Debt was written off, indigent prior to date of engagement	(63,588)	(14)	(63,602)
MS Motaung	.20064969	Debt was written off, indigent prior to date of engagement	(2,297)	-	(2,297)
NJ Mooi	.11243186	Debt was written off, indigent prior to date of engagement	(16,255)	-	(16,255)
TG Tlhokwe	.11227870	Debt was written off, indigent prior to date of engagement	(10,799)	(1,413)	(12,212)
RG Saul	.10030661	Debt was written off, indigent prior to date of engagement	(11,037)	(1,174)	(12,211)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

32. Related parties (continued)

DJ Wandlala	.10036905	Debt was written off, indigent prior to date of engagement	(38,235)	(5,236)	(43,471)
MP Moerane	.11264176	Debt was written off, indigent prior to date of engagement	(11,539)	(1,500)	(13,039)
J & M Mokoena	.20078687	Debt was written off, indigent prior to date of engagement	(33,575)	(4,969)	(38,544)
NC Radebe	.11337126	Debt was written off, indigent prior to date of engagement	(74,348)	-	(74,348)
B Ntsele	.11337048	Debt relates to property hosted for security reasons	(36,491)	-	(36,491)
	<u>-</u>	<u>-</u>	<u>(670,420)</u>	<u>(60,060)</u>	<u>(730,480)</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

33. Risk management

.

Financial risk

The municipality's activities expose it to a variety of financial risks, credit risk and liquidity risk.

Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. There is also a risk that the municipality will not deliver upon its mandate.

The liquidity risk is managed on a daily basis. The overall liquidity is reported.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

Management plans to maintain adequate cash flows by alternative means such

i) disposal of assets

ii) Investigating other revenue enhancement possibilities and

iii) improving debt collection to ensure that funds will be available to finance future operations and that realisation of assets and settlements of liabilities, contingents and commitments will occur in the ordinary course of business.

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

	30 June 2021	30 June 2020
Less than 1 year		
Current portion of borrowings	-	2,061,807
Trade and other payables from exchanged transactions	6,076,091,810	4,594,902,312
Finance lease obligations	-	-
Between 2 to 5 years		
Consumer deposits	56,914,226	53,183,996
Non-current portion of borrowings	-	-
Over 5 year		
Long term loans	-	-
	6,133,006,036	4,650,148,115

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

33. Risk management (continued)

Credit risk

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large rate of payers, dispersed across different industries and geographical areas. Consumer debtors are presented net of provision impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by levying of penalty charges, demand for payment and as a last resort handed over for collection, whichever procedure is applicable in terms of Council's credit control and debt collection policy.

Maximum exposure to credit risk at reporting date for each class of financial assets was:

	2021	2020
Trade and other receivables from non exchange transactions	688,688,490	262,172,877
Trade and trade receivables from exchange transactions	453,277,814	194,222,804
Cash and cash equivalents	269,479,407	240,337,798

.

Market risk

The municipality is not exposed to interest rate risk, currency risk, and ultimately market risk due to:

The municipality does not have adequate revenue to support borrowing, mainly due to debt outstanding, and revenue collection problems. The municipality also does not have any bonds where interest rate might have an influence. Furthermore, the municipality does not have investments other than from time-to-time grant money that is temporary invested until the conditions of the grants are met. The municipality also have no biological assets. Assets are recognised at cost.

The municipality does not utilise foreign currency as all purchases are locally based.

34. 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.

The Emfuleni Local Municipality has undeniable challenges in relation to the identified key areas of support, namely financial, institutional, infrastructure and service delivery

For all intents and purposes the Emfuleni Local Municipality has structural economic challenges and resultant financial distress but it is not a dysfunctional municipality and to management's opinion mitigating factors have been implemented and are present to reduce the risk of the going concern assumption not being valid

In assessing whether the going concern basis is appropriate, management considered a wide range of factors surrounding current and expected performance, expected short and medium term economic environment in which the municipality operates, potential estimates of revenue, the power to levy rates and taxes.

The municipality was placed under Section 139(b) and a Lead Administrator was appointed together with an Administrator for Finance and one for SCM to assist the municipality in an effort to rescue the municipality and place it back on a fully financial viable level. Currently weekly progress on the three pillars identified is monitored and followed-up..

Management has therefore determined that the use of the going concern assumption is warranted, notwithstanding the availability of cash. With proper budgetary controls, improved revenue credit control and the full utilisation of the current employees and the implementation of the Finance Viability Plan the municipality can operate as a going concern.

We draw attention to the fact that at 30 June 2020 the municipality has an accumulated surplus of R7 308 136 822 and that the municipality's total assets amounts to R12 317 412 451 and exceeds the total liabilities of R5 009 275 630 by R7 308 146 822, however the cash available is a great concern

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
35. Unauthorised expenditure		
Opening balance as previously reported	2,655,045,638	1,999,033,668
Correction of prior period error	997,138,981	-
Opening balance as restated	3,652,184,619	1,999,033,668
Add: Expenditure identified - current	1,152,484,854	1,653,150,951
Less: Approved/condoned/authorised by council	-	(997,138,981)
Closing balance	4,804,669,473	2,655,045,638
Details of unauthorised expenditure		
Public works	797,814,520	1,023,143,118
Financial services	213,512,832	431,406,351
Public safety and community development	-	165,902,824
Political offices	111,583,227	22,102,956
Shared services	29,574,274	-
Economic development and planning	-	10,595,701
	1,152,484,853	1,653,150,950
36. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	709,901	699,532
Amount paid - current year	(709,901)	(699,532)
	-	-
PAYE and UIF		
Opening balance	15,995,977	16,100,626
Current year subscription / fee	206,415,098	213,554,682
Amount paid - current year	(189,277,117)	(197,558,705)
Amount paid - previous years	(15,995,977)	(16,100,626)
	17,137,981	15,995,977
Pension and Medical Aid Deductions		
Opening balance	14,469,833	14,002,151
Current year subscription / fee	287,964,906	278,811,578
Amount paid - current year	(273,030,257)	(264,341,745)
Amount paid - previous years	(14,469,834)	(14,002,151)
	14,934,648	14,469,833

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding more than 90 days
Mzongwane SL	60,817
Mkhwanazi OA	57,864
Moerane MP	52,224
Nthebe MM	11,137
Mcasa AT	58,327
Maseko BP	25,695
Mashabela MS	15,852
Mollo DS	22,638
Sinyanya SS	10,531
Radebe SMS	3,300
Mkhubeni DP	858
	319,243
30 June 2020	Outstanding more than 90 days
Ndlovu MP	87,755
Mokoena ER	70,675
Mzongwane SL	86,386
Mkhwanazi OA	85,191
Nxongo NPG	52,041
Moerane MP	72,036
Msolo NJ	35,995
Mcasa AT	44,553
Maseko BP	23,527
Shabalala HH	10,850
Sinyanya SS	15,927
Motsei LA	9,829
Mollo DS	14,151
Nthebe MM	6,058
Mashabela MS	19,488
Tlhokwe TG	4,267
	638,729

Electricity and water distribution losses

Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses are as follows:

Electricity		
Kilowatt	488,336,253	444,405,812
Rand value	527,403,154	376,989,451
Percentage(%)	21.87%	21.19%
Water		
Kiloliters	58,724,502	59,649,109
Rand value	592,530,225	601,859,513
Percentage(%)	57%	56.9%

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Description

Deviations

96,790,295

19,434,067

38. Budget differences

Material differences between budget and actual amounts

Service charges - The Services Charges Budget is net of the Indigent Support amount while the disclosed actual figure is the gross amount inclusive of Indigent Support. When the Indigent Support is taken into account (R 3,728,267,695 + R 341,123,966 = R 4,069,391,661) the difference in performance is 2% or R 66,564,057 which is not material..

Finance income - Interest realised is due to less capital grants received resulting in less investments made. All municipal bank accounts were also attached during the financial year. The budget has also been adjusted downward in the 2022 financial year as a corrective measure..

Fair value adjustments - Budget provision is not made as the values cannot be estimated during the budgeting process..

Actuarial gains - Budget provision is not made as the values cannot be estimated during the budgeting process.

Fines - More fines were written out than anticipated.

Trade and other licenses - More licenses and permits were issued than anticipated.

Other income - Revenue from incidental cash surpluses (unallocated receipts) as well Sale of Scrap Waste performed above projections in the 2021 financial year.

Property rates -The variance is not material.

Fines - Budget provision was based on previous trends. However the Corona virus and Disaster Management Regulations resulted focus being based on other priorities and less fines being written out.

Donations - Allocations-in-kind which were recognised as revenue. Budget provision is not made for this type of revenue as they are implemented by other agencies / spheres of government and are only recognised when they are handed over to the municipality.

Government grants & subsidies - Low performance by the health and environmental subsidies. Budget has been adjusted downward in the 2021/2022 financial year. Non-implementation of projects approved for grant allocations. MIG which is largest capital grant was affected by a change requested by CoGTA and the non-readiness of approved projects. A portion of the MIG was also not paid over to the municipality due to non-performance..

Employee related costs - Savings from funded but unfilled positions..

Remuneration of councillors - More than sufficient provision was made to accommodate increases which are pronounced by CoGTA only in January of each year..

Bulk purchases - The high expenditure is due to electricity and water theft, unmetered households and water leakages due to old infrastructure..

Debt Impairment - This relates to the contribution to debt impairment account that has to be made due top the actual payment rate for the financial year.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

38. Budget differences (continued)

Depreciation and amortisation - This is due to new addition of assets in the form of donated assets / indirect grant capitalisation which will include their depreciation..

Finance costs - This is due to the interest charges on high water and electricity balances owed by Emfuleni L.M.

Contracted services - An amount of +-R130 million which relates to security was re-classified from general expenditure to contracted services due to the quantum and the fact that we are using contractors for security. The security cost increased because the municipality took over the security for sewer treatments plants when ERWAT left.

(Loss)/gain on sale of assets - Budget provision is not made as the values cannot be estimated during the budgeting process.

Actuarial losses - Budget provision is not made as the values cannot be estimated during the budgeting process.

Imputed interest - Budget provision is not made as the values cannot be estimated during the budgeting process.

Collection cost - The amount is not provided for separately. The high amounts incurred are due to the contractors fees as the municipality uses service providers to collect.

Inventories losses/write-downs - No inventories were written down for the financial year.

General Expenses - The municipality uses external service providers for its maintenance, collections and other. Services were sourced when there is not sufficient budget provision.

Cash and cash equivalents - More balances held than anticipated - See note 2 of the AFS.

Trade and other receivables from exchange transactions -Increase in electricity debtors in the 2021 financial year.

Trade and other receivables from non-exchange transactions - Increase in the amount of property rates debt in the 2021 financial year.

Vat receivable - This liability cannot be estimated accurately at the beginning of the financial year and as such is not provided for.

Inventories - There was anticipated for stock items to be used with the assumption that more work will be in-sourced..

Payables from exchange transactions - Increases in Eskom and Rand Water debt which cannot be settled from the current revenue receipts. The debt also attracts high interest.

Unspent conditional grants and receipts - Zero provision was made in anticipation of the implementation of projects and total spending of conditional grants.

Borrowings - The long-term debt was settled off in the 2020 financial year.

Employee benefit obligation - These amounts are in terms of actuarial valuation. Please refer to note 13 of the AFS.

Provisions - These amounts are in terms of actuarial valuation. Please refer to note 13 of the AFS.

Consumer deposits - Consumer deposits are paid by new residents who take on property in the municipality.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
39. Fruitless and wasteful expenditure		
Opening balance as previously reported	503,072,029	486,097,380
Correction of prior period error	208,208,713	-
Opening balance as restated	711,280,742	486,097,380
Add: Expenditure identified - current	191,417,664	225,183,362
Less: Amount written off - current	-	(208,208,713)
Closing balance	902,698,406	503,072,029
40. Irregular expenditure		
Opening balance as previously reported	571,064,672	1,133,901,099
Correction of prior period error	-	104,271,369
Opening balance as restated	571,064,672	1,238,172,468
Add: Irregular expenditure - current	60,321,629	205,338,574
Identified by AG	19,767,993	-
Less: Amount written off - (2017/2018)	-	(872,446,370)
Closing balance	651,154,294	571,064,672

41. New standards and interpretations

41.1 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 2019 or later periods:

Standard/ Interpretation:

	Effective date: Years beginning on or after	Expected impact:
IGRAP 11: Consolidation-special purpose entities	01 April 2019	Not Applicable at this stage
IGRAP 12: Jointly controlled entities – non-monetary contributions by ventures	01 April 2019	Not Applicable at this stage
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Not Applicable at this stage
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Not Applicable at this stage
IGRAP 19: Liabilities to Pay Levies	01 April 2019	Not Applicable at this stage
IGRAP 20: Accounting adjustments to Revenue	01 April 2019	Not Applicable at this stage
		-

42. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

At amortised cost	Total
-------------------	-------

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	2021	2020
42. Financial instruments disclosure (continued)		
Cash and cash equivalents	2,694,794,070	2,694,794,070
Trade and other receivables from exchange transactions	453,277,814	453,277,814
Trade and other receivables from non-exchange transactions	688,688,490	688,688,490
	<u>3,836,760,374</u>	<u>3,836,760,374</u>
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	6,076,091,810	6,076,091,810
Consumer deposits	56,914,226	56,914,226
	<u>6,133,006,036</u>	<u>6,133,006,036</u>
2020		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	240,337,798	240,337,798
Trade and other receivables from exchange transactions	194,222,804	194,222,804
Trade and other receivables from non-exchange transactions	262,172,877	262,172,877
	<u>696,733,479</u>	<u>696,733,479</u>
Financial liabilities		
	At amortised cost	Total
Compound instruments	4,594,902,312	4,594,902,312
Borrowings	2,061,807	2,061,807
Consumer deposits	53,183,996	53,183,996
	<u>4,650,148,115</u>	<u>4,650,148,115</u>
43. Correction of error		
During the 2019/20 financial year the following adjustments were made to transactions whereby amounts were erroneously stated in the previous financial periods. The comparative amounts have been restated as follows:		
		Total
Balance previously reported 2018/19		8,626,293,481
Adjustments for 2018/19 and prior		8,517,554
Restated balance for 2017/18		8,634,811,035
Surplus/(deficit) for the period 2019/20 reported		(1,397,055,937)
Adjustments 2019/20		3,737,621
Restated balance for 2018/19		<u>7,241,492,719</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021 2020

43. Correction of error (continued)

Statement of financial position

Trade and other receivables from exchange transactions	(17,032)
Trade and other receivables from non exchange transactions	(8,361)
VAT receivable	4,988,660
Property plant and equipment	47,594,928
Accumulated depreciation	(3,065,213)
Work in progress	903,060
Trade and other payables	(41,878,487)
	8,517,555

2019/20

Statement of financial position

Trade and other receivables from exchange transactions	(300,336)
Trade and other receivables from non exchange transactions	(189,816)
VAT receivable	(644,202)
Property, plant and equipment	25,410,251
Accumulated depreciation	(1,458,615)
Work in progress	(23,400,986)
Trade and other payables	4,321,324
	3,737,620

2018/19 and prior

Statement of financial performance

Other income	(2,484)
Property rates	49,037,327
Private entity developer contribution in kind	(46,510,363)
Contracted services	(884,589)
Imputed interest	892,204
Debt impairment	(105,887,039)
Depreciation	3,065,213
General expenses	34,886,349
Service charges	56,885,827
	(8,517,555)

Statement of financial performance 2019/20

Other income	729,144
Service charges	42,631,064
Finance income	2,320,416
Bulk purchases	(5,630,520)
Contracted services	(433,930)
Property rates	11,712,757
Debt impairment	(56,666,075)
Depreciation and amortisation	1,458,615
General expenses	140,908
	(3,737,621)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

43. Correction of error (continued)

	Balance 2019/20	Adjustment 2018/19	Adjustment 2019/20	Restated balance 2019/20
Cash and cash equivalents	240,337,798	-	-	240,337,798
Trade and other receivables from non-exchange	262,371,053	(8,361)	(189,816)	262,172,876
Trade and other receivables from exchange transactions	194,540,172	(17,032)	(300,336)	194,222,804
Inventory	20,986,357	-	-	20,986,357
VAT receivable	521,409,835	4,988,660	(644,202)	525,754,293
Property, plant and equipment	10,086,690,592	45,432,775	550,650	10,132,674,017
Investment property	973,320,363	-	-	973,320,363
Intangible assets	20,095,032	-	-	20,095,032
Heritage assets	57,016	-	-	57,016
Sanlam shares	15,914	-	-	15,914
Trade and other payables	(4,557,345,147)	(41,878,487)	4,321,324	(4,594,902,310)
Unspent conditional grants	(119,727,809)	-	-	(119,727,809)
Borrowings	(2,061,807)	-	-	(2,061,807)
Employee benefits	(19,772,827)	-	-	(19,772,827)
Consumer deposits	(53,183,996)	-	-	(53,183,996)
Employee benefit obligation	(180,116,670)	-	-	(180,116,670)
Provisions	(158,378,342)	-	-	(158,378,342)
	7,229,237,534	8,517,555	3,737,620	7,241,492,709

Details of adjustments

Statement of financial performance

Revenue from exchange transactions

Incidental cash surpluses

Public transferred funds to the municipality without adequate information.

These funds are receipted under incidental cash surpluses until the persons queries his payments

CAATS finding 2019/20 external audit correction of overstated billing.

Revenue from non-exchange transactions

Donations

Developer created assets completed and transferred to the municipality.

CAATS finding 2019/20 external audit correction of overstated billing.

Expenditure

Outsourced, professional services, Contractors

Professional services

Legal costs and litigation

Legal advice that was not accounted for previously

Contracted services

Accrual of various payments to service providers.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

2021

2020

43. Correction of error (continued)

Depreciation and amortisation and impairment

Changes in depreciation due to changes in remaining useful life of assets and due to derecognition and recognition of assets

Bulk services - Eskom and Randwater

Correction of statement of Eskom and Randwater account.

Insurance excess

Insurance premiums and insurance third party payments.

Non-current assets

PPE

Various projects that were under W.I.P , are now transferred and accounted for as PPE.

Certain infrastructure assets that were capitalised in previous years were de-recognised

WIP

Various transfers from WIP expenses to operational expenditure (previous years) accounted for.

Projects that were under WIP were transferred from WIP to PPE.

Current liabilities

Trade and other payables

Creditors that were not accrued, now accrued

Fines impairment

Correction of fines impairment.

44. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue, in this instance the reporting date is 31 August 2021 - the date that the Municipal Manager signed the statements to be submitted to the Auditor General. The date for authorisation for issuing is yet to come as the audit is not concluded yet.

1. Vandalism of Boitshepi landfill site ablution block and Springbok Avenue Mini-transfer station ablution block due to community riots

The vandalism was only discovered in October 2021. At reporting date, the areas were quiet and the buildings intact when the asset verification was done

2. Eskom – attachments of bank account of municipality

On 2 September 2021 Emfuleni Municipality's bank account was attached. The attachment was the result of non-compliance to a Court Order to the amount of approximately R1.3bn. The court order resulted from various court cases instituted by Eskom with the municipality as the Defendant.

The municipality lodged a request for appeal against the judgement and succeeded, resulting in the upliftment of the attachment.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

44. Events after the reporting date (continued)

At reporting date, the fact that the bank account will be attached was not known to the municipality, from there a non-adjusting event

45. Segment information

General information

With the preparation of the 2020/2021 financial statements, Elm did consider GRAP 18 Segmental Reporting, however, during the assessment of the available information for the segmental breakdown, we discovered that these were not readily available from our financial system, Solar, especially where it refers to the Statement of Position. We therefore only disclosed the segments in aggregate on the Statement of Performance. We also provided breakdowns of the different services in the relevant notes to the financial statements and these include impairment per service also.

We also took advantage of the transitional provisions as per Directive 3, wherein it is stated that high capacity municipalities are not obliged to disclose restatement of previously reported information.

Information about geographical areas

ELM area includes the following geographical areas within a radius of 987,45 square kilometres:

Vereeniging, Vanderbijlpark, Evaton, Sebokeng, Sharpeville, Boipatong, Bophelong, Tshepiso:

46. Impact of Covid-19 pandemic

Covid 19 pandemic continues to be a challenge for the revenue collection during the 2020/2021 financial year. While in terms of Disaster Act credit control was not allowed, full credit control was resumed during the financial year, however the job losses and Covid related deaths further put a strain revenue collection.

Covid 19 also had a negative influence on the unemployment rate as it is common knowledge that various businesses had to close and subsequent job losses then occurred. These job losses then also contributed to a loss in income. It is estimated that approximately 61% of the residents of Emfuleni earns less than R3 300 per month. Due to the huge decline in the revenue, the municipality could not settle the large accounts for Eskom and Rand Water. This resulted in an accumulation in the commitments as the other clients and service providers could also not be paid.