



EMFULENI
LOCAL MUNICIPALITY

Vaal River City, the Cradle of Human Rights

Emfuleni Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Mayoral committee

Executive Mayor	S. Radebe
Speaker	S. Soxuza
Chief whip	B. Jantjie
Members of mayoral committee	
MMC - Infrastructure planning and development	E. Nzima
MMC - Human settlement	V. Molepo
MMC - Public safety	E.R Mokoena
MMC - Shared services	M. M. Serapelo
MMC - Health and social development	R.M Lesaoane
MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries	S. P. Mahlasela
MMC - Finance and revenue	H.M. Mako
MMC - Public works	V. Jones
MMC - Agriculture, local economic development, development planning and tourism	M.D Kantso
MMC - Environmental management and planning	J. Radebe

Accounting Officer

L. Leseane

Acting Chief Finance Officer (CFO)

M. Maseanoka

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
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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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	Remaining useful life
EUL	Estimated useful life

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Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 4 to 110, 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 24 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 2022

Statement of Financial Position as at 30 June 2022

	Note(s)	2022	2021 Restated
Assets			
Current Assets			
Cash and cash equivalents	2	129,403,314	269,479,407
Receivables from non-exchange transactions	4	267,478,570	677,912,937
Receivables from exchanged transactions	3	606,945,666	450,887,180
Inventories	5	33,367,208	24,695,148
VAT receivable	6	1,075,935,658	804,735,431
		2,113,130,416	2,227,710,103
Non-Current Assets			
Property, plant and equipment	7	10,678,400,559	10,795,342,679
Investment property	8	997,878,176	964,415,931
Intangible assets	9	16,788,926	17,968,232
Heritage assets	10	57,016	57,016
Sanlam shares		14,275	16,570
		11,693,138,952	11,777,800,428
Total Assets		13,806,269,368	14,005,510,531
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	7,582,079,980	6,134,872,834
Unspent conditional grants and receipts	12	19,268,867	60,993,069
Employee benefit obligation	13	20,885,000	23,736,000
		7,622,233,847	6,219,601,903
Non-Current Liabilities			
Provisions	14	116,615,316	159,116,942
Consumer deposits	15	60,495,312	56,914,226
Employee benefit obligation	13	214,443,000	210,786,000
		391,553,628	426,817,168
Total Liabilities		8,013,787,475	6,646,419,071
Net Assets		5,792,481,893	7,359,091,460
Accumulated surplus		5,792,481,893	7,359,091,460
Total Net Assets		5,792,481,893	7,359,091,460

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

	Note(s)	2022	2021 Restated
Revenue			
Revenue from exchange transactions			
Service charges	16	4,319,255,870	3,794,437,574
Other income	18	109,618,145	156,740,913
Finance income	19	91,668,551	81,988,236
Fair value adjustments		38,157,613	38,695,786
Landfill sites gains		62,131,767	12,923,511
Rental of facilities and equipment	17	17,614,356	19,958,697
Trade and other licenses		123,110	87,483
Total revenue from exchange transactions		4,638,569,412	4,104,832,200
Revenue from non-exchange transactions			
Property rates	20	1,016,799,884	915,308,539
Donations		314,792,188	1,547,178,419
Fines	21	49,174,118	9,075,418
Transfer revenue			
Government grants & subsidies	22	994,355,369	1,066,436,834
Total revenue from non-exchange transactions		2,375,121,559	3,537,999,210
Total revenue		7,013,690,971	7,642,831,410
Expenditure			
Employee related costs	23	(1,217,280,640)	(1,137,542,328)
Remuneration of councillors	24	(56,828,410)	(56,644,823)
Depreciation, amortisation and impairment		(635,188,547)	(589,262,081)
Bulk purchases	25	(3,557,790,255)	(3,222,974,723)
Debt Impairment		(1,355,131,674)	(1,080,096,708)
Contracted services		(433,559,805)	(372,807,237)
Finance costs	26	(394,309,235)	(205,701,696)
(Loss)/gain on sale of assets		(31,639,048)	(190,287,560)
Actuarial losses		(3,092,765)	(28,155,570)
Imputed interest		4,233,745	11,457,535
General Expenses	27	(899,713,889)	(662,761,603)
Total expenditure		(8,580,300,523)	(7,534,776,794)
(Deficit) surplus for the year		(1,566,609,552)	108,054,616

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2020	7,251,036,844	7,251,036,844
Changes in net assets		
Surplus for the year	108,054,616	108,054,616
Total changes	108,054,616	108,054,616
Balance at 01 July 2021	7,359,091,445	7,359,091,445
Changes in net assets		
Surplus for the year	(1,566,609,552)	(1,566,609,552)
Total changes	(1,566,609,552)	(1,566,609,552)
Balance at 30 June 2022	5,792,481,893	5,792,481,893
Note(s)		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

	Note(s)	2022	2021 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,986,655,595	2,850,432,068
Grants		952,631,167	1,004,476,240
Interest income		28,321,998	18,641,683
Other receipts		1,284,134,322	429,840,299
		<u>5,251,743,082</u>	<u>4,303,390,290</u>
Payments			
Employee costs		(1,273,303,050)	(1,164,442,211)
Suppliers		(2,572,765,149)	(2,170,104,484)
Finance costs		(386,837,243)	(199,050,675)
Other payments		(887,449,037)	(625,199,329)
		<u>(5,120,354,479)</u>	<u>(4,158,796,699)</u>
Net cash flows from operating activities	28	<u>131,388,603</u>	<u>144,593,591</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(274,758,773)	(125,953,603)
Proceeds from sale of investment property	8	-	6,771,391
Purchase of intangible assets	9	(287,000)	-
		<u>(275,045,773)</u>	<u>(119,182,212)</u>
Net cash flows from investing activities		<u>(275,045,773)</u>	<u>(119,182,212)</u>
Cash flows from financing activities			
Movement in consumer deposits		3,581,086	3,730,230
		<u>3,581,086</u>	<u>3,730,230</u>
Net increase/(decrease) in cash and cash equivalents		<u>(140,076,084)</u>	<u>29,141,609</u>
Cash and cash equivalents at the beginning of the year		269,479,407	240,337,798
		<u>269,479,407</u>	<u>240,337,798</u>
Cash and cash equivalents at the end of the year	2	<u>129,403,323</u>	<u>269,479,407</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,403,274,944	(95,725,554)	4,307,549,390	4,319,255,870	11,706,480	43
Royalty income	-	-	-	62,131,767	62,131,767	
Rental of facilities and equipment	20,324,145	(14,682,651)	5,641,494	17,614,356	11,972,862	43
Licenses and permits	98,331	(39,741)	58,590	123,110	64,520	43
Other income	81,398,812	42,487,132	123,885,944	109,618,145	(14,267,799)	43
Interest received - investment	80,236,155	(11,488,805)	68,747,350	91,668,551	22,921,201	43
Total revenue from exchange transactions	4,585,332,387	(79,449,619)	4,505,882,768	4,600,411,799	94,529,031	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	1,001,051,507	(75,416,325)	925,635,182	1,016,799,884	91,164,702	43
Grants in kind	-	7,680,000	7,680,000	314,792,188	307,112,188	43
Fines	200,466,442	(125,476,970)	74,989,472	49,174,118	(25,815,354)	43
Transfer revenue						
Government grants & subsidies	1,163,232,798	(126,057,778)	1,037,175,020	994,355,369	(42,819,651)	43
Total revenue from non-exchange transactions	2,364,750,747	(319,271,073)	2,045,479,674	2,375,121,559	329,641,885	
Total revenue	6,950,083,134	(398,720,692)	6,551,362,442	6,975,533,358	424,170,916	
Expenditure						
Employee related cost	1,342,871,749	1,798,294	(1,341,073,455)	1,217,280,640	123,792,815	43
Remuneration of councillors	(59,576,705)	-	(59,576,705)	(56,828,410)	2,748,295	43
Depreciation and amortisation	(374,524,299)	-	(374,524,299)	(635,188,547)	(260,664,248)	43
Finance costs	-	-	-	(394,309,235)	(394,309,235)	43
Debt Impairment	1,378,651,298	436,221,415	(942,429,883)	1,355,131,674	(412,701,791)	43
Collection costs	-	-	-	(31,639,048)	(31,639,048)	43
Bulk purchases	2,692,082,437	(94,671,968)	(2,786,754,405)	3,557,790,255	(771,035,850)	43
Contracted Services	(265,910,480)	(29,931,847)	(295,842,327)	(433,559,805)	(137,717,478)	43
Imputed interest	-	-	-	4,233,745	4,233,745	43
General Expenses	(407,834,616)	(42,608,124)	(450,442,740)	(899,713,889)	(449,271,149)	43
Total expenditure	(6,521,451,584)	270,807,770	(6,250,643,814)	(8,577,207,758)	(2,326,563,944)	
Deficit for the year	428,631,550	(127,912,922)	300,718,628	(1,601,674,400)	(1,902,393,028)	
Fair value adjustments	-	-	-	38,157,613	38,157,613	43
Actuarial gains/losses	-	-	-	(3,092,765)	(3,092,765)	43
	-	-	-	35,064,848	35,064,848	
Deficit for the year	428,631,550	(127,912,922)	300,718,628	(1,566,609,552)	(1,867,328,180)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	428,631,550	(127,912,922)	300,718,628	(1,566,609,552)	(1,867,328,180)	

Emfuleni Local Municipality

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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						
Inventories	22,700,207	540,545,255	563,245,462	33,367,208	(529,878,254)	43
Receivables from non-exchange transactions	270,850,232	(70,196,014)	200,654,218	267,478,570	66,824,352	43
Trade and other receivables from exchange transactions	257,474,042	376,966,961	634,441,003	606,945,666	(27,495,337)	43
VAT receivable	521,409,836	(199,309,483)	322,100,353	1,075,935,658	753,835,305	43
Cash and cash equivalents	172,737,021	171,276,686	344,013,707	129,403,314	(214,610,393)	43
	1,245,171,338	819,283,405	2,064,454,743	2,113,130,416	48,675,673	
Non-Current Assets						
Investment property	973,320,363	33,630,356	1,006,950,719	997,878,176	(9,072,543)	43
Property, plant and equipment	10,515,322,086	443,450,016	10,958,772,102	10,678,400,559	(280,371,543)	43
Intangible assets	20,095,034	7,873,201	27,968,235	16,788,926	(11,179,309)	43
Heritage assets	57,016	-	57,016	57,016	-	43
Sanlam shares	15,914	656	16,570	14,275	(2,295)	43
	11,508,810,413	484,954,229	12,993,764,642	12,762,233,848	(231,530,800)	
Total Assets	12,753,981,751	1,304,237,634	14,058,219,384	13,806,269,368	(251,950,017)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	2,653,313,509	3,241,964,951	5,895,278,460	7,582,079,981	1,686,801,521	43
Unspent conditional grants and receipts	2,163,703	1,011,286	3,174,989	19,268,867	16,093,878	43
Provisions	13,885,861	-	13,885,861	-	(13,885,861)	43
Employee benefit obligation	-	-	-	20,885,000	20,885,000	43
	2,669,363,073	3,242,976,237	5,912,339,310	7,622,233,848	1,709,894,538	
Non-Current Liabilities						
Provisions	144,492,481	9,660,736	154,153,217	116,615,316	(37,537,901)	43
Consumer deposits	53,183,995	7,131,625	60,315,620	60,495,312	179,692	43
Employee benefit obligation	199,889,498	31,990,446	231,879,944	214,443,000	(17,436,944)	43
	397,565,974	48,782,807	446,348,781	391,553,628	(54,795,153)	
Total Liabilities	3,066,929,047	3,291,759,044	6,358,688,091	8,013,787,476	1,655,099,385	
Net Assets	9,687,052,704	1,987,521,410	7,699,531,294	5,792,481,892	(1,907,049,402)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	9,687,052,704	(1,987,521,410)	7,699,531,294	5,792,481,892	(1,907,049,402)	43

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 34).

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 2022

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 off.

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 2022 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 2022. 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 2022

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.

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, its 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 2022

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.

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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.

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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

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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
Servitudes	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

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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.

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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

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:

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.

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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.

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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.

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: Traffic fines are accounted for in terms of GRAP 108 – Statutory Receivables and GRAP 23— Revenue from non-exchange transactions

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1.8 Financial Instruments (continued)

In terms of GRAP 108 — Statutory Receivables, especially referring to the reducing of traffic fines regulated by the Road Traffic Act, the reducing of a disputed traffic offense fine, should be accounted as a change in accounting estimate as result of new information that became known. The effect of the change in the accounting estimate is accounted for in the current period's surplus and deficit, even if the municipality accounted for the traffic fine in the previous period. The accounting is therefore done prospectively.

As the measurement of statutory receivables is based on applicable legislative framework, initial measurement does not include any other elements such as the consideration of the time value of money or financing.

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 2022, 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. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

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

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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.

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.

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1.11 Leases (continued)

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.

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).

Emfuleni Local Municipality

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1.13 Impairment of cash generating assets (continued)

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

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.

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Accounting policies

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.

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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.18 Revenue from exchange transactions (continued)

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.

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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.19 Revenue from non-exchange transactions (continued)

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.

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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

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).

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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.23 Comparative figures (continued)

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
- 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.

Segments were identified based on the MFMA S71 monthly budget statements that are reviewed by the executive management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered and the target market, in a standardised format, and is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18 Management uses these same segments for determining strategic objectives..

Accounting policy and measurement basis:

The accounting policies of the reportable segments are the same as the municipality's accounting policies

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.28 Segment information (continued)

Aggregation

Segments are aggregated for reporting purposes when management considered that the economic characteristics and nature or services are similar to warrant aggregation

There are two types of segments:

- Reportable segments

Reportable segments are identified based on activities of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows

- Geographical segments

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

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

Change from prior periods in measurement methods

Nature and effect of asymmetrical allocations to reportable segments.

Reconciliations of total reportable segments to entity:

- revenue
- surplus/deficit
- assets
- liabilities
- every other material item

Disclosures of geographical segments

- Geographical areas of operation

All the municipality's operations are in the Vaal Triangle area. Information to report on different geographical areas is not available and the cost to develop it would be excessive

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

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
- 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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.32 Taxes (property rates) GRAP 108 – Statutory receivables (continued)

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.
- 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

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.33 Accounting by principals and agents – GRAP 109 (continued)

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 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

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Accounting policies

1.34 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

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

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

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting policies

1.35 Changes in accounting policies and accounting estimates

Changes in accounting policies are applied retrospectively in accordance with GRAP 3, except where it is impractical to determine the cumulative effect of the change in accounting policy. In such events, the municipality restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatements is practical.

Changes in accounting estimates are applied prospectively in terms of GRAP 3. The detail of the changes is then disclosed in the relevant notes

Accounting for adjustments in revenue - iGRAP 20- are done prospectively in the case of traffic offences being reduced upon successful appeals/disputes

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Call accounts	94,506,400	102,211,931
Bank balances	34,889,743	167,260,305
Cash on hand	7,171	7,171
	129,403,314	269,479,407

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
ABSA BANK - current account - 530-000-087	5,906,638	2,166,376	5,904,038	2,030,623
ABSA BANK - Salary account - 405-774-9059	217,481	158,451	217,481	158,451
ABSA BANK - Fines - 407-683-0782	10,000	10,000	10,000	10,000
Standard BANK - Current account - 420-502-084	-	4,181,905	-	4,071,885
Standard BANK - Current account - 021-879-370	-	219,084	-	218,916
Standard BANK - Current account - 080-488-129	824	82,626	824	82,626
FNB BANK - Current account - 628-657-05746	27,510,159	155,882,959	23,712,516	140,884,952
FNB BANK - Current account - 628-657-06083	4,184,437	16,197,598	4,184,437	16,197,599
FNB BANK - Current account - 628-657-06538	860,448	3,605,254	860,448	3,605,254
Total	38,689,987	182,504,253	34,889,744	167,260,306

Invested with	01 July 2021	Invested	Interest capitalised	Withdrawn	Total
ABSA - 9208236189	587,433	-	15,959	-	603,392
ABSA - 4100604479	1,374,954	-	24,016	(1,398,970)	-
ABSA - 4100604699	71,882,424	161,627	987,197	(73,031,248)	-
ABSA - 4104154533	-	8,077,000	6,196	-	8,083,196
ABSA - 4096216150	(70)	-	-	(413)	(483)
STD Bank - 028606817#75	436	-	-	-	436
STD Bank - 028606817#72	128,848	5,000,000	252,653	-	5,381,501
STD Bank - 028606817#60#62	22,423,021	-	885,669	-	23,308,690
Standard Bank - 028606817#79	-	50,953,000	1,115,645	(17,162,915)	34,905,730
STD Bank 028606817#80	-	7,170,000	191,473	(248,936)	7,112,537
STD Bank -028606817#81	-	2,000,000	40,481	(1,401,000)	639,481
STD Bank - 028606817#77	23,056	-	790	-	23,846
Nedbank - 03/7881044284/0038	864,920	-	32,850	-	897,770
Nedbank - 03/7881044284/0039	1,156,898	-	-	(1,156,898)	-
Nedbank - 03/7881044284/0015	755,688	2,016,000	-	(1,267,622)	1,504,066
Nedbank - 03/7881044284/0048	-	9,244,000	23,085	(1,836,000)	7,431,085
FNB - 62825314181	4,990	-	8	(4,998)	-
FNB - 62791255469	9,306	-	13	(9,319)	-
Investec - 1400192509500	3,000,000	-	-	(3,000,000)	-
FNB - 62942054818	-	2,100,000	21,102	(230,674)	1,890,428
FNB - 62942053646	-	2,000,000	22,354	(2)	2,022,352
FNB - 62942054420	-	1,000,000	2,380	(1,000,002)	2,378
FNB - 63008226119	-	699,085	881	-	699,966
	102,211,904	90,420,712	3,622,752	(101,748,997)	94,506,371

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021
Restated

2. Cash and cash equivalents (continued)

Unlimited cession dated 25/07/2008 of an 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 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
3. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	1,632,258,306	1,588,057,766
Water	2,374,659,019	5,176,578,975
Sewerage	631,545,267	1,464,557,984
Refuse	386,093,347	893,479,149
	5,024,555,939	9,122,673,874
Less: Allowance for impairment		
Electricity	(1,395,379,212)	(1,189,860,518)
Water	(2,114,744,837)	(5,150,839,531)
Sewerage	(564,376,437)	(1,446,834,436)
Refuse	(343,109,787)	(884,252,209)
	(4,417,610,273)	(8,671,786,694)
Net balance		
Electricity	236,879,094	398,197,248
Water	259,914,182	25,739,444
Sewerage	67,168,830	17,723,548
Refuse	42,983,560	9,226,940
	606,945,666	450,887,180
Age analysis		
Current (0-30 days)	256,492,593	323,694,396
31 - 60 days	256,406,305	229,255,669
61 - 90 days	244,536,649	222,140,424
91 days +	4,267,120,392	8,347,583,385
	5,024,555,939	9,122,673,874
Reconciliation of allowance for impairment		
Balance at beginning of the year	(8,671,786,693)	(7,771,812,575)
Contributions to allowance	(964,106,985)	(788,546,015)
VAT contributions	(148,871,964)	(112,162,588)
Debt impairment written off against allowance	5,367,155,369	734,484
	(4,417,610,273)	(8,671,786,694)

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.

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

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
3. New standards and interpretations (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. Receivables from non-exchange transactions		
Property rates	860,678,408	1,222,632,458
Impairment property rates	(758,676,776)	(1,168,323,149)
Other receivables - fines	55,388,090	135,231,750
Impairment fines	(53,065,668)	(129,819,059)
Other debtors	455,199,589	1,121,983,883
Impairment other debtors	(292,045,073)	(503,792,946)
	<u>267,478,570</u>	<u>677,912,937</u>
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	860,678,408	1,222,632,458
Fines	55,388,090	135,231,750
	<u>916,066,498</u>	<u>1,357,864,208</u>
Impairment		
Impairment of statutory receivables included in the above impairment of non-exchange transactions		
	2021/2022	2020/2021
Property rates	(758,676,777)	(1,168,323,149)
Fines	(53,065,668)	(129,819,059)
	<u>(811,742,445)</u>	<u>(1,298,142,208)</u>
Age analysis:		
Current(0-30 days)	118,963,607	58,083,333
31 - 60 days	275,019,392	696,930,808
61 - 90 days	51,433,842	35,939,735
91 days+	925,849,247	1,688,894,215
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(1,801,935,154)	(1,727,969,580)
Contribution to allowance	(391,024,689)	(291,550,695)
VAT contributions	(8,687,451)	(7,112,953)
Amounts written off against allowance	1,097,859,778	224,698,074
	<u>(1,103,787,516)</u>	<u>(1,801,935,154)</u>

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
4. Receivables from non-exchange transactions (continued)		
Debtors are payable within 30days. This credit period granted is 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.		
All debtors accounts are assessed for impairment, where applicable the municipality impairs debtors over 90days.		
5. Inventories		
Consumable stores	31,619,631	23,006,089
Water for distribution	1,747,577	1,689,059
	<u>33,367,208</u>	<u>24,695,148</u>
6. Value added tax receivable		
VAT receivable	<u>1,075,935,658</u>	<u>804,735,431</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	14,180,047,990	(5,700,841,964)	8,479,206,026	13,658,072,996	(5,091,329,141)	8,566,743,855
Community	1,535,917,035	(325,644,224)	1,210,272,811	1,530,862,071	(299,399,135)	1,231,462,936
Buildings	1,038,316,163	(156,799,371)	881,516,792	1,038,055,316	(118,995,545)	919,059,771
Other assets	384,974,184	(277,569,254)	107,404,930	322,275,320	(244,199,203)	78,076,117
Total	17,139,255,372	(6,460,854,813)	10,678,400,559	16,549,265,703	(5,753,923,024)	10,795,342,679

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Donation	Depreciation	Impairment	Provision adjustment	Total
Infrastructure	8,566,743,855	218,217,690	(23,518,927)	-	267,625,768	(343,168,575)	(202,060,209)	(4,633,576)	8,479,206,026
Community	1,231,462,936	2,410,809	(12,716)	(3,160,000)	5,916,547	(24,991,853)	(1,352,912)	-	1,210,272,811
Buildings	919,059,771	260,847	-	-	-	(37,803,826)	-	-	881,516,792
Other assets	78,076,117	53,869,427	(160,866)	-	53,991	(24,433,739)	-	-	107,404,930
	10,795,342,679	274,758,773	(23,692,509)	(3,160,000)	273,596,306	(430,397,993)	(203,413,121)	(4,633,576)	10,678,400,559

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Donation	Depreciation	Impairment	Provision adjustment	Total
Infrastructure	8,586,092,274	104,209,181	(24,733,286)	329,061,672	(336,664,277)	(91,062,840)	(158,869)	8,566,743,855
Community	1,222,671,923	17,547,329	(782,114)	26,591,183	(32,928,691)	(1,636,694)	-	1,231,462,936
Buildings	318,000,052	198,402	(150,728,942)	845,638,918	(93,895,634)	(153,025)	-	919,059,771
Other assets	95,279,179	3,998,691	(7,269,678)	16,864,201	(30,796,276)	-	-	78,076,117
	10,222,043,428	125,953,603	(183,514,020)	1,218,155,974	(494,284,878)	(92,852,559)	(158,869)	10,795,342,679

Provision adjustment

Provision has been made for the estimated cost of rehabilitating waste landfill sites. The amount of the provision is included in Solid waste infrastructure. A nett decrease adjustment of R42 501 626,29 was made to the provision, with R24 263 716,43 increase in the provision as a result of interest at an effective rate of 15,74%, and a decrease of R66 765 342,72 as result of the adjustment in the value of the provision. A nett adjustment of R4 633 576,04 was made to the related landfill assets.

The operations at the Waldrift landfill site was halted due to a court order received in September 2021 due to the Municipality not being in possession of a valid waste management licence. Furthermore, the Environmental Management and Planning Department does not have any future plans to use the site further due to the limitations that the site is exposed to. Thus, the remaining useful life of Waldrift landfill site is only inclusive of the fallow period wherein the landfill site will not be operating, and rehabilitation will take place.

Reasons for drastic decrease in the landfill sites estimated rehabilitating cost:

- The low costs assumed/ calculated by the engineer (as per actuarial valuation)
- The change in remaining useful life for the Waldrift landfill (it was assumed to be zero excluding the 2 year fallow period).

The present valuing was therefore done over a shorter period resulting in the PV amount to be higher

Below is a summary of the costs and assumptions changes in the past 3 years.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated	
7. Property, plant and equipment (continued)			
Reconciliation of assets under construction 2021/22			
	Included within Infrastructure	Included within Community	Total
Opening balance	75,989,144	11,837,022	87,826,166
Additions/capital expenditure	92,694,260	-	92,694,260
Transferred to completed items	(14,636,546)	(3,933,473)	(18,570,019)
	154,046,858	7,903,549	161,950,407

Reconciliation of assets under construction 2020/21

	Included within Infrastructure	Included within Community	Total
Opening balance	101,347,054	17,903,548	119,250,602
Additions/capital expenditure	27,209,337	3,933,473	31,142,810
Transferred to completed items	(52,567,247)	(10,000,000)	(62,567,247)
	75,989,144	11,837,021	87,826,165

Assets attached

1. Vehicles attached by sheriff due to non-payment of certain creditors outstanding accounts

2. Vehicles held by service providers due to non-payment of maintenance and repairs done on those

Various vehicles are held by external service providers due to non-payment

The sheriff attached a couple of vehicles due to a court order resulting from non-payment of certain creditors accounts

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021
Restated

7. Property, plant and equipment (continued)

Projects in progress as at 30 June 2022

Project UID	Vote number	Project name	Asset Class	Closing WIP	Comments on status
EX0050	35956473520F 9C02ZZVR	EXPANSION OF RUST TE VAAL CEMETERY PTN 4	Community Facilities	525,779	Design phase. Due to funding shortages and delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years. The project will be implemented in smaller phases and the fencing scope will be focused on in the 2022/2023 FY.
EX0289	35956450020F 9C41ZZSB	N:Investigate &Dev General Landfill Site	Community Facilities	1,983,132	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. Construction planned to commence in 2024/2025

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

					2022	2021 Restated
7. Property, plant and equipment (continued)						
EX0328	35956473520F 9D14ZZVA	R:VANDERBIJ LPARK CEME TERY	Community Facilities	3,082,333		Design phase. Due to funding shortages and delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years. The project will be implemented in smaller phases and the fencing scope will be focused on in the 2022/2023 FY.
EX0376	35956473520F 9C92ZZV	R:VANDERBIJ LPARK CEME TERY	Community Facilities	1,515,910		Design phase. Due to funding shortages and delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years. The project will be implemented in smaller phases and the fencing scope will be focused on in the 2022/2023 FY.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0377	35956473520F 9C96ZZVA	R:FENCING OF TSHEPISO CEMETERY	Community Facilities	796,394	Design phase. Due to funding shortages and delays on projects that should have been implemented in 2020/2021 the project had to be moved to the outer years pending completion of the fencing on the other cemetery projects above 2 x BTU's not installed as yet and will be installed during the 2022/2023 financial year
EX0755	35426431420F JG12ZZWM	BTU MV (Opex to Capex)	Electricity	84,000	Upgrading of the 31-45MVA Transformer for DS Substation started in 2021/2022 and expected to be completed in 2022/2023
EX0757(704)	35426430420F JG14ZZWM	TRANSFORME RS HV (Opex to Capex)(DS)	Electricity	6,144,771	Installation of overhead feeder cables to Rietspruit WWTW and is expected to be completed September 2022
EX0788	35426431020F JG39ZZWM	HIV CABLES (Colenso & Rautenbach & Cora Botha & Rietspruit WWTW)	Electricity	943,360	Design phase completed and construction phase to started within the 2022/2023 FY
EX0807	35426430420F JF98ZZVA	UPGRADING OF VERDI SUBSTATION	Electricity	635,477	Upgrading of Town Substation to continue in 2022/2023
EX0809	35426430420F JG47ZZVA	UPGRADING OF TOWN SUBSTATION -PHASE 1	Electricity	14,473,592	

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0810	35426430420F JG48ZZVR	UPGRADING OF POWERVILLE SUB-PHASE 1	Electricity	2,866,990	Design started for the refurbishment & upgrade of the substation building in 3 Phases to a total cost ± R59 million and will be a multiyear project with 2 years per phase at least depending on funding availability
EX0860	35426434020F JG57ZZWM	SUPPLY AND INSTALL METERS FOR LPU	Electricity	4,969,952	Mainly for the procurement of electricity meters to be installed were new- or replacement meters are required and is projected to be used over the next 3–5-year period
EX0863	35426430420F JE07ZZVR	R:20MVA 88/11KV T/FORMER VERSCO S/STATION	Electricity	3,627,968	Design stage for the refurbishment of the upgrade & refurbishment of the Structure & electrical hardware of the substation over the next 3-5 years
EX0884	35426430420F JG65ZZVA	REFURBISHM ENT OF VERREF SUBSTATION	Electricity	6,019,104	Refurbishment of the 20 MVA Transformer for this substation and is expected to be completed and installed during 2022/2023

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0706	35426432420F JE99ZZSB	TSHEPONG PHASE 3 ELECTRIFICA TION (ELM)	Electricity	5,141,882	Construction Phase of the internal reticulation. 2nd Contractor appointed after 1st contractor was terminated due to dispute about price escalation. Linked to EX0706
EX0917	35426432420G 1E99ZZSB	INEP - TSHEPONG PHASE 3 ELECTRIFICA TION	Electricity	4,946,009	Linked to EX0706
EX0887	35426432420F JF02ZZSB	TSHEPONG PHASE 3 BULK (ELM)	Electricity	3,544,338	Construction Phase of bulk supply, delayed to the land dispute that took 3 months to resolve and stoppages by contractor due to late payment. Linked to EX0887
EX0930	354264430020 G1G61ZZSB	INEP:TSHEPO NG PHASE 3 SWITCH STATION AND FEED	Electricity	6,432,349	Linked to EX0887
EX0812	35426432420F JF04ZZSB	SEBOKENG EXT 30 ELECTRIFICA TION (INEP)	Electricity	1,204,811	Design Phase for electrification and contractor appointed end June 2022 Linked to EX0812
EX0918	35426432420G 1F04ZZSB	INEP- SEBOKENG EXT 30 ELECTRIFICA TION	Electricity	800,000	Linked to EX0812
EX0937	35426430020G 1G60ZZSB	INEP-SBK EXT30 WITCHING STATION AND FEEDER LINE	Electricity	6,940,012	Construction phase. Construction of the bulk infrastructure

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0919	354264324202 1F82ZZSB	INEP- LETHABONG PHASE 1 ELECTRIFICA TION	Electricity	436,901	Design Stage for the internal electrification. The 1st appointed consultant was terminated due to tax issues. Process of appointing another consultant underway
EX0333.1	35956435020F 8C39ZZVR	N:NEIGHBOU RHOOD PART NERSHIP GRA NT PHASE 2A1	Roads and stormwater	4,878,941	New Consultant appointed in Feb 2022 with revised scope design from National treasury and the preliminary additional scope report due Aug 2022. Construction to commence towards end of 2022/2023
EX0333.3	35716472420D PH29ZZWM	N: NEIGHBOURH OOD PARTNE RSHIP GRANT PHASE 3A2	Roads and stormwater	905,223	Project is dependent on funding from National Treasury and is done in phases to reduce budget demands. Project to be implemented in the outer years as Phase 333.1 will be implemented in 2022/2023

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0333.5	35716472420D PH31ZZWM	N: NEIGHBOURH OOD PARTNE RSHIP GRANT PHASE 3B1-3	Roads and stormwater	258,164	Project is dependent on funding from National Treasury and is done in phases to reduces budget demands. Projects to be implemented in the outer years as Phase 333.1 will be implemented in 2022/2023
EX0348	35956472420F 9C69ZZVA	N:TARRING OF DHLAMINI STREET FROM UMZIMV	Roads and stormwater	973,296	Construction Phase. Construction started April 2022 and completion planned for November 2022
EX0349	35956472420F 9C73ZZVA	N:TARRING OF PITSENG AND URANIUM STREETS	Roads ans stormwater	3,752,641	Construction Phase. Construction started April 2022 and completion planned for February 2023
EX0352	35956473020F 9C28ZZSB	N:TARRING OF ROAD IN LAKESIDE PROPER BLO	Roads and stormwater	987,845	Construction Phase. Construction started April 2022 and completion planned for January 2023
EX0528	35956472420F 9C09ZZVA	BLACKTOP ROADS AND SW CHRIS HANI STR	Roads and stormwater	1,287,569	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0529	35956472420F 9C13ZZVA	CONSTRUCTI ON OF THOMAS NKOBI	Roads and stormwater	561,531	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0534	35956472420F 9C65ZZSB	R:CONCRETIN G-STORMWAT ER CHANNEL- ZONE 10	Roads and stormwater	1,191,721	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0616	35956472420G 6D40ZZVA	N:TARRING OF BEGONIA STREET	Roads and stormwater	1,747,697	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0625	35956472420G 6D77ZZVA	N:R & S PIPE AT DR NKOMO IN BOIPATONG	Roads and stormwater	1,550,036	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0628	35956472420G 6D81ZZSB	N:CONSTR OF V/SCHALKVYK STR EATONSIDE	Roads and stormwater	5,296,876	Construction Phase. Construction started April 2022 and completion planned for February 2024

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0678	35956473020F 9D97ZZSB	N:IRONSIDE ROAD 1 STORMWATE R & SIDEWALKS	Roads and stormwater	1,060,314	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0719	35966449420G 6E18ZZVR	SEWER LINE- 3 RIVERS; 3 R-EAST & SOLPARK	Sanitation	7,206,290	Construction Phase but delays due to non-availability of material and completion expected end Sep 2022
EX0721	35966449420G 6E53ZZVR	UPGR UNION STR BULK SEWER IN VEREENIGIN	Sanitation	1,402,800	Design completed and service provider appointed on Turnkey basis in March 2021, but service provider wanted escalated prices and terminated in Nov 2021. New service provider appointed Jul 2022 and completion expected towards end of 2022/2023 FY
EX0724	35966449420G 6E68ZZWM	UPGRADING OF GRAVITY SEWER PIPELINES	Sanitaion	23,058,458	Construction Stage and completion expected end Aug 2022
EX0746	35966449420G 6F93CVVA	COVID-19 CHLORINE DOSING RIETSPRUITW WT	Sanitation	6,350,156	Construction phase with construction started March 2022 and completion expected end June 2022

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				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0817	35966449420G 6F51ZZSB	UPGRADING OUTFALL SWERE ON NORTHERN AREA	Sanitation	1,829,700	Design completed and service provider appointed on Turnkey basis in March 2021, but service provider wanted escalated prices and terminated in Nov 2021. Procurement for replacement service provider expected to be completed by end Sept 2022.
EX0818	35966449420G 6F52ZZWM	UPGRADING SEWER PIPELINE PS8: STILLBOX	Sanitation	1,402,800	Design completed and service provider appointed on Turnkey basis in March 2021, but service provider wanted escalated prices and terminated in Nov 2021. Replacement Contractor expected to be appointed Sept 2022

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0819	35966449420G 6F53ZZVA	SEWERLINER FROM INDUS; BOIP/TSHEPO TO PS4	Sanitation	1,888,600	Design completed and service provider appointed on Turnkey basis in March 2021, but service provider wanted escalated prices and terminated in Nov 2021. Replacement Contractor expected to be appointed Sept 2022
EX0298	35956446020F 9D02ZZVA	R:WATER SUP FRM EVATON RES TO DADEVILLE	Water	3,149,245	Design phase completed and contractor terminated November 2021 after failure to establish site from June 2021. Project will now be implemented as part of Sect 63 Interventions

Emfuleni Local Municipality

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				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0299	35956446020F 9D01ZZVR	N:CONSTR WATER PIPE LETHABONG TO HOUTKOP	Water	1,840,185	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. Technical Report in progress for DWS and then appointment of contractor towards end of 2022/2023 and construction planned over the next 3-5 years
EX0300	35956446020F 9C16ZZVR	N:CONSTR BULK WATER SUP HOUTKOP UNITAS	Water	2,023,165	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0301	35956446020F 9D06ZZVA	N:WATER SUP WESTERN AREA AND VAALOEWER	Water	2,993,204	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0314	35956446020F 9D04ZZVA	N:BULK WATER SUPPLY TSHEPISO TO SHARPVILLE	Water	1,842,849	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. Technical Report in progress for DWS and then appointment of contractor towards end of 2022/2023 and construction planned over the next 3-5 years
EX0357	35956446020F 9D05ZZVR	N:BULK WATER SUPPLY FROM UNITAS RESERVIOR	Water	1,616,595	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2022/2023 FY.
EX0744	35966446420G 6F96CVSB	COVID-19 WATERDAL PRESSU STATION EVA/SBK	Water	222,000	Construction phase with construction started March 2022 and completion expected end June 2022. Progress is very slow and only 25% of the work completed by end June 2022.

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

				2022	2021 Restated
7. Property, plant and equipment (continued)					
EX0745	35966445420G 6F95CVVA	COVID-19 REFURBISHM ENT OF VDB RESERVIORS	Water	3,557,440	Construction phase with construction started March 2022 and completion expected end August 2022
				<u>161,950,405</u>	

Emfuleni Local Municipality

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Figures in Rand

7. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance work executed 2021/2022

Service Sector	Maintenance Description	Maintenance Cost(ELM)	Maintenance Cost(Section Sect 63 Interventions)
Metsi Water	Maintenance on motors, switchgear, cable work, transformers, pump control equipment, servicing telemetry equipment, pumps, pipes, valves& PRV's, chlorine equipment, repair to distribution networks, reservoir drop tests and valves.	59,102,889	5,093,144

Emfuleni Local Municipality

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Figures in Rand

7. Property, plant and equipment (continued)

Metsi Sanitation

Maintenance of
sewer gravity
networks,
repairs of
sewer gravity,
repair of
manholes,
cleaning of
gravity mains
and
management
of spillages.

29,936,086

32,923

Pump Stations & Rising Mains

Maintenance of
rising mains,
repair of
pumps, motor
control units,
telemetry,
pipes and
valves

-

30,344,031

Emfuleni Local Municipality

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Figures in Rand

7. Property, plant and equipment (continued)

Metsi Waste Water Treatment Works

Maintenance on motors, switchgear, cable work, transformers, pumpcontrol 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.	-	3,355,206
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Emfuleni Local Municipality

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Figures in Rand

7. Property, plant and equipment (continued)

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

91,952,557

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Emfuleni Local Municipality

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Figures in Rand

7. Property, plant and equipment (continued)

Roads & Stormwater	mechanisms, replacement of meter boxes, - circuit breakers, wiring and meters. Maintenance of paved roads via patching of potholes, 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.	17,699,207	-
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

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.

6,354,264

-

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Transport Fleet

This is the maintenance of the fleet serving the council's departments	4,366,162	-
	<u>209,411,165</u>	<u>38,825,304</u>

Change in estimate RUL and RV

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
7. Property, plant and equipment (continued)		
Current year effect of change in RUL		2021/22
Community facilities		75,539
Computer equipment		(2,466,317)
Furniture and office equipment- decrease in depreciation		(1,806,115)
Intangible asset		(2,381,039)
Machinery and equipment		(1,917,473)
Roads infrastructure		493,195
Sanitation infrastructure		(722,711)
Solid waste infrastructure - decrease in depreciation		(2,289,300)
Transport assets		(12,251,093)
Water infrastructure		5,637,293
Storm water infrastructure		(37,697)
Electrical infrastructure		920,064
Sports and recreation		(776,380)
Operational building		3,133
Housing		(9,676,048)
		(27,194,949)
Effect in future periods 2022/23		2022/23
Community facilities		75,539
Computer equipment-		(2,466,317)
Furniture and office equipment		(1,806,115)
Intangible assets		(2,381,039)
Machinery and equipment - decrease in depreciation		(1,914,267)
Sanitation infrastructure - increase in depreciation		(722,711)
Solid waste infrastructure - decrease in depreciation		(2,289,300)
Transport assets - decrease in depreciation		(12,251,093)
Water infrastructure - increase in depreciation		5,637,293
Storm water infrastructure - increase in depreciation		(37,697)
Roads infrastructure		493,195
Electrical infrastructure - increase in depreciation		920,064
Sports and recreation - increase in depreciation		(776,380)
Operational buildings - increase in depreciation		3,133
Housing - increase in depreciation		(9,676,048)
		(27,191,743)

At the end of the financial year, the estimated useful lives (EUL) of the assets were reviewed as required by GRAP 17. The assets' condition and performance are the basis for determining whether the estimated EULs/RULs are still reasonable. For any changes in performance and/or condition, as per the verification results or the information obtained from different departments' management, the RULs/EULs are adjusted accordingly. It is however the municipality's policy to adjust the RULs of assets with RULs less than 3 years to 3 years if the assets are still being used by the municipality for service delivery.

The effect of these changes on actual and expected depreciation expense, included in 'Depreciation and amortisation', was as follows:

Recognitions

A total amount of R561 669 859.98 in cost was recognised for assets . This includes an amount of R412 887 731.22 which were developer created assets,R141 362 438.74 which were developer created assets accounted for sd prior year errors, R130 212 109.22 for current year additions and R18 570 019.35 for WIP capitalised.

Derecognitions

Movable assets to the net value of R 249 737 were derecognised during the year 2021/2022

Recognitions – movable assets

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021
Restated

7. Property, plant and equipment (continued)

Movable assets to the amount of R 54 156 427 (own funds) and computers to the value of R53 991 were donated by the Security Company of ELM were recognized during the year

Recognition of EX0333 as a NDPG grant in kind

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 017 021.70 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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
7. Property, plant and equipment (continued)		
Impairment		
Description	2022	2021
Community facilities	(1,352,912)	(1,636,694)
Electrical infrastructure	-	(9,468,280)
Roads infrastructure	(45,136,998)	-
Water infrastructure	(37,563,199)	(81,594,560)
Housing	-	(153,025)
	(84,053,109)	(92,852,559)

Major impacts on Impairments

The useful lives of all asset classes were adjusted during 2021/2022 to more accurately reflect the period of economic benefits or service potential derived from these assets.

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 (cemeteries, roads and reservoirs) provided by Emfuleni Local Municipality asset custodians there were assets that were triggered for impairment testing due to the significant 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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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8. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	997,878,176	-	997,878,176	964,415,931	-	964,415,931

Reconciliation of investment property - 2022

	Opening balance	Disposals	Transfers received	Fair value adjustments	Total
Investment property	964,415,931	(7,857,668)	3,160,004	38,159,909	997,878,176

Reconciliation of investment property - 2021

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	932,492,192	(6,771,391)	38,695,130	964,415,931

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
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 38 158 700.11 was determined based on the valuation roll received from Black Dot Property Consultants (Pty). This resulted in an overall 3.79% escalation in value during the period from 1 July 2021 to 30 June 2022		
Reconciliation of valuation obtained and the valuation included in the financial statements		
Reconciliation of investment property 2022		
Opening balance	1,003,443,785	973,320,363
Proir period error correction of duplicates	(39,027,855)	(3,506,933)
Fair value adjustment	38,159,908	40,401,747
Additions/change in use	3,160,000	-
Disposals	(7,857,663)	(6,771,391)
	<u>997,878,175</u>	<u>1,003,443,786</u>

A correction was done to investment property to remove duplicated investment property and where some township remainders are in principle accounted for as part of property plant and equipment.

The total current market value of the removed properties in the 2022 financial year is R43 230 000 (2021:R42 534 788). These properties were removed from the register at their 2021 closing value.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	13,849,516	-	13,849,516	13,849,516	-	13,849,516
Computer software	36,205,444	(33,266,034)	2,939,410	37,021,501	(32,902,785)	4,118,716
Total	50,054,960	(33,266,034)	16,788,926	50,871,017	(32,902,785)	17,968,232

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	4,118,716	287,000	(88,871)	(1,377,435)	2,939,410
Servitudes	13,849,516	-	-	-	13,849,516
	17,968,232	287,000	(88,871)	(1,377,435)	16,788,926

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	6,245,515	(2,126,799)	4,118,716
Servitudes	13,849,516	-	13,849,516
	20,095,031	(2,126,799)	17,968,232

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

	2022			2021		
	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 2022

	Opening balance	Total
Heritage assets	57,016	57,016

Reconciliation of heritage assets 2021

	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 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
11. Payables from exchange transactions		
Trade payables	6,732,341,023	5,363,737,232
Payments received in advanced	334,613,385	287,050,724
Year-end salary creditors	206,012,169	234,533,144
Accrued leave pay	152,552,341	104,240,263
Retentions	39,057,907	34,721,739
Accrued bonus	28,552,159	28,223,101
Unclaimed wages	2,599,052	2,331,819
Imputed interest	(4,233,745)	(11,457,535)
Other payables	90,585,689	91,492,347
	7,582,079,980	6,134,872,834
12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal infrastructure grant	16,080,851	50,471,732
Projects funded ex Sedibeng district municipality	1,160,599	1,160,599
Sedibeng maintenance grant	1,003,104	1,003,104
Fire & Rescue services grant	595,358	1,600,000
Integrated national electrification grant(INEP)	268,157	4,872,223
Education & training (SETA)	149,895	648,168
Functional fire & rescue service grant	10,903	-
EPWP Grant	-	1,237,243
	19,268,867	60,993,069

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 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
13. Employee benefit obligation		
Post-employment health care benefits		
Post employment health care benefits		
Opening accrued liability	144,570,000	120,465,470
Current-service cost	828,000	824,947
Interest cost	11,825,000	11,981,660
Contributions (benefit paid)	(11,202,977)	(11,584,659)
Actuarial loss/(gain)	(9,277,023)	22,882,582
	136,743,000	144,570,000

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by ZAG Consultants and Actuaries

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date

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

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

1. Changes in economic variables – We used the nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed. This resulted in an overall decrease in the liability of around R 5,500,000

2. Changes in membership and other smaller assumptions – There were various changes in the membership data between the two valuations. The net effect of these and other smaller changes in assumptions and experience was a decrease in the liability of around R 3,777,000

Membership details

In-Service membership at valuation date	Male	Female	Total
Number of in-service members	50	19	69
Average age	57	54	56
Average past service	31	31	31
	138	104	156

Continuation membership at valuation date	Male	Female	Total
Number of principal members	89	146	235
Average age	76	78	77
Average subsidy per month	4,350	4,050	4,160
	4,515	4,274	4,472

Changes in value of obligation

	Current Valuation Date 30-06- 2022	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous Valuation Date	144,570,000	136,743,000	140,331,000	146,127,000
Current Service Cost	828,000	776,000	866,000	966,000
Interest cost	11,825,000	15,151,000	15,597,000	16,181,000
Benefits paid	(11,202,977)	(12,339,000)	(11,667,000)	(11,257,000)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

		2022	2021 Restated
13. Employee benefit obligation (continued)			
Actuarial loss/(gain)	(9,277,023)	-	-
	<u>136,743,000</u>	<u>140,331,000</u>	<u>145,127,000</u>
		<u>145,127,000</u>	<u>152,017,000</u>

Key financial assumptions used

Assumption	Value p.a.
Discount rates	Yield curve
Health care cost inflation rate	C.P.I +1
CPI consumer price inflation	Difference between nominal and yield curves
	4.89%
Net-of-health-care-cost-inflation discount rate	Yield curve based

Key Demographic assumption

Average retirement age	-	62
Continuation of membership at retirement	80%	
Mortality during employment	SA 85-90	
Mortality post employment	PA(90)	

Withdrawal from service (21/22)

Age	Females	Males
20-24	24%	16%
25-29	18%	12%
30-34	15%	10%
35-39	10%	8%
40-44	6%	6%
45-49	5%	5%
50-54	2%	2%
54-59	1%	1%
60+	0%	0%

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

Long service awards

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was done by ZAG Consultants and Actuaries..

Reconciling and projecting the unfunded accrued liability:

Unfunded Accrued Liability

Opening accrued liability	89,952,000	79,424,028
Current service cost	6,274,000	5,470,292
Interest cost	7,472,000	6,177,779
Benefit vestings	(17,482,788)	(6,393,087)
Actuarial loss	12,369,788	5,272,988
	<u>98,585,000</u>	<u>89,952,000</u>

Net Liability to reflect on the Statement of Financial Position:

Net Liability	30 June 2022	30 June 2021
Opening balance	89,952,000	79,424,028
Current Service costs	6,274,000	5,470,292

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
13. Employee benefit obligation (continued)		
Interest cost	7,472,000	6,177,779
Actuarial (gain)/loss	12,369,788	5,272,988
Employer benefit vesting	(17,482,788)	(6,393,087)
	98,585,000	89,952,000

The benefits paid figure above has been estimated based on the data provided by the municipality.

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

Discount rate	11.05%
General earnings inflation rate CPI + 1%	8.34%
Net effective discount rate	7.34%

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.

Consequently the nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%. The next salary increase was assumed to take place on 01 July 2023.

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

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%. The next salary increase was assumed to take place on 01 July 2023.

Key demographic assumptions

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
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13. Employee benefit obligation (continued)

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

Average Retirement Age

The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

The average retirement age for all active employees was assumed to be 65 years.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables., adjusted down for females

Mortality before retirement has been based on the SA 85-90 mortality tables

Withdrawal decrements

Age	Females	Males
20-24	24%	16%
25-39	18%	12%
30-34	15%	10%
35-39	10%	8%
40-45	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Analysis of actuarial (gain)/loss

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

The effect is illustrated by assuming that withdrawals are 50% lower than assumed. The adjustment would result in a 10.43% increase in the accrued liability respectively

Accrued liability as at 30 June 2021	Rand value
Service Cost	89,952,000
Interest Cost	6,274,000
Expected benefit payments	7,472,000
Actuarial loss/(gain)	(17,482,788)
	12,369,788
	98,585,000

Main reasons for the actuarial loss can be attributed to the following:

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2022

2021
Restated

13. Employee benefit obligation (continued)

1. Changes in economic variables – We used the nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed. This resulted in an increase in liability of around R3,643,000.

2. Benefit Payment- at the previous valuation, the actuaries assumed a benefit payment amount of R12,161,000 to be paid out in the financial year. However, the actual benefits paid by the municipality was R17,482,788. This higher-than-expected benefit paid amount results in an increase in actuarial loss of R5,321,111.

3. Membership data changes – Over the past financial year, there were various membership changes in the data with a large decrease in membership. This included a higher-than expected benefit payment amount. This, along with some other smaller changes, resulted in an overall decrease in liability of around R 10,692,000.

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
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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
	<u>24</u>	<u>60</u>

Retirement gifts per level of service of retirement

Completed years of service	Retirement gift value for year ending 30 June 2022
20	10,593
25	14,815
30	18,417
35	25,618
40 and every 5 years thereafter	10,592
	<u>80,035</u>

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.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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	2022	2021 Restated
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14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	154,153,217	24,263,717	(66,765,343)	111,651,591
Legal proceedings	4,963,725	-	-	4,963,725
	159,116,942	24,263,717	(66,765,343)	116,615,316

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	144,492,481	22,743,116	(13,082,380)	154,153,217
Legal proceedings	4,963,725	-	-	4,963,725
	149,456,206	22,743,116	(13,082,380)	159,116,942

Landfill sites

The discount rate of 15.74% 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 2021 to 30 June 2022, should the design have remained the same.

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

Boitshepi : 3.5%

Waldrift : 3.5%

Palm Springs : 3.5%

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 2022 is 26Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2022 is R120 751 985 excluding VAT of 15%.

Waldrift

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
14. Provisions (continued)		
<p>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 area to be closed off at 30 June 2022 is 14Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2022 is R30 259 217.50 excluding VAT of 15%.</p> <p>Palm Springs</p> <p>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.</p> <p>The extent of the property is 100 000Ha and the waste disposal area is 24,9866 Ha</p> <p>The cost to undertake this closure at 30 June 2022 is R41 304 047.75 excluding 15% VAT.</p> <p>The proposed values of the properties to be listed on the Valuation role are as follows</p> <p>On this basis the provisions at 30 June 2022 can be summarised as follows:</p> <p>i) Waldrift landfill site : R30 259 217.50</p> <p>ii) Boitshepi landfill site : R120 751 985</p> <p>iii) Palm springs landfill site: R41 304 047.75</p> <p>Total for rehabilitation as at 30 June 2022 for all three sites at the respective closure dates is estimated at R 192 315 250.25:</p> <p>Total provision for rehabilitation as if closure was at 30 June 2022 in terms of iGRAP 2 for all three landfill sites is:</p> <p>i) Waldrift landfill site : R25 221 258.58</p> <p>ii) Boitshepi landfill site : R80 083 715.26</p> <p>iii) Palm springs landfill site: R6 346 617.33</p> <p>Total: R111 651 591.17</p>		
15. Consumer deposits		
Electricity and water	60,495,312	56,914,226
16. Service charges		
Sale of electricity	2,868,906,429	2,563,293,472
Sale of water	952,820,279	779,741,020
Sewerage and sanitation charges	307,365,981	280,467,155
Refuse removal	190,163,181	170,935,927
	4,319,255,870	3,794,437,574
17. Rental of facilities and equipment		
Premises		
Premises	17,614,356	19,958,697

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
18. Other income		
Industrial effluent	31,824,562	31,542,889
Reconnection fees	28,677,345	6,494,418
Sundries/unallocated income	27,315,525	97,771,315
Cemeteries	9,711,425	12,249,697
General service fees	5,683,803	4,817,702
Capital contribution	2,664,497	277,397
Building plans	1,799,099	1,678,982
Advertising	492,668	554,636
Fire and rescue services	469,367	379,993
Sale of tender documents	415,781	441,894
Refuse dumping landfill site	328,220	119,754
Planning fees	110,825	201,458
Warning services	100,383	108,958
Access to information	16,183	34,545
Entrance fees	7,919	1,025
Staff recoveries	543	-
Deed searches	-	66,250
	109,618,145	156,740,913
19. Finance income		
Interest revenue		
Bank	3,744,783	6,406,075
Interest on arrears	87,923,768	75,582,161
	91,668,551	81,988,236
20. Property rates		
Rates received		
Rates levied	1,016,799,884	915,308,539
Valuations		
Residential	67,669,127,000	69,585,543,000
Business	11,073,388,000	11,050,953,000
Industrial	5,791,928,000	5,790,588,000
State owned properties	2,759,806,000	2,760,106,000
Municipal	1,197,062,000	1,197,062,000
Agricultural	1,370,120,000	1,384,985,000
Other	4,099,619,078	1,267,670,078
	93,961,050,078	93,036,907,078
21. Fines		
Traffic fines	48,550,755	8,890,600
Other fines	623,363	184,818
	49,174,118	9,075,418

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
22. Government grants and subsidies		
Operating grants		
Equitable share	863,881,233	959,112,739
Health and environmental subsidies	41,419,205	41,473,337
Financial management grant	2,100,000	2,000,000
Fire and rescue service grant	7,993,739	-
	915,394,177	1,002,586,076
Capital grants		
Municipal infrastructure grant(MIG)	42,949,150	40,254,268
Library grant	9,170,000	14,638,000
Integrated national electrification programme	17,975,843	698,777
Energy Efficiency Demand Site Management grant	4,400,000	3,600,000
Expanded public works programme(EPWP)	2,016,000	3,305,757
Education and training(SETA)	2,450,199	1,353,956
	78,961,192	63,850,758
	994,355,369	1,066,436,834
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 2021/22 financial year was R 863, 908 000.		
Financial management grant		
Balance unspent at beginning of year	-	13,612
Current-year receipts	2,100,000	2,000,000
Conditions met - transferred to revenue	(2,100,000)	(2,000,000)
Repayment of unspent	-	(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. The amount of R1 312 was set off against the equitable share in 2021/22 financial year.		
Library grant		
Current-year receipts	9,170,000	14,638,000
Conditions met - transferred to revenue	(9,170,000)	(14,638,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
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.		
Education and training SETA		
Balance unspent at beginning of year	648,168	466,367
Current-year receipts	1,951,926	1,535,757
Conditions met - transferred to revenue	(2,450,199)	(1,353,956)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
22. Government grants and subsidies (continued)	149,895	648,168

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)

Balance unspent at beginning of year	4,872,223	-
Current-year receipts	18,244,000	5,571,000
Conditions met - transferred to revenue	(17,975,843)	(698,777)
Repayment of unspent	(4,872,223)	-
	268,157	4,872,223

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. The amount of R4 872 223 which is a roll over from the 2020/21 financial year was set off against equitable in 2021/22.

Project funded ex-Sedibeng District Municipality

Balance unspent at beginning of year	1,160,599	1,160,599
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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 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
22. Government grants and subsidies (continued)		
Municipal infrastructure grant(MIG)		
Balance unspent at beginning of year	50,471,732	117,044,819
Current-year receipts	59,030,000	90,726,000
Conditions met - transferred to revenue	(42,949,150)	(40,254,268)
Repayment of unspent	(50,471,731)	(117,044,819)
	16,080,851	50,471,732

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

To provide specific capital finance for eradicating basic municipal infrastructure backlog for poor house holds, micro enterprises and social institutions servicing poor communities. Improved access to basic services infrastructure for poor communities. The amount of R50 471 732 which is a roll over from 2020/21 was set off against the equitable share in 2021/22. An amount of R120 000 000 was withheld by the transferring department in 2021/22 due to poor spending by the municipality..

Sedibeng maintenance grant

Balance unspent at beginning of year	1,003,104	1,003,104
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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.

Grants in kind

Current-year receipts	-	2,352,984
Conditions met - transferred to revenue	-	(2,352,984)
	-	-

These amounts refer not to monetary value but were received in kind.

Health and environmental subsidies

Current-year receipts	41,419,204	38,247,483
Conditions met - transferred to revenue	(41,419,204)	(38,247,483)
	-	-

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. These amounts are not the actual receipts but the billing from the function by the municipality.

Fire & Rescue services grant

Balance unspent at beginning of year	1,600,000	-
Current-year receipts	-	1,600,000
Conditions met - transferred to revenue	(1,004,642)	-
	595,358	1,600,000

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

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
22. Government grants and subsidies (continued)		
The purpose of this grant is to render effective and efficient Fire and Rescue services through improved Fire and Rescue service response capabilities in line with the Fire Brigade Services Act 99 of 1987 and the South African National Standard on Community Protection against Fire Code and SANS:10090..		
Extended public works programme(EPWP)		
Balance unspent at beginning of year	1,237,243	-
Current-year receipts	2,016,000	4,543,000
Conditions met - transferred to revenue	(2,016,000)	(3,305,757)
Repayment of unspent	(1,237,243)	-
	<u>-</u>	<u>1,237,243</u>

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. The amount of R1 237 243 which is a roll over from 2020/21 was set off against equitable share in 2021/22.

Functional fire and rescue services

Current-year receipts	7,000,000	-
Conditions met - transferred to revenue	(6,989,097)	-
	<u>10,903</u>	<u>-</u>

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

The purpose of the grant is to render efficient and effective fire and rescue services through improving fire and rescue services response capabilities in line with the fire brigade services act 99 of 1987 and the South African National Standard on community protection against fire code SANS:10090.

Energy efficiency and demand site management grant

Current-year receipts	5,000,000	3,000,000
Conditions met - transferred to revenue	(4,400,000)	(3,600,000)
Amount spent but not received	(600,000)	600,000
	<u>-</u>	<u>-</u>

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

To provide subsidies to municipalities to implement energy efficiency and demand management site initiative with municipal infrastructure in order to reduce electricity consumption and improve energy efficiency. ELM received R3 000 000 instead of R3 600 000. The department indicated that the remaining balance will be transferred in the new financial year 2021/22.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
23. Employee related costs		
Basic	647,498,931	640,005,501
Defined contribution plans	124,681,022	123,206,606
Overtime payments	124,489,336	102,696,271
Bonus	49,029,394	46,845,529
Medical aid - company contributions	60,895,484	60,033,754
Group insurance	31,267,896	31,084,574
Car allowance	54,275,828	39,029,831
Acting allowances	26,486,486	20,342,412
Long service awards and medical aid	10,794,463	17,105,225
Leave pay provision charge	53,159,274	26,434,149
Skills development and casualty contributions	10,072,235	7,940,391
Housing benefits and allowances	4,335,575	4,528,811
UIF	4,551,806	4,044,485
Other allowances	15,742,910	14,244,789
	<u>1,217,280,640</u>	<u>1,137,542,328</u>
Remuneration of executive directors		
Municipal manager		
Annual remuneration	1,846,337	1,847,941
Travel, motor car, accommodation, subsistence and other allowances	24,000	24,000
	<u>1,870,337</u>	<u>1,871,941</u>
Chief financial officer		
Annual remuneration	1,520,711	1,520,711
Travel, motor car, accommodation, subsistence and other allowances	18,000	18,000
	<u>1,538,711</u>	<u>1,538,711</u>
Executive director: shared services		
Annual remuneration	1,269,283	1,269,283
Travel, motor car, accommodation, subsistence and other allowances	282,000	282,000
Acting allowance	70,256	7,984
	<u>1,621,539</u>	<u>1,559,267</u>
Executive director: public works		
Annual remuneration	1,231,142	1,231,142
Travel, motor car, accommodation, subsistence and other allowances	162,000	162,000
	<u>1,393,142</u>	<u>1,393,142</u>
Executive director: economic development and planning		
Annual remuneration	-	1,160,560
Travel, motor car, accommodation, subsistence and other allowances	-	236,500
Annual leave	-	103,214
	<u>-</u>	<u>1,500,274</u>
The position was vacant as at the 30 June 2022, the incumbent resigned on 31 May 2021.		
Executive director: public safety and community development		
Annual remuneration	-	1,591,756
Travel, motor car, accommodation, subsistence and other allowances	-	16,500
Acting allowance	-	11,417
Annual leave	-	84,115
	<u>-</u>	<u>1,603,788</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
23. Employee related costs (continued)		
	-	1,703,788
The position was vacant as at the 30 June 2022, the incumbent resigned on 31 May 2021.		
Executive director: infrastructure development & planning		
Annual remuneration	1,212,231	808,865
Travel, motor car, accommodation, subsistence and other allowances	138,000	92,000
	1,350,231	900,865
Chief audit executive		
The position was vacant as at 30 June 2022.		
Head of revenue		
The position was vacant as at 30 June 2022.		
Chief risk officer		
The position was vacant as at 30 June 2022		
24. Remuneration of councillors		
Executive Major	1,329,082	1,394,650
Mayoral Committee Members	9,673,355	11,059,504
Speaker	1,092,457	1,134,888
Councillors	44,733,516	43,055,781
	56,828,410	56,644,823
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and the Speaker of the Council have the right of use of Council owned vehicles for official duties.		
25. Bulk purchases		
Electricity - Eskom	2,513,979,543	2,166,629,095
Water	1,043,810,712	1,056,345,628
	3,557,790,255	3,222,974,723
26. Finance costs		
Interest: long service awards	7,472,000	6,177,779
Imputed interest realised	11,457,535	7,541,229
Interest: external borrowings and creditors	375,379,700	191,982,688
	394,309,235	205,701,696

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
27. General expenses		
Restructuring	149,612,997	399,210,814
Hire	72,439,027	57,611,296
Consulting and professional fees	518,458,792	30,451,026
Other expenses	53,631,334	70,067,125
Insurance	42,147,944	35,650,505
Venue expenses	16,455,162	5,298,961
Secretarial fees	14,626,839	30,507,439
Auditors remuneration	7,935,955	8,713,209
Software expenses	6,091,658	4,655,048
Postage and courier	4,763,306	6,590,842
Printing and stationery	5,532,775	2,632,991
Bank charges	3,187,509	1,083,775
Uniforms	2,085,388	1,329,293
Special projects	1,424,363	-
Advertising	669,239	4,593,490
Commission paid	603,409	230,615
Telephone and fax	48,195	4,135,174
Departmental Charges	(3)	-
	899,713,889	662,761,603
28. Cash generated from operations		
(Deficit) surplus	(1,566,609,552)	108,584,571
Adjustments for:		
Depreciation and amortisation	635,188,547	585,837,700
Fair value adjustments	(38,157,613)	(40,402,403)
Grant in kind	(314,792,188)	(1,517,390,366)
Non cash relating to repairs and maintenance	41,195,882	329,022,444
Debt impairment	1,355,131,674	1,080,096,708
Loss on sale of assets	31,639,048	190,115,254
Movements in provisions	5,439,576	44,452,107
Landfill site gains	(42,501,626)	-
Changes in working capital:		
Inventories	(8,672,060)	(3,708,791)
Trade and other receivable from exchange transactions	(1,120,165,470)	(1,047,601,025)
Other receivables from non-exchange transactions	19,409,666	(718,066,308)
VAT receivable	(271,200,227)	(277,602,816)
Payables from exchange transactions	1,447,207,148	1,481,189,514
Unspent conditional grants and receipts	(41,724,202)	(58,734,740)
(Decrease)/increase in current borrowings	-	(2,061,807)
Prior year corrections	-	(9,136,451)
	131,388,603	144,593,591
29. Financial instruments disclosure		
Categories of financial instruments		
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/liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:		
2022		
Financial assets		

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
29. Financial instruments disclosure (continued)		
	At amortised cost	Total
Trade and other receivables from exchange transactions	606,945,666	606,945,666
Other receivables from non-exchange transactions	267,478,570	267,478,570
Cash and cash equivalents	129,403,314	129,403,314
	<u>1,003,827,550</u>	<u>1,003,827,550</u>
Financial liabilities		
	At amortised cost	Total
Consumer deposit	60,495,312	60,495,312
Trade and other payables from exchange transactions	7,582,079,980	7,582,079,980
	<u>7,642,575,292</u>	<u>7,642,575,292</u>
2021		
Financial assets		
	At amortised cost	Total
Trade and other receivables from exchange transactions	450,887,180	450,887,180
Other receivables from non-exchange transactions	677,912,937	677,912,937
Cash and cash equivalents	269,479,407	269,479,407
	<u>1,398,279,524</u>	<u>1,398,279,524</u>
Financial liabilities		
	At amortised cost	Total
Consumer deposits	56,914,226	56,914,226
Trade and other payables from exchange transactions	6,134,872,834	6,134,872,834
	<u>6,191,787,060</u>	<u>6,191,787,060</u>
<p>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.</p>		
2022		
	At amortised cost	Total
Less than 1 year	-	-
Trade and other payables from exchanged transactions	7,582,079,980	7,582,079,980
Consumer deposit	-	-
Between 2 and 5 years	-	-
Consumer deposit	60,495,312	60,495,312
	<u>7,642,575,292</u>	<u>7,642,575,292</u>
2021		
	At amortised cost	Total

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
29. Financial instruments disclosure (continued)		
Less than 1 year	-	-
Trade and other payables from exchanged transactions	6,134,872,834	6,134,872,834
Between 2 and 5 years	-	-
Consumer deposit	56,914,226	56,914,226
	<u>6,191,787,060</u>	<u>6,191,787,060</u>

Credit risk

The following information relates to derivative financial instruments included in other financial assets and other financial liabilities:

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	<u>299,509,874</u>	<u>217,369,503</u>
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Authorised operational expenditure

Already contracted but not provided for

• Approved and contracted	27,055,599	13,457,079
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Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
31. Contingencies		
Contingent liabilities		
Civil matters:		
	2022	2021 Restated
Description		
Megazone	154,000,000	154,000,000
Buzaphi	98,848,870	-
Vaal show society	80,000,000	80,000,000
MBD Transaction Capital	33,886,984	-
AL Mphago civil construction	17,111,888	17,111,888
Aphane consulting	-	7,797,674
David Maartins and others	7,367,115	-
Setheo	-	7,453,461
Old apostolic church	5,500,651	5,500,651
Tejulene	3,707,895	-
JM Mncwango	3,469,378	-
NURCHA Development finance	3,187,346	3,187,346
Ndaramawe building construction	2,725,594	2,725,594
Inhlavuka consultation cc	2,419,156	2,419,156
Seriti Maluleke attorneys	1,787,495	1,787,495
Phale	1,000,000	1,000,000
Swift Power cc	992,575	-
Divinity trading	724,794	724,794
ERWAT	-	608,619
King and associate engineering cc	536,361	536,361
Sungu Sungu projects	433,281	433,281
Potwig property investments	390,000	390,000
Kgakgadumo	235,000	-
MT Teleko	230,000	230,000
McLean	200,000	200,000
I McLeod	50,186	50,186
B Hanyane	46,444	46,444
Darren Phather	38,474	38,475
AU Kingdom	-	34,097
MJ Makume	-	25,990
M Moeti	22,157	22,157
	418,911,644	286,323,669

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 R138 781 497.92(2020/21: R127 776 830).

Contingent liabilities (Insurance)

During the 2021/22 financial year, the municipality encountered insurance claims amounting to R2 326 666(2020/21: R7 964 695)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
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32. Related parties

Section 56 Managers

Councillors

Section 56 managers received compensation as set out in note 23

No remuneration was paid to families of Section 56 managers.

Members of council received compensation as set out in note 24

No remuneration was paid to family members of councillors

33. Correction of error

During the 2020/21 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 2019/20	7,241,492,724
Adjustments for 2019/20 and prior	9,544,120
Restated balance for 2019/20	7,251,036,844
Surplus/(deficit) for the period 2020/21 reported	108,584,571
Adjustments 2020/21	(529,959)
Restated balance for 2020/21	7,359,091,456

Statement of financial performance - 2020/21

Other income	15,809,094
Property rates	21,663,198
Landfill sites gains	(12,923,511)
Donations	(29,788,052)
Government grants and subsidies	(3,225,854)
Service charges	327,115,048
Contracted services	13,705,321
Depreciation	3,424,382
General expenses	(337,911,407)
Bulk electricity	309,574
Finance cost	473,242
(Loss)/gain on sale of assets	172,306
Fair value adjustments	1,706,618
	529,959

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
33. Correction of error (continued)		
Statement of financial performance 2019/20		
Service charges	(5,101,056)	
Rental - Rustervaal	5,601,920	
Donations	(111,574,386)	
Bulk purchases	(291,856)	
Contracted services	(3,069,307)	
Finance cost	3,996,412	
(Loss)/gain on sale of assets	2,521,405	
Business and finance management consultants	677,026	
Legal cost and litigation	35,540,277	
Hire charges	8,890	
Licenses and permits	591,208	
General expenses	800,309	
Breach of contract	293,588	
Transport assets fleet	(50,300)	
Depreciation	19,683,579	
Fair value adjustment	40,828,171	
	<u>(9,544,120)</u>	

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022			2021 Restated
33. Correction of error (continued)				
	Balance 2020/21	Adjustment 2019/20	Adjustment 2020/21	Restated balance 2020/21
Cash and cash equivalents	269,479,407	-	-	269,479,407
Trade and other receivables from non-exchange	688,688,490	(5,738,735)	(5,036,819)	677,912,936
Trade and other receivables from exchange transactions	453,277,814	(1,060,909)	(1,329,725)	450,887,180
Inventory	24,695,148	-	-	24,695,148
VAT receivable	803,357,109	(587,431)	1,965,753	804,735,431
Property, plant and equipment	10,682,146,974	89,369,402	23,826,300	10,795,342,676
Investment property	1,006,950,719	(40,828,171)	(1,706,618)	964,415,930
Intangible assets	17,968,231	-	-	17,968,231
Heritage assets	57,016	-	-	57,016
Sanlam shares	16,570	-	-	16,570
Trade and other payables	(6,076,091,810)	(40,532,172)	(18,248,850)	(6,134,872,832)
Unspent conditional grants	(60,993,069)	-	-	(60,993,069)
Employee benefits	(23,736,000)	-	-	(23,736,000)
Consumer deposits	(56,914,226)	-	-	(56,914,226)
Employee benefit obligation	(210,786,000)	-	-	(210,786,000)
Provisions	(168,039,078)	8,922,136	-	(159,116,942)
	7,350,077,295	9,544,120	(529,959)	7,359,091,456

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.

Revenue from non-exchange transactions

Donations

Developer created assets completed and transferred to municipality. Should have been capitalised in previous years - now capitalised.

Private entity developer contributions in kind.

Provincial Health claims

Health claims (Provincial and Sedibeng) understated in previous year, now adjusted

Rental

Overstatement of rental Ruster Vaal overstated in previous year now corrected.

Other

A recovery of VAT was performed

Emfuleni Local Municipality

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2022

2021
Restated

33. Correction of error (continued)

Votenummer 34113201350F7MRCZZWM - PPE Infra:solid waste infrastructure gains was incorrectly mapped to other income instead of Landfill site Gains/Losses on CaseWare, in the 2021 financial year. The value under other income should therefore be R15 908 094 and the value under Landfill site gains (solid waste infrastructure gains) should be (R12 923 511)

Expenditure

Legal costs and litigation

Legal advice and cost that was not accounted for previously

Contracted services

Accrual of various payments to service providers.

Loss/Gain on sale of asset

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

Finance cost

Interest paid on overdue accounts due to late payments previous years now accounted for

Various judgements against Emfuleni and the payables included interest

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

Audit adjustment to depreciation not accounted for, now adjusted

Bulk services - Eskom and Randwater

Correction of statement of ESKOM and Randwater account.

Breach of contract

Penalty paid for the early settlement of vehicle

Stale cheques

Cancellation of stale cheques of previous years

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.

Investment Properties

Emfuleni Local Municipality

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Restated

33. Correction of error (continued)

Duplications on investment properties removed, resulting in adjustments in fairvalue of Investments property

Intangible assets

During 2021 some of the depreciation items were linked to cost and some of the cost items were linked to depreciation and caseware therefore the cost and the accumulated depreciation are now restated.

Commitments

Under note 43 Commitments, the amount was adjusted to R217 369 503. It was incorrectly disclosed as R114 557 864 in the 2020/2021 financial year

Trade and other receivables - exchange and non-exchange transactions

An adjustment on the accounting for Indigent subsidies were made

Emfuleni Local Municipality

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2022

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Restated

34. Risk management

Financial risk

The municipality's activities expose to the following risks:

- Credit risk
- Liquidity risk
- Market 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.

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
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34. Risk management (continued)

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.

	Less than 1 year	Between 2 and 5 years	Over 5 years
30 June 2022			
Trade and other payables from exchanged transactions	7,582,079,980	-	-
Consumer deposits	-	60,495,312	-
Finance lease obligations	-	-	-
Long term loans	-	-	-
	-	-	-
	-	-	-
	-	-	-
	7,582,079,980	60,495,312	-
At 30 June 2021			
Trade and other payable from exchange transactions	6,134,872,840	-	-
Consumer deposits	-	56,914,226	-
Finance lease obligations	-	-	-
Long term loans	-	-	-
	-	-	-
	6,134,872,840	56,914,226	-

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
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34. 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 endeavoured 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:

Financial instrument	2022	2021
Cash and cash equivalents	129,403,314	269,479,407
Receivables from exchange transactions	606,945,666	450,887,180
Receivables from non-exchange transactions	267,478,570	677,912,937

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.

Financial sustainability and liquidity management

The Emfuleni Municipality has been unable to meet all of its current obligations i.e. paying the service providers within 30 days after receipt of invoices and therefore has contravened Section 65 of the M.F.M.A Act 56 of 2003. Persistent cashflow constraints resulting from the accumulation of trade payables and low cash backed reserves aggravated the situation.

As mitigation for the challenges, Emfuleni has approved a Revenue Enhancement strategy, which outlines the various optimisation measures in its efforts to enhance the liquidity and financial health position of the municipality.

National Treasury has developed a Financial Recovery Plan as a turnaround initiative. Weekly meetings are held to report on the various identified key activities.

The municipality is focussing on implementing the various strategies aggressively to try and shorten the turnaround recovery period.

The outbreak of the Coronavirus pandemic has also aggravated the financial situation of the municipality. Financial markets and industries were negatively impacted, and the unemployment figures increased enormously, resulting in increased exposures to financial risk. Credit control measures were relaxed, and this had a negative impact on collections. The collection rate has recently started to stabilise but there is still a long way to go

35. Going concern

We draw attention to the fact that at 30 June 2022 the municipality has an accumulated deficits of R5 792 481 893 and that the municipality's total assets amount to R13 806 269 368 and exceeds the total liabilities of R8 013 787 475 by 5 792 481 893 however cash available is a great 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.

Emfuleni Local Municipality

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35. Going concern (continued)

Assessment of going concern

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 and the impact of the Covid-19 pandemic.

The Gauteng Provincial Executive has intervened at the Emfuleni Local Municipality in terms of Section 139 (1) (b) and Section 139 (5) (a) of the Constitution read with Section 139 on the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003).

The municipality has adopted the four (4) pillars turnaround strategy in the Financial Viability Plan in addressing going concern issues experienced by the municipality. These pillars are Improve collection, reduce distribution losses, saving on expenditure and credible indigent register. The four (4) pillar turnaround strategy was further enhanced with an imposition of the Financial Recovery Plan (FRP) by Gauteng Provincial Government through section 139 (5) (a) of the Constitution of the Republic of South Africa. The Financial Recovery Plan (FRP) consists of eight (8) strategic pillars which are:

1. Strategy One: Governance and Stakeholder Management
2. Strategy Two: Service Delivery Model
3. Strategy Three: Human Resource Management & Organisational Restructuring
4. Strategy Four: Economic Development
5. Strategy Five: Financial Planning and Credible Budgeting
6. Strategy Six: Financial Management
7. Strategy Seven: Revenue Management and Enhancement
8. Strategy Eight: Service Delivery and Infrastructure Developments

Factors that formed part of the assessment

1. Financial

Huge challenges with respect to cash flow status, largely due to non-payment of services due to various structural factors and one of them is the high unemployment rate (61 %) in the region. The Global Covid-29 pandemic further aggravated the financial position of the municipality as there was impact on revenue collection. More worrying is that 61% of Emfuleni's population earns less than R3,300 per month.

On the 14th December 2020 the municipality signed a debt repayment agreement with Rand Water and this necessitated the municipality to restructure the liabilities. However, the municipality is still facing challenges to service Eskom debt due to liquidity challenges. During the financial year there has been an extra effort to pay the debt of other creditors to ensure sustainable service delivery.

2. Impact of Covid-19 pandemic

Covid 19 pandemic continues to be a challenge for the revenue collection during the 2021/2022 financial year. While in terms of Disaster Act credit control was not allowed, however during the financial year full credit control was resumed 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 that then occurred. These job losses then also contributed to a loss in income. It is estimated that approximately 61% of the resident 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.

3. Institutional

Emfuleni Local Municipality

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Restated

35. Going concern (continued)

Together with the outbreak of the Covid 19 pandemic, employees were obliged to stay home and then with level 4 only the most essential employees were called back to duty. Because the business of the day could not continue as would have been in Covid-19's absence, no vacancies resulting from deaths, termination of contracts, retirements etc. could be addressed and no vacant posts were filled.

4. Infrastructure and service delivery

The infrastructure of Emfuleni is in an extreme dilapidated condition due to age and lack of maintenance. The lack of finances prevented the municipality to properly maintain the infrastructure, with the result that many areas were bombarded with water and electricity breakdowns. The already panic-struck communities had to deal with that too. Waste removals were not done regularly also due to the poor maintenance of the relevant trucks. Most of the breakdowns could not be properly attended to and therefore also impacted on the service delivery to residents.

The abovementioned lack of finances, institutional capacity, condition of infrastructure and Covid-19 pandemic impacted heavily on the service delivery. Accounts were billed and sent out and credit control resumed in the financial however the job losses as a result Covid 19 continued.

Mitigating factors

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 the following mitigating factors have been implemented and are present to reduce the risk of the going concern assumption not being valid:

1. Intervention

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 the implementation of the Financial Viability Plan in an effort to rescue the municipality and place it back on a fully financially viable level. Currently weekly progress on the three pillars identified is monitored and followed-up. The Administration Team was further enhanced by Gauteng Provincial Government by further seconding two more administrators. Furthermore, Gauteng Provincial Government invested financial resources by appointing service providers to resurface various roads in the municipal region. It must be noted that these financial resources were not directly appropriated into the municipal budget.

2. Levying of fixed revenue base

Emfuleni Municipality continued to levy Property Rates monthly. It should be noted that Property Rates is a fixed revenue base. The revenue from Property Rates levied was R1 039 090 716 for the 2021/2022 financial year

3. Other

The accumulated surplus of the municipality was R5,828,042,459 at yearend. The total assets amounted to R13 793 282 718. The total assets exceed the liabilities with R6 280 109 415

4. Budgetary control

Monthly budget vs actual reports are forwarded to each section and explanations of overspending are requested. Expenditure control is enforced. Various financial reports are submitted monthly to Council. Included in these reports is the Cost Containment, Section 71 and Cashflow to mention only a few

5. Revenue War Room and credit control

After the establishment of the Integrated Revenue War Room, the municipality has developed an Integrated Revenue Management Master Plan. Gauteng Provincial Government also appointed a revenue management specialist to assist and advise with the implementation of the integrated revenue management master plan.

6. Institutional

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021 Restated
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35. Going concern (continued)

The staff component is improving. Staff is returning to their workplaces as and when the workplace conditions are becoming Covid-19 compliant.

Conclusion and warranty

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 utilization of the current employees and the implementation of the Finance Viability Plan the municipality can operate as a going concern

36. Events after the reporting date

1. The Beijing Fuxing Xiao Cheng Electronic Technology Stock Co Limited JV Ole Power Systems (BFX-OLE)

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 2022 - the date that the Municipal Manager signed the statements to be submitted to the Auditor General.

EX0724 upgrading outfall sewer on northern area(Sewer line through Unitas Park to pump station 3D) - Project was completed 20 August 2022 at a value approximately R14 000 000.

2. Landfill sites

Waldrift and Boitshepi landfill sites:

Directives and Decisions in terms of section 24G of the National Environmental Management Act, 107 of 1998 regarding the unlawful operation of the Waldrift and Boitshepi Landfill sites were received from Gauteng Province Agriculture and Rural Development. The signage date of the Directives is 20 July 2022 and ELM received the documents after that date. The Directive and Decision documents are therefore non-adjusting events under events after reporting date as there were no financial implications stipulated on the documents.

3 Attached bank account

The municipality is currently having cash flow challenges which are well known and historical. The cash flow challenges results in the municipality unable to pay within 30 days. Service providers from time to time take measures to collect the amount due to them. Some send letters of demand and other stop providing their services.

In November 2022 Eskom and Rand Water attached Municipal bank account to try and recover a portion of the amount outstanding. Eskom's attachment was challenged in court. The Rand Water attachment was lifted with the understanding that negotiations will continue to find an amicable solution. The municipality always endeavor to Pay Eskom and Rand Water on time but high infrastructure losses for both services make it difficult to recover revenue to service the debt including non-payment by consumers of service.

37. Unauthorised expenditure

Opening balance as previously reported	4,804,669,473	2,655,045,638
Correction of prior period error	-	997,138,981
Opening balance as restated	4,804,669,473	3,652,184,619
Add: Expenditure identified - current	2,708,864,475	1,152,484,854
Closing balance	7,513,533,948	4,804,669,473

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
37. Unauthorised expenditure (continued)		
Details of unauthorised expenditure		
Public works	1,232,146,286	797,814,520
Financial services	484,617,909	213,512,832
Public safety and community development	84,480,862	-
Political office	-	111,583,227
Shared services	459,612,004	29,574,274
Office of Municipal Manager	448,007,414	-
	<u>2,708,864,475</u>	<u>1,152,484,853</u>
38. Fruitless and wasteful expenditure		
Opening balance as previously reported	902,698,406	503,072,029
Correction of prior period error	-	208,208,713
Opening balance as restated	<u>902,698,406</u>	<u>711,280,742</u>
Add: Expenditure identified - current	827,881,210	191,417,664
Closing balance	<u>1,730,579,616</u>	<u>902,698,406</u>
39. Irregular expenditure		
Opening balance as previously reported	651,154,294	571,064,672
Opening balance as restated	<u>651,154,294</u>	<u>571,064,672</u>
Add: Irregular Expenditure - current	232,305,800	60,321,629
Less: Amounts recoverable - current	-	19,767,993
Closing balance	<u>883,460,094</u>	<u>651,154,294</u>
40. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	716,120	709,901
Amount paid - current year	(716,120)	(709,901)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Opening balance	17,137,981	15,995,977
Current year subscription / fee	223,886,531	206,415,098
Amount paid - current year	(205,502,847)	(189,277,117)
Amount paid - previous years	(17,137,981)	(15,995,977)
	<u>18,383,684</u>	<u>17,137,981</u>
Pension and Medical Aid Deductions		
Opening balance	14,934,648	14,469,833
Current year subscription / fee	293,433,618	287,964,906
Amount paid - current year	(278,903,676)	(273,030,257)
Amount paid - previous years	(14,934,649)	(14,469,834)
	<u>14,529,941</u>	<u>14,934,648</u>

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	2022	2021 Restated
40. 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 2022:		
30 June 2022		Outstanding more than 90 days
Kantso MD		38,584
Mkhubeni DP		27,869
Mokhele SG		91,262
Mokolopo MD		72,147
Mollo DS		37,048
Nhlapo PJ		66,998
Radebe SMS		3,796
Sandamela AG		2,420
		340,124
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

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	464,682,461	488,336,253
Rand value	598,556,898	527,403,154
%	23%	21.87%
Water		
Kiloliter	68,726,884	58,724,502
Rand Value	733,720,550	592,530,225
%	63.7%	57%

Emfuleni Local Municipality

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Notes to the Annual Financial Statements

	2022	2021 Restated
41. 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	<u>48,315,288</u>	<u>96,790,295</u>

42. Segment information

General information

The municipality is organised and operates in four key functional segments (or business units). Segments were identified based on the MFMA S71 monthly budget statements that are reviewed by the executive management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered and the target market, in a standardised format, and is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18 Management uses these same segments for determining strategic objectives.

Revenue and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The five key business units/segments are:

- Governance and Administration which includes Executive Mayor, Municipal Manager and Shared Services.
- Finance
- Community and public safety which include community and social services, sport and recreation, public safety, health, and housing services.
- Economic and environmental services which includes planning and development, road transport and environmental protection services.
- Trading services which include electricity, water management, wastewater management and waste management services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Accounting policy and measurement basis

The accounting policies of the reportable segments are the same as the municipality's accounting policies

Aggregation

Segments are aggregated for reporting purposes when management considered that the economic characteristics and nature or services warrant aggregation.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

42. Deviation from supply chain management regulations (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community and public safety	Economic and environmental services	Trading services	Non-segments/non allocation	Total
Revenue					
Revenue from non-exchange transactions	10,609,175	54,684,578	4,387,814,690	114,424,311	4,567,532,754
Revenue from exchange transactions	113,050,449	97,308	99,564,700	2,141,777,209	2,354,489,666
Interest revenue	-	84,073	70,952,588	20,631,890	91,668,551
Total segment revenue	123,659,624	54,865,959	4,558,331,978	2,276,833,410	7,013,690,971
					7,013,690,971
Expenditure					
Total segment expenses	701,283,194	73,762,537	5,345,664,954	1,633,505,190	7,754,215,875
Depreciation and amortization	28,416,135	40,955,674	104,238,155	258,165,460	431,775,424
Interest expenses	-	-	-	394,309,225	394,309,225
Total segment expenditure	729,699,329	114,718,211	5,449,903,109	2,285,979,875	8,580,300,524
Total segmental surplus/(deficit)					(1,566,609,553)
Assets					
Segment assets	8,327,356	-	185,108,008	355,206,715	548,642,079
Total assets as per Statement of financial Position					548,642,079

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

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:

Emfuleni Local Municipality

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Restated

42. Deviation from supply chain management regulations (continued)

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43. Budget differences

Material differences between budget and actual amounts

Service charges - No material variance

Rental of facilities and equipment - Rental of facilities and equipment better than projections at mid-year. The budget was reduced at mid-year informed by recorded transactions as at mid-year.

Licenses and permits - Licences and Permits is better than projections at mid-year. The budget was reduced at mid-year informed by recorded transactions as at mid-year.

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 - These cannot be estimated at the time of budgeting and are not provided for

Actuarial gains - These cannot be estimated at the time of budgeting and are not provided for

Fines - More fines were written out than anticipated.

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

Other income - Other Revenue is more than projections at mid-year. The budget was reduced at mid-year informed by recorded transactions as at mid-year.

Property rates -Tariff increase and Increase in property values

Fines - Less fines were written due to the expired contract for the traffic back office.

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 - No material variance.

Employee related costs - Vacant but funded posts..

Remuneration of councillors - not material

Bulk purchases - High distribution losses led to the overspent on bulk water and electricity costs.

Debt Impairment - The budgeted debt impairment was nased on the targted collection rate which did not materialise.

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.

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2022

2021
Restated

43. Budget differences (continued)

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.

44. Impact of Covid-19 pandemic

Covid 19 pandemic continues to be a challenge for the revenue collection during the 2021/2022 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.

45. New standards and interpretations

45.1 Standards and interpretations effective and adopted in the current year

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:

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45. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	01 April 2020	Not applicable at this stage
GRAP 35: Consolidated Financial Statements	01 April 2020	Not applicable at this stage
GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Not applicable at this stage
GRAP 37: Joint Arrangements	01 April 2020	Not applicable at this stage
GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Not applicable at this stage
GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Not applicable at this stage
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 19: Liabilities to Pay Levies	01 April 2019	Not applicable at this stage
IGRAP 20: Accounting adjustments to Revenue	01 April 2019	Applicable with changes in accounting estimates and correction of error under certain circumstances as well fines where applicable
GRAP 18 : Interpretation of Standards of GRAP on recognition And derecognition of Land	01 April 2019	Not applicable at this stage

45.2 Standards, interpretations and guidelines issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 21 : Effect of past decisions on materiality	01 April 2023	Not applicable at this stage
Guideline on the application of materiality	01 April 2023	Not applicable at this stage