



**EMFULENI**  
LOCAL MUNICIPALITY

Vaal River City, the Cradle of Human Rights

**Emfuleni Local Municipality**  
**Annual Financial Statements**  
**for the year ended 30 June 2023**

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Mayoral committee

Executive Mayor	SMS. Radebe
Speaker	SD. Soxuza
Chief whip	MB. Jantjie
Members of mayoral committee	
MMC - Infrastructure planning and development	E. Nzima
MMC - Public safety	ER. Mokoena
MMC - Shared services	MM. Serapelo
MMC - Health and social development	MR. Lesaoana
MMC - Finance and revenue	HM. Mako
MMC - Environmental management and planning	J. Radebe

### Accounting Officer

A. Ntuli

### 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  
Vanderbijlpark  
1900

### Telephone number

016 950 5000

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

# **Emfuleni Local Municipality**

Annual Financial Statements for the year ended 30 June 2023

## **Accounting Officer's responsibilities and approval**

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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.

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**A. Ntuli**  
**Accounting Officer**

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	85,163,617	129,403,797
Receivables from exchanged transactions	3	822,671,367	602,273,637
Receivables from non-exchange transactions	4	326,017,656	231,129,302
Inventories	5	38,793,979	33,367,208
Value added tax	6	1,380,325,164	1,069,226,140
		<b>2,652,971,783</b>	<b>2,065,400,084</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	10,418,878,076	10,682,457,048
Investment property	8	987,884,552	990,468,176
Intangible assets	9	15,736,662	16,788,928
Heritage assets	10	57,016	57,016
Sanlam shares		15,755	14,275
		<b>11,422,572,061</b>	<b>11,689,785,443</b>
<b>Total Assets</b>		<b>14,075,543,844</b>	<b>13,755,185,527</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	9,519,733,285	7,534,289,226
Unspent conditional grants and receipts	12	48,633,816	19,268,867
Employee benefit obligation	13	27,347,000	20,885,000
		<b>9,595,714,101</b>	<b>7,574,443,093</b>
<b>Non-Current Liabilities</b>			
Provisions	14	175,790,481	116,615,316
Consumer deposits	15	63,483,000	60,495,312
Employee benefit obligation	13	188,917,000	214,443,000
		<b>428,190,481</b>	<b>391,553,628</b>
<b>Total Liabilities</b>		<b>10,023,904,582</b>	<b>7,965,996,721</b>
<b>Net Assets</b>		<b>4,051,639,262</b>	<b>5,789,188,806</b>
Accumulated surplus		4,051,639,262	5,789,188,806
<b>Total Net Assets</b>		<b>4,051,639,262</b>	<b>5,789,188,806</b>

\* See Note 34

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	4,369,049,195	4,321,935,248
Landfill sites gains		-	62,131,767
Rental of facilities and equipment	17	15,437,113	14,472,591
Trade and other licenses		160,665	123,110
Other income	18	90,427,419	100,680,393
Finance income	19	117,090,307	91,669,033
Fair value adjustments		-	38,157,613
Actuarial gains		31,308,987	-
<b>Total revenue from exchange transactions</b>		<b>4,623,473,686</b>	<b>4,629,169,755</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	1,148,120,473	1,016,799,884
Donations		53,100,877	319,766,185
Fines	21	408,342,724	49,174,118
<b>Transfer revenue</b>			
Government grants & subsidies	22	1,164,504,347	994,355,369
<b>Total revenue from non-exchange transactions</b>		<b>2,774,068,421</b>	<b>2,380,095,556</b>
<b>Total revenue</b>		<b>7,397,542,107</b>	<b>7,009,265,311</b>
<b>Expenditure</b>			
Employee related costs	23	(1,246,953,392)	(1,205,455,640)
Remuneration of councillors	24	(63,541,721)	(56,828,410)
Landfill site losses		(55,713,530)	(24,263,716)
Depreciation and amortisation		(617,455,767)	(635,200,136)
Finance costs	26	(628,268,780)	(406,337,288)
Debt Impairment		(1,514,134,138)	(1,355,131,674)
Loss/gain on sale of assets		(26,549,429)	(39,049,048)
Bulk purchases	25	(4,124,868,885)	(3,583,890,774)
Contracted services		(430,894,483)	(445,671,339)
Imputed interest		8,171,715	4,233,745
Fair value adjustments		(4,797,697)	-
Actuarial losses		-	(3,092,765)
General Expenses	27	(430,085,544)	(870,739,130)
<b>Total expenditure</b>		<b>(9,135,091,651)</b>	<b>(8,621,426,175)</b>
<b>Deficit for the year</b>		<b>(1,737,549,544)</b>	<b>(1,612,160,864)</b>

\* See Note 34

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2022</b>	<b>7,401,349,670</b>	<b>7,401,349,670</b>
Changes in net assets		
Surplus for the year	(1,612,160,864)	(1,612,160,864)
Total changes	(1,612,160,864)	(1,612,160,864)
<b>Restated* Balance at 01 July 2022</b>	<b>5,789,188,806</b>	<b>5,789,188,806</b>
Changes in net assets		
Surplus for the year	(1,737,549,544)	(1,737,549,544)
Total changes	(1,737,549,544)	(1,737,549,544)
<b>Balance at 30 June 2023</b>	<b>4,051,639,262</b>	<b>4,051,639,262</b>
Note(s)		

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

	2023	2022
	Note(s)	Restated*
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	3,029,270,435	2,982,532,664
Grants	1,161,694,381	952,631,167
Interest income	25,083,960	28,321,998
Other receipts	985,929,172	1,284,134,322
	<u>5,201,977,948</u>	<u>5,247,620,151</u>
<b>Payments</b>		
Employee costs	(1,346,523,113)	(1,273,303,050)
Suppliers	(2,478,314,232)	(2,572,765,149)
Finance costs	(598,102,035)	(386,837,243)
Other payments	(498,124,930)	(887,449,037)
	<u>(4,921,064,310)</u>	<u>(5,120,354,479)</u>
<b>Net cash flows from operating activities</b>	28 <b>280,913,638</b>	<b>127,265,672</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	7 (327,771,669)	(270,635,368)
Purchase of other intangible assets	9 (369,837)	(287,000)
<b>Net cash flows from investing activities</b>	<b>(328,141,506)</b>	<b>(270,922,368)</b>
<b>Cash flows from financing activities</b>		
Movement in Consumer Deposits	2,987,688	3,581,086
<b>Net cash flows from financing activities</b>	<b>2,987,688</b>	<b>3,581,086</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(44,240,180)</b>	<b>(140,075,610)</b>
Cash and cash equivalents at the beginning of the year	129,403,797	269,479,407
<b>Cash and cash equivalents at the end of the year</b>	2 <b>85,163,617</b>	<b>129,403,797</b>

The accounting policies on pages 10 to 33 and the notes on pages 34 to 74 form an integral part of the annual financial statements.

\* See Note 34



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	4,660,845,991	(120,932,407)	<b>4,539,913,584</b>	4,369,049,195	<b>(170,864,389)</b>	43
Rental of facilities and equipment	5,912,288	29,650,407	<b>35,562,695</b>	15,437,113	<b>(20,125,582)</b>	43
Trade and other licenses	61,402	87,650	<b>149,052</b>	160,665	<b>11,613</b>	43
Other income	109,069,779	(32,500,861)	<b>76,568,918</b>	90,427,419	<b>13,858,501</b>	43
Finance income	72,047,224	67,144,612	<b>139,191,836</b>	117,090,307	<b>(22,101,529)</b>	43
<b>Total revenue from exchange transactions</b>	<b>4,847,936,684</b>	<b>(56,550,599)</b>	<b>4,791,386,085</b>	<b>4,592,164,699</b>	<b>(199,221,386)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	970,065,671	178,754,865	<b>1,148,820,536</b>	1,148,120,473	<b>(700,063)</b>	43
Donations	7,213,000	(7,213,000)	-	53,100,877	<b>53,100,877</b>	43
Fines	113,588,967	(7,800,159)	<b>105,788,808</b>	408,342,724	<b>302,553,916</b>	43
<b>Transfer revenue</b>						
Government grants & subsidies	1,303,293,485	(66,570,883)	<b>1,236,722,602</b>	1,164,504,347	<b>(72,218,255)</b>	43
<b>Total revenue from non-exchange transactions</b>	<b>2,394,161,123</b>	<b>97,170,823</b>	<b>2,491,331,946</b>	<b>2,774,068,421</b>	<b>282,736,475</b>	
<b>Total revenue</b>	<b>7,242,097,807</b>	<b>40,620,224</b>	<b>7,282,718,031</b>	<b>7,366,233,120</b>	<b>83,515,089</b>	
<b>Expenditure</b>						
Employee related costs	(1,353,771,763)	100,562,383	<b>(1,253,209,380)</b>	(1,246,953,392)	<b>6,255,988</b>	43
Remuneration of councillors	(62,390,904)	(3,944,295)	<b>(66,335,199)</b>	(63,541,721)	<b>2,793,478</b>	43
Landfill site losses	-	-	-	(55,713,530)	<b>(55,713,530)</b>	43
Depreciation and amortisation	(487,511,132)	-	<b>(487,511,132)</b>	(617,455,767)	<b>(129,944,635)</b>	43
Finance costs	(95,756,529)	-	<b>(95,756,529)</b>	(628,268,780)	<b>(532,512,251)</b>	43
Debt Impairment	(930,230,888)	(145,330,365)	<b>(1,075,561,253)</b>	(1,514,134,138)	<b>(438,572,885)</b>	43
Loss/gain on sale of assets	-	-	-	(26,549,429)	<b>(26,549,429)</b>	43
Bulk purchases	(2,998,365,959)	-	<b>(2,998,365,959)</b>	(4,124,868,885)	<b>(1,126,502,926)</b>	43
Contracted Services	(287,389,388)	(66,599,263)	<b>(353,988,651)</b>	(430,894,483)	<b>(76,905,832)</b>	43
Imputed interest	-	-	-	8,171,715	<b>8,171,715</b>	43
General Expenses	(601,662,644)	58,111,311	<b>(543,551,333)</b>	(430,085,544)	<b>113,465,789</b>	43
<b>Total expenditure</b>	<b>(6,817,079,207)</b>	<b>(57,200,229)</b>	<b>(6,874,279,436)</b>	<b>(9,130,293,954)</b>	<b>(2,256,014,518)</b>	
<b>Operating deficit</b>	<b>425,018,600</b>	<b>(16,580,005)</b>	<b>408,438,595</b>	<b>(1,764,060,834)</b>	<b>(2,172,499,429)</b>	
Fair value adjustments	-	-	-	(4,797,697)	<b>(4,797,697)</b>	43
Actuarial gains/losses	-	-	-	31,308,987	<b>31,308,987</b>	43
	-	-	-	<b>26,511,290</b>	<b>26,511,290</b>	
<b>Deficit for the year</b>	<b>425,018,600</b>	<b>(16,580,005)</b>	<b>408,438,595</b>	<b>(1,737,549,544)</b>	<b>(2,145,988,139)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>425,018,600</b>	<b>(16,580,005)</b>	<b>408,438,595</b>	<b>(1,737,549,544)</b>	<b>(2,145,988,139)</b>	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	34,851,706	56,187,763	<b>91,039,469</b>	38,793,979	<b>(52,245,490)</b>	
Receivables from non-exchange transactions	628,227,116	(402,534,458)	<b>225,692,658</b>	326,017,656	<b>100,324,998</b>	
Receivables from exchanged transactions	491,956,263	4,272,606,117	<b>4,764,562,380</b>	822,671,367	<b>(3,941,891,013)</b>	
Value added tax	(1,530,745,204)	2,537,165,181	<b>1,006,419,977</b>	1,380,325,164	<b>373,905,187</b>	
Cash and cash equivalents	656,830,052	(308,838,606)	<b>347,991,446</b>	85,163,617	<b>(262,827,829)</b>	
	<b>281,119,933</b>	<b>6,154,585,997</b>	<b>6,435,705,930</b>	<b>2,652,971,783</b>	<b>(3,782,734,147)</b>	
<b>Non-Current Assets</b>						
Investment property	1,006,950,719	(9,072,543)	<b>997,878,176</b>	987,884,552	<b>(9,993,624)</b>	
Property, plant and equipment	9,976,249,598	1,133,694,698	<b>11,109,944,296</b>	10,418,878,076	<b>(691,066,220)</b>	
Intangible assets	18,468,233	(1,179,307)	<b>17,288,926</b>	15,736,662	<b>(1,552,264)</b>	
Heritage assets	57,016	-	<b>57,016</b>	57,016	-	
Sanlam shares	16,570	(2,295)	<b>14,275</b>	15,755	<b>1,480</b>	
	<b>11,001,742,136</b>	<b>1,123,440,553</b>	<b>12,125,182,689</b>	<b>11,422,572,061</b>	<b>(702,610,628)</b>	
<b>Total Assets</b>	<b>11,282,862,069</b>	<b>7,278,026,550</b>	<b>18,560,888,619</b>	<b>14,075,543,844</b>	<b>(4,485,344,775)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	4,145,924,389	3,007,734,625	<b>7,153,659,014</b>	9,519,733,285	<b>2,366,074,271</b>	
Unspent conditional grants and receipts	154,153,217	(151,839,619)	<b>2,313,598</b>	48,633,816	<b>46,320,218</b>	
Provisions	13,885,861	(8,922,136)	<b>4,963,725</b>	-	<b>(4,963,725)</b>	
Employee benefit obligation	-	-	-	27,347,000	<b>27,347,000</b>	
	<b>4,313,963,467</b>	<b>2,846,972,870</b>	<b>7,160,936,337</b>	<b>9,595,714,101</b>	<b>2,434,777,764</b>	
<b>Non-Current Liabilities</b>						
Provisions	-	111,651,591	<b>111,651,591</b>	175,790,481	<b>64,138,890</b>	
Consumer deposits	63,140,991	(2,645,679)	<b>60,495,312</b>	63,483,000	<b>2,987,688</b>	
Employee benefit obligation	231,879,944	3,448,056	<b>235,328,000</b>	188,917,000	<b>(46,411,000)</b>	
	<b>295,020,935</b>	<b>112,453,968</b>	<b>407,474,903</b>	<b>428,190,481</b>	<b>20,715,578</b>	
<b>Total Liabilities</b>	<b>4,608,984,402</b>	<b>2,959,426,838</b>	<b>7,568,411,240</b>	<b>10,023,904,582</b>	<b>2,455,493,342</b>	
<b>Net Assets</b>	<b>6,673,877,667</b>	<b>4,318,599,712</b>	<b>10,992,477,379</b>	<b>4,051,639,262</b>	<b>(6,940,838,117)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	6,673,877,667	4,318,599,712	<b>10,992,477,379</b>	4,051,639,262	<b>(6,940,838,117)</b>	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1. Presentation of annual financial statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. 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. The basis presumes that funds will be available for future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

#### 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.

##### 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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.3 Significant judgements and sources of estimation (continued)

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 specific GRAP Accounting Standard prescribing the accounting of traffic fines, the following assumptions are done based on management best estimation:

The total outstanding amount as per Municipal Court statistics, 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 2021. This rate is similar to the interest rate levied on arrear consumer accounts.

#### Impairment of consumer debtors and other receivables

The calculation in respect of the impairment of debtors is based on the payment ratio of each debtor 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, which is as per the prime lending rate issued by the Reserve Bank, at reporting date computed at initial recognition. The risk-free rate is adjusted with a premium per risk category as per GRAP 104 – Financial Instruments

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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.3 Significant judgements and sources of estimation (continued)

#### 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, it's cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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

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.

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:

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Item	Depreciation method	Average useful life
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# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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

Infrastructure	
• Roads and paving	25-30
• Electricity	50-60
• Water	50
• Sewerage	40
• Housing	30
Community assets	
• Buildings	30
• Recreational facilities	30
• Security	5
Other assets	
• Buildings	30
• Specialised vehicle	15
• Other vehicles	5
• Office equipment	5
• Furniture and fittings	15
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	5-10
• 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.

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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.6 Intangible assets (continued)

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.

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

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, an 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 asset 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.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.6 Intangible assets (continued)

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).

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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.7 Heritage assets (continued)

#### 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.

### 1.8 Financial Instruments

#### Classification

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

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

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

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

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

#### Initial recognition and measurement

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

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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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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 the payment ratio of each debtor. 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, as well as iGRAP 1 – Applying the probability test on the initial recognition of revenue and GRAP 104 – Financial Instruments which stipulates the present value of future cashflow at initial recognition.

The outstanding traffic fines as per the traffic Management System and the payment ratios over the 3year period are used to determine the possible recoverable traffic fines amount. The impairment of fines is then done from the difference between therecoverable amount and the total outstanding amount. The calculated recoverable amount of fines is utilized to perform the present value of expected future cashflow.

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 is the municipality accounted for the traffic fine in the previous period The accounting is therefore done prospectively.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.8 Financial Instruments (continued)

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 3 years. The average percentage payment of fines versus fines issued of the past 3 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 2023, resulting in the calculated impairment (non-recoverable fines) of fines.

The total outstanding amount, 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

#### Fines

Fines are issued in terms of the Criminal Procedures Act. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality offer reductions in the amount of the fines when the offender qualifies for reductions.

The municipality will therefore estimate the likelihood of these discounts being taken up by offenders when measuring the asset (receivable) and amount of revenue that should be recognised at initial recognition

Following legal processes in the event of non-payment, the fines may be withdrawn.

Fines are impaired based on the "percentage average collection rate" in the previous three financial years.

#### Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place after the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made at the time of initial recognition.

The present value of the expected future cashflow is calculated by allocating the risk category of the calculated total recoverable debt and utilising the discount rate as per the prime lending rate of the Reserve Bank. The risk-free rate is adjusted with a premium per risk category.

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.9 Statutory receivables

#### Identification

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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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).

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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.13 Impairment of cash generating assets (continued)

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.

### 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.

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# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.16 Provisions and contingencies (continued)

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 32.

### 1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.18 Revenue from exchange transactions

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.18 Revenue from exchange transactions (continued)

#### Interest and dividends

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

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

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

#### Prepaid electricity estimation

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

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

### 1.19 Revenue from non-exchange transactions

#### Measurement

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

#### Rates, including collection charges and penalties interest

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

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

#### Fines

Fines constitute both spot fines and summonses.

Fines are issued in terms of the Criminal Procedures Act

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality offer reductions in the amount of the fines when the offender qualifies for reductions

Following legal processes in the event of non-payment, the fines may be withdrawn.

Fines are impaired based on the "average collection rate" in the previous three financial years.

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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

#### Other grants and donations

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

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

### 1.20 Gifts and donations, including goods in kind

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

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

### 1.21 Services in kind

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

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

### 1.22 Accounting by principals and agents

#### Identification

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

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

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

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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

#### Recognition

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

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

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

### 1.23 Comparative figures

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

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

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

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.28 Segment information (continued)

- 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

### 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

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Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 1.28 Segment information (continued)

- 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

### 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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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

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

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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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

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

Annual Financial Statements for the year ended 30 June 2023

## Accounting policies

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### 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 2023

## Accounting policies

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### 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 2023

## Notes to the Annual Financial Statements

2023                      2022

### 2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,200	7,171
Bank balances	84,441,366	34,889,743
Short-term deposits	718,051	94,506,883
	<b>85,163,617</b>	<b>129,403,797</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
ABSA BANK - current account - 530-000-087	1,879,210	5,906,638	1,879,210	5,904,038
ABSA BANK - Salary account - 405-774-9059	6,604	217,481	6,605	217,481
ABSA BANK - Fines - 407-683-0782	10,000	10,000	10,000	10,000
Standard BANK - Current account - 080-488-129	-	824	-	824
FNB BANK - Current account - 628-657-05746	77,992,811	27,510,158	79,121,491	23,712,516
FNB BANK - Current account - 628-657-06083	280,317	4,184,437	280,317	4,184,437
FNB BANK - Current account - 628-657-06538	3,143,744	860,448	3,143,744	860,448
<b>Total</b>	<b>83,312,686</b>	<b>38,689,986</b>	<b>84,441,367</b>	<b>34,889,744</b>

Invested with	01 July 2022	Invested	Interest capitalised	Withdrawn	Total
ABSA - 9208236189	603,392	-	31,130	-	634,522
ABSA - 4104154533	8,083,196	-	173,419	(8,250,000)	6,615
ABSA - 4096216150	(483)	483	-	-	-
STD Bank - 028606817#75	436	-	-	-	436
STD Bank - 028606817#72	5,381,501	-	183,057	(5,564,469)	89
STD Bank - 028606817#60#62	23,308,690	-	599,635	(23,908,047)	278
Standard Bank - 028606817#79	34,905,730	-	566,056	(35,435,002)	36,784
STD Bank 028606817#80	7,112,537	-	480,141	(7,556,809)	35,869
STD Bank -028606817#81	639,481	-	43,169	(679,425)	3,225
STD Bank - 028606817#77	23,846	-	399	(24,245)	-
Nedbank - 03/788/1044284/0025	-	6,388,639	-	(6,388,639)	-
Nedbank - 03/7881044284/0036	-	495,836	5,280	(501,116)	-
Nedbank - 03/7881044284/0038	897,770	-	26,676	(924,446)	-
Nedbank - 03/7881044284/0039	-	5,570,000	59,312	(5,629,312)	-
Nedbank - 03/7881044284/0015	1,504,066	-	-	(1,504,066)	-
Nedbank - 03/7881044284/0048	7,431,085	-	29,514	(7,460,599)	-
FNB - 63021882550	-	5,000,000	77,545	(5,077,455)	90
FNB - 63027137686	-	3,900,000	36,783	(3,936,713)	70
FNB - 63021883368	-	2,200,000	34,119	(2,234,080)	39
FNB - 62942054818	1,890,428	-	4,765	(1,895,193)	-
FNB - 62942053646	2,022,352	-	5,352	(2,027,704)	-
FNB - 62942054420	2,379	1,000,000	9,498	(1,011,859)	18
FNB - 63008226119	699,966	99,600	20,631	(820,182)	15
	<b>94,506,372</b>	<b>24,654,558</b>	<b>2,386,481</b>	<b>(120,829,361)</b>	<b>718,050</b>

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 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>3. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	2,037,577,246	1,629,808,660
Water	2,898,924,180	2,372,967,570
Sewerage	795,500,195	631,212,132
Refuse	492,180,285	385,895,548
	<b>6,224,181,906</b>	<b>5,019,883,910</b>
<b>Less: Allowance for impairment</b>		
Electricity	(1,622,122,107)	(1,395,379,212)
Water	(2,614,894,290)	(2,114,744,837)
Sewerage	(717,677,954)	(564,376,437)
Refuse	(446,816,188)	(343,109,787)
	<b>(5,401,510,539)</b>	<b>(4,417,610,273)</b>
<b>Net balance</b>		
Electricity	415,455,139	234,429,448
Water	284,029,890	258,222,733
Sewerage	77,822,241	66,835,695
Refuse	45,364,097	42,785,761
	<b>822,671,367</b>	<b>602,273,637</b>
<b>Included in above is receivables from exchange transactions</b>		
Current (0-30 days)	303,084,386	251,820,564
31 - 60 days	234,458,309	256,406,305
61 - 90 days	218,246,251	244,536,649
91 days +	5,468,392,959	4,267,120,392
	<b>6,224,181,905</b>	<b>5,019,883,910</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(4,417,610,273)	(8,671,786,693)
Contributions to allowance	(901,198,914)	(964,106,985)
Vat contributions	(114,426,643)	(148,871,964)
Debt impairment written off against allowance	31,725,291	5,367,155,369
	<b>(5,401,510,539)</b>	<b>(4,417,610,273)</b>

### 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, 90days

Indigent accounts - 0% of outstanding accounts

Sundry accounts - Ratio - debt on current, previous,30days, 60days, 90days

Business/industrial - Ratio - debt on current, previous,30days, 60days, 90days

All other accounts - Ratio - debt on current, previous,30days, 60days,90 days

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

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

#### Bad debt

Government accounts : 100% from 91days and more plus balance on collectable debt on ratios that are less than 100%

Indigent accounts - 100% of outstanding accounts

Sundry accounts - 100% from 91days and more plus balance on collectable debt on ratios that are less than 100%

Business/industrial - 100% from 91days and more plus balance on collectable debt on ratios that are less than 100%

All other accounts - 100% from 91days and more plus balance on collectable debt on ratios that are less than 100%

### 4. Receivables from non-exchange transactions

Property rates	1,104,292,636	859,566,104
Impairment property rates	(939,433,997)	(758,676,776)
Other receivables - fines	388,604,799	55,388,090
Impairment fines	(369,138,317)	(53,065,668)
Other debtors	479,477,579	419,962,625
Impairment other debtors	(337,785,044)	(292,045,073)
	<b>326,017,656</b>	<b>231,129,302</b>

#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Property rates	1,104,292,637	860,678,408
Fines	388,604,799	55,388,090
	<b>1,492,897,436</b>	<b>916,066,498</b>

#### Age analysis:

Current(0 to 30 Days)	253,854,670	82,614,339
31 - 60 Days	81,780,627	275,019,392
61 to 90 days	85,455,171	51,433,842
91 days+	1,551,284,548	925,849,247

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(1,103,787,516)	(1,801,935,154)
Contribution to allowance	(612,935,224)	(391,024,689)
Vat contribution	4,743,957	(8,687,451)
Amounts written off against allowance	65,621,424	1,097,859,778
	<b>(1,646,357,359)</b>	<b>(1,103,787,516)</b>

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	37,437,416	31,619,631
Water for distribution	1,356,563	1,747,577
	<b>38,793,979</b>	<b>33,367,208</b>

### 6. Value added tax

VAT Recievable	1,380,325,164	1,069,226,140
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# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	14,475,979,612	(6,181,433,058)	8,294,546,554	14,184,104,681	(5,700,840,524)	8,483,264,157
Community	1,538,499,746	(353,700,580)	1,184,799,166	1,535,880,467	(325,610,154)	1,210,270,313
Buildings	1,038,352,731	(206,485,464)	831,867,267	1,038,352,731	(156,835,083)	881,517,648
Other property, plant and equipment	421,237,383	(313,572,294)	107,665,089	384,974,184	(277,569,254)	107,404,930
<b>Total</b>	<b>17,474,069,472</b>	<b>(7,055,191,396)</b>	<b>10,418,878,076</b>	<b>17,143,312,063</b>	<b>(6,460,855,015)</b>	<b>10,682,457,048</b>

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

	Opening balance	Additions	Disposals	Donations	Depreciation	Impairment loss	Provision adjustment	Total
Infrastructure	8,483,264,157	289,157,277	(22,794,675)	43,430,874	(496,959,552)	(5,013,162)	3,461,635	8,294,546,554
Community	1,210,270,313	2,634,256	(261)	-	(24,889,311)	(3,215,831)	-	1,184,799,166
Buildings	881,517,648	-	-	-	(49,650,381)	-	-	831,867,267
Other assets	107,404,930	35,980,137	(74,751)	385,498	(27,902,367)	(8,128,358)	-	107,665,089
	<b>10,682,457,048</b>	<b>327,771,670</b>	<b>(22,869,687)</b>	<b>43,816,372</b>	<b>(599,401,611)</b>	<b>(16,357,351)</b>	<b>3,461,635</b>	<b>10,418,878,076</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Donations	Depreciation	Impairment loss	Provision adjustment	Total
Infrastructure	8,566,743,873	214,094,285	(23,527,057)	-	275,817,254	(343,170,413)	(202,060,209)	(4,633,576)	8,483,264,157
Community	1,231,461,303	2,410,809	(12,716)	(3,160,867)	5,916,547	(24,991,851)	(1,352,912)	-	1,210,270,313
Buildings	919,059,771	260,847	-	863	-	(37,803,833)	-	-	881,517,648
Other assets	78,076,107	53,869,427	(160,858)	-	53,991	(24,433,737)	-	-	107,404,930
	<b>10,795,341,054</b>	<b>270,635,368</b>	<b>(23,700,631)</b>	<b>(3,160,004)</b>	<b>281,787,792</b>	<b>(430,399,834)</b>	<b>(203,413,121)</b>	<b>(4,633,576)</b>	<b>10,682,457,048</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

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

#### 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 net increase adjustment of R59 175 165,71 was made to the provision, with R17 573 960,45 increase in the provision because of interest at an effective rate of 15,74%, and an increase of R35 027 745,39 as result of the adjustment in the value of the provision. A net adjustment of R3 461 635,05 was made to the Palm Springs landfill asset as the related landfill assets at Waldrift and Boitshepi were already fully depreciated, thus the net provision movements for these have been accounted for through the surplus/ loss.

A closure directive was issued in July 2022 by the Department of Agriculture and Rural development for the closure of Waldrift and Boitshepi landfill sites in accordance to Section 24G of the National Environmental Management Act of 1998. The municipality has seized operations at both landfill sites in April 2023. Therefore, the estimated costs of rehabilitation for both landfill sites are inclusive of costs. Thus, although the estimated remaining useful life of the Boitshepi landfill site was estimated as 1,86 years according to its remaining airspace, the remaining useful life is estimated at 2 years, which is the fallow period wherein the landfill sites will not be operating and rehabilitation will take place. The same remaining useful life of 2 years has been estimated for Waldrift as operations have seized there as well.

The Palm springs landfill site is now classified as a G:M:B:- which states that no progressive rehabilitation may be stipulated or required but the license holder is responsible for any environmental damage caused by the site in the long term:

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

	Included within Infrastructure	Included within Community	Total
Opening balance	154,046,858	7,903,548	161,950,406
Prior year error corrections	(55,424)	-	(55,424)
Additions: Capital Expenditure	178,335,309	2,634,256	180,969,565
Transferred to completed items	(47,590,893)	-	(47,590,893)
	<b>284,735,850</b>	<b>10,537,804</b>	<b>295,273,654</b>

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

	Included within Infrastructure	Included within Community	Total
Opening balance	75,989,144	11,837,022	87,826,166
Additions/capital expenditure	92,638,836	-	92,638,836
Transferred to completed items	(14,636,546)	(3,933,473)	(18,570,019)
	<b>153,991,434</b>	<b>7,903,549</b>	<b>161,894,983</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

2022

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

#### Projects in progress as at 30 June 2023

Project UID	Vote number	Project name	Asset Class	Closing WIP	Comments on status
EX0050	35956473520F9 C02ZZVR	EXPANSION OF RUST TE VAAL CEMETERY PTN 4	Community Facilities	525,779	Design phase. The project started in 2016/2017 financial year and the design phase was halted in 2017/2018. Design is done to ensure that the project can be implemented when funding is available. Due to funding shortages and delays procurement, the project is in the process of appointing a contractor for fencing activities which will commence in the 2023/2024 financial year.
EX0289	35956450020F9 C41ZZSB	N:Investigate &Dev General Landfill Site	Community Facilities	2,030,879	EIA process completed & ROD issued. Deed of donation will be activated for old Yakani Brickvelde borrow pits to be used as a Waste Management Site in 2023/2024. Appointment of Consultants to finalise detailed design in 2023/2024 and construction expected to start late in 2023/2024 or early 2024/2025.
EX0328	35956473520F9 D14ZZVA	R:VANDERBIJLP ARK CEMETERY	Community Facilities	3,082,333	Design phase. The project started in 2016/2017 financial year and the design phase was halted in 2017/2018. Design is done to ensure that the project can be implemented when funding is available. Due to funding shortages and delays procurement, the project. Due to funding shortages, the project has been put on hold
EX0376	35956473520F9 C92ZZV	R:VANDERBIJLP ARK CEMETERY	Community Facilities	1,515,910	Design phase. The project started in 2016/2017 financial year and the design phase was halted in 2017/2018. Design is done to ensure that the project can be implemented when funding is available. Due to funding shortages and delays procurement, the project is in the process of appointing a contractor for fencing activities which will commence in the 2023/2024 financial year.
EX0377	35956473520F9 C96ZZVA	R:FENCING OF TSHEPISO CEMETERY	Community Facilities	796,394	Design phase. The project started in 2016/2017 financial year and the design phase was halted in 2017/2018. Design is done to ensure that the project can be implemented when funding is available. Due to funding shortages the project had to be moved to the outer years pending completion of the fencing on the other cemetery projects
EX0755	35966473520G6 E73ZZVA	REFURBISHMENT OF BOPHELONG STADIUM	Community Facilities	2,586,509	Design Phase started in 2022/2023 and construction planned to start in 2023/2024
EX0757(704)	35426430420FJ G14ZZWM	TRANSFORMER S HV (Opex to Capex)(DS)	Electricity	15,683,137	Upgrading of the 31-45MVA Transformer for DS Substation started in 2021/2022 and expected to be completed in 2023/2024 when final payment can be made
EX0790	35426433020FJ G37ZZWM	LV CABLES	Electricity	1,739,130	This is the replacement of various temporary connections with formal connections and was not completed by end of June 2023
EX0807	35426430420FJ F98ZZVA	UPGRADING OF VERDI SUBSTATION	Electricity	635,477	Design phase completed. Construction phase should have started in 2022/2023, but could not due to the attachments of the bank account. Construction planned to be started in 2023/2024.
EX0809	35426430420FJ G47ZZVA	UPGRADING OF TOWN SUBSTATION - PHASE 1	Electricity	28,754,662	Upgrading of Town Substation continued in 2022/2023 but the nonpayment and attachment of the bank account the contractor has left site. The contract to continue in 2023/2024 once the account is uplifted and the contractor outstanding payment certificates can be submitted
EX0810	35426430420FJ G48ZZVR	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 depending on funding availability, but could not due to the attachment of the bank account. Construction planned to be started in 2023/2024.
EX0860	35426434020FJ G57ZZWM	SUPPLY AND INSTALL METERS FOR LPU	Electricity	4,537,312	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



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

					2023	2022
<b>7. Property, plant and equipment (continued)</b>						
EX0861	35426434020FJ G83ZZWM	SUPPLY & INSTALL METERS COMMERCIAL/B USI	Electricity	2,133,046		The movement here is for emergency work carried out on Verref substation and is expected to be completed by end Sep 20223
EX0863	35426430420FJ E07ZZVR	R:20MVA 88/11KV T/FORMER VESCO 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
EX0864	35426430420FJ G58ZZVA	UGRADING OF TOWN SUBSTATION PHASE 2	Electricity	8,692,811		Linked to EX0809
EX0884	35426430420FJ G65ZZVA	REFURBISHMEN T OF VERREF SUBSTATION	Electricity	3,886,058		Refurbishment of the 20 MVA Tranformer for this substation and is expected to be completed and installed during 2023/2024 once final payment can be made.
EX0885	35426430420FJ G67ZZVA	UPGRADE MUNIC SUBSTATION	Electricity	13,973,173		Refurbishment of the 30 MVA Transformer for this substation and is expected to be completed and installed during 2023/2024 once final payment can be made.
EX0706 (917)	35426432420FJ E99ZZSB	TSHEPONG PHASE 3 ELECTRIFICATI ON (ELM)	Electricity	13,559,317		Construction Phase of the internal reticulation. 2nd Contractor appointed after 1st contactor was terminated due to dispute about price escalation. Project halted due to non-payment and is expected to continue in 2023/2024, once the bank attachment of the bank account is lifted and outstanding payments can be made
EX0917 (706)	35426432420G1 E99ZZSB	INEP - TSHEPONG PHASE 3 ELECTRIFICATI ON	Electricity	4,946,009		INEP Grant portion. Linked to EX0706
EX0887 (930)	35426432420FJ F02ZZSB	TSHEPONG PHASE 3 BULK (ELM)	Electricity	6,283,159		Construction Phase of bulk supply, delayed to the land dispute that took 3 months to resolve and stoppages by contractor due to non-payment and is expected to continue in 2023/2024, once the bank attachment of the bank account is lifted and outstanding payments can be made
EX0930 (887)	35426430020G1 G61ZZSB	INEP- TSHEPONG PHSE 3 SWITCH STATION AND FEED	Electricity	6,432,349		INEP Grant portion. Linked to EX0887
EX0812 (918)	35426432420FJ F04ZZSB	SEBOKENG EXT 30 ELECTRIFICATI ON (ELM))	Electricity	8,157,153		Design Phase for electrification and contractor appointed end June 2022
EX0918 (812)	3542643242021F 82ZZSB	INEP-Sebokeng ext 30 Electrification	Electricity	800,000		Linked to EX0812
EX0754	35426430420FJ G11ZZWM	BTU-HV(Opex to Capex	Electricity	21,500		1XBTU not installed as yet. and will be installed during the 2023/24
EX0755(5 15)	3542643142FJG 12ZZWM	BTU-HV(Opex to Capex	Electricity	84,000		2XBTUs not installed as yet and will be installed during the 2023/24
EX0865 (937)	35956435020F8 C39ZZVR	N:NEIGHBOURH OOD PARTNERS HIP GRANT PHASE 2A1	Roads and stormwater	5,753,832		Construction stage. Bulk infrastructure but halted due to non-payment
EX0937 (865)	35716472420DP H29ZZWM		Roads and stormwater	6,940,012		Linked to EX0812

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

				2023	2022
<b>7. Property, plant and equipment (continued)</b>					
EX0919 (952 & 960)	35716472420DP H31ZZWM	N: NEIGHBOURHOOD PARTNERSHIP GRANT PHASE 3B1-3	Roads and stormwater	436,901	Construction stage for the internal electrification. Project halted due to non-payment
EX0862 (920, 959 & 967)	35426432420FJ F83ZZSB	Lethabong Bulk(ELM)	Electricity	4,352,436	Construction stage for the bulk infrastructure. project halted due to non-payment
EX0959(9 20,862&9 67)	35426432420G1 H20ZZWM	INEP - Lethabong Bulk - Feeder Line	Electricity	3,392,099	Linked to EX0862
EX0960(9 19&952)	35426433020G1 H22ZZWM	INEP - Lethabong Phase 2B	Electricity	5,249,565	Linked to EX0919
EX0967(8 62,920&9 59)	35426432020G1 H21ZZWM	INEP - Lethabong Switching Station Phase 1	Electricity	3,814,118	Linked to EX0862
EX0970	35426432420FJ E02ZZVR	R:Upgrading of Rural lines	Electricity	2,058,290	Replacement of OHL Lines that went faulty, project expected to be completed in quarter 1 of 2023/24
EX0963	35426430420FJ E09ZZWM	R:Retrofit S/Station, mini bus and D/pillar	Electricity	539,428	For the replacement of faulty hardware 1Xmini-sub still to be installed
EX0714(0 713)	35966472520G6 E32ZZSB	N:Tarring of Bhekisha str, Zone 12	Roads and stormwater	1,767,724	Project construction completed as built and close out information awaited
EX0349	35956472420F9 C73ZZVA	N:TARRING OF PITSENG AND URANIUM STREETS	Roads and stormwater	12,489,255	Project basically completed and as built and closed out to be completed early in 2023/24
EX0352	35956473020F9 C28ZZSB	N:TARRING OF ROAD IN LAKESIDE PROPER BLO	Roads and stormwater	1,506,746	Construction Phase. Construction started May 2022, due to non performance by the contractor, the municipality terminated the contract. New contractor has been appointed, commencement is scheduled for 2023/24 financial year.
EX0528	35956472420F9 C09ZZVA	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 2025/26 FY.
EX0529	35956472420F9 C13ZZVA	CONSTRUCTION OF THOMAS NKOBI	Roads and stormwater	561,531	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2023/24 FY.
EX0534	35956472420F9 C65ZZSB	R:CONCRETIN G-STORMWATER CHANNEL-ZONE 10	Roads and stormwater	1,191,721	Design complete. The project is currently on hold due to funding limitations. The determination of the commencement will be resolved once funding is confirmed.
EX0616	35956472420G6 D40ZZVA	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 2025/2026 FY.
EX0625	35956472420G6 D77ZZVA	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 2025/2026 FY.
EX0628(E X0949)	35956472420G6 D81ZZSB	N:CONSTR OF V/SCHALKVYK STR EATONSIDE	Roads and stormwater	38,069,029	Construction Phase. Construction started April 2022 and completion planned for February 2024. First contractor terminated in June 2022. Construction by new contractor started in October 2022, completion planned for November 2023
EX0678	35956473020F9 D97ZZSB	N:IRONSIDE ROAD 1 STORMWATER & SIDEWALKS	Roads and stormwater	1,060,314	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2023/24 FY.
EX0333.1	35956435020F8 C39ZZVR	N: Neighbourhood Partnership grant Phase 2A1	Roads and Storm Water	4,878,941	New consultant appointed in February 2022 with revised scope design from National Treasury and the preliminary additional scope report due August 2022. Construction to commence in 2023/24.
EX0333.3	35716472420DP H29ZZWM	N: Neighbourhood Partnership grant Phase 2A2	Roads and Storm Water	905,223	Project is depended on funding from National Treasury and is done in phases to reduce budget demands. Project to be implemented in the outer year as Phase 2A1 will be implemented until 2025/26.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

					2023	2022
<b>7. Property, plant and equipment (continued)</b>						
EX0333.5	35716472420DP H31ZZWM	N: Neighbourhood Partnership grant Phase 3B1- 3	Roads and Storm Water	258,164	Project is depended on funding from National Treasury and is done in phases to reduce budget demands. Project to be implemented in the outer year as Phase 2A1 will be implemented until 2025/26.	
EX0721(9 50)	35966449420G6 E53ZZVR	UPGR UNION STR BULK SEWER IN VEREENIGIN	Sanitation	5,770,689	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	
EX0817(9 47)	35966449420G6 F51ZZSB	UPGRADING OUTFALL SWERE ON NORTHEN AREA	Sanitation	1,847,431	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 in the 2023/24 financial year.	
EX0818(9 51)	35966449420G6 F52ZZWM	UPGRADING SEWER PIPELINE PS8: STILLBOX	Sanitation	22,960,552	Design completed and service provider appointed on Turnkey basis in March 2021, but service provider wanted escalated prices and terminated in Nov 2021. New contractor is on-site and is still within schedule. Project plan for completion during the 2023/24 financial year.	
EX0819(9 48)	35966449420G6 F53ZZVA	SEWERLINER FROM INDUS; BOIP/TSHEPO TO PS4	Sanitation	13,893,056	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 started in November 2022.	
EX0298	35956446020F9 D02ZZVA	R:WATER SUP FRM EVATON RES TO DADEVILLE	Water	3,149,245	Design complete. The project was planned for construction in 2020/21. Appointments were concluded but the service provider declined the appointment due to error in their pricing. The municipality appointed a consultant to conduct design review and conclude EIA application process before the implementation can commence.. The project is planned for construction in the 2023/24 financial year.	
EX0299	35956446020F9 D01ZZVR	N:CONSTR WATER PIPE LETHABONG TO HOUTKOP	Water	1,840,185	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2025/26 financial year.	
EX0300	35956446020F9 C16ZZVR	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 2025/26 FY.	
EX0301	35956446020F9 D06ZZVA	N:WATER SUP WESTERN AREA AND VAALOEWER	Water	2,993,204	Design complete. Design review to be conducted during the 2023/24 financial year before the contractor appointment	
EX0314	35956446020F9 D04ZZVA	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 a consultant to conduct design review and conclude the EIA application process before the implementation can commence. The project is planned for construction in the 2023 financial year.	
EX0357	35956446020F9 D05ZZVR	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 2025/26 FY.	
				<b><u>295,098,656</u></b>		

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

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

#### Maintenance of property, plant and equipment

#### Maintenance work executed 2022/2023

Service Sector	Maintenance Description	Maintenance Cost(ELM) - 2022/23	Maintenance Cost(ELM) - 2021/22	Maintenance Cost(Section Sect 63 Interventions) - 2021/22
Metsi Water	Maintenance of motors, switchgear, cable work, transformers, servicing telemetry, MCUs pumps, pipes, valves & PRV's, mobile waterbrowsers	8,199,801	59,102,889	5,093,144
Metsi Sanitation and Pump Stations	Maintenance of gravity networks, man-holes, cleaning of spillages, pumps motors, MCUs, Telemetry, cabling and valve	40,032,551	29,936,086	32,923
Pump Stations and Raising Mains	Maintenance of Raising Mains, repairs of pums, motor control units, telemetry, pipes and valves	-	-	30,344,031
Metsi Water Treatment Works	Maintenance of motors, switchgear,cable work, transformers, telemetry, mechanical and electrical equipment	3,315,829	-	3,355,206
Electricity	Maintenance of sub-stations, switchgear,BTU batteris, transformers, vegetation control in SS, panels, insulators, links, cables, streetlight, highmast lights, meter boxes, fuses and metters	165,720,290	91,952,557	-
Roads & Stormwater	Maintenance of paved troads, patching of potholes, unpaved roads grading, traffic signs, road marking, storm water pipes and catch pits and cleaning of tunnels	27,609,591	17,699,207	-
EMP(Wate Management)	Maintenance of waste sites, mini transfer stations and street cleaning activities	26,604,119	-	-
Transport Fleet	This is the maintenance of the fleet serving the council's departments	9,206,366	4,366,162	-
Facilities and other	Maintenance via painting of walls, window frames, air conditioners, lifts, partitioning, carpets, tiles, plumbing and roofs	15,290,254	6,354,264	-
		- 295,978,801	209,411,165	38,825,304

#### Derecognitions

During the financial year certain movable and immovable assets were derecognised amounting to carrying value of R 22 879 429.26. The de-recognitions are accounted for in the current year asset register.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023                      2022

### 8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	987,884,552	-	987,884,552	990,468,176	-	990,468,176

#### Reconciliation of investment property - 2023

	Opening balance	Disposals	Transfers	Impairments	Fair value adjustments	Total
Investment property	990,468,176	(3,670,000)	6,170,000	(284,448)	(4,799,176)	987,884,552

#### Reconciliation of investment property - 2022

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	964,415,931	(15,267,664)	3,160,000	38,159,909	990,468,176

#### Details of valuation

For determination of the annual fair value of Investment Property, no changes were effected.

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

#### Reconciliation of investment property - 2023

Opening Balance	990,468,175	1,003,443,785
Prior period error correction of duplicates	-	(39,027,855)
Impairment	(284,447)	-
Fair value adjustment	(4,799,176)	38,159,908
Addition/change in use	6,170,000	3,160,000
Disposals	(3,670,000)	(15,267,663)
	<b>987,884,552</b>	<b>990,468,175</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other Servitudes]	36,565,537	(34,678,391)	1,887,146	36,205,444	(33,266,032)	2,939,412
	13,849,516	-	13,849,516	13,849,516	-	13,849,516
<b>Total</b>	<b>50,415,053</b>	<b>(34,678,391)</b>	<b>15,736,662</b>	<b>50,054,960</b>	<b>(33,266,032)</b>	<b>16,788,928</b>

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other Servitudes	2,939,412	369,831	(9,737)	(1,412,360)	1,887,146
	13,849,516	-	-	-	13,849,516
	<b>16,788,928</b>	<b>369,831</b>	<b>(9,737)</b>	<b>(1,412,360)</b>	<b>15,736,662</b>

#### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other Servitudes	4,118,718	287,000	(88,874)	(1,377,432)	2,939,412
	13,849,516	-	-	-	13,849,516
	<b>17,968,234</b>	<b>287,000</b>	<b>(88,874)</b>	<b>(1,377,432)</b>	<b>16,788,928</b>

### 10. Heritage assets

	2023			2022		
	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 2023

	Opening balance	Total
Heritage assets	57,016	57,016

#### Reconciliation of heritage assets 2022

	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 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>11. Payables from exchange transactions</b>		
Trade payables	8,798,926,299	6,726,921,930
Payments received in advanced	307,887,740	337,561,897
Accrued leave pay	169,991,414	152,552,341
Accrued bonus	29,966,684	28,552,159
Other payables	4,644,226	46,123,960
Retentions	49,071,001	38,199,463
Imputed interest	(8,171,715)	(4,233,745)
Year end salary creditors	164,712,542	206,012,169
Unclaimed wages	2,705,094	2,599,052
	<b>9,519,733,285</b>	<b>7,534,289,226</b>

## 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

Fire and rescue services grant	595,358	595,358
Financial management grant	13,554	-
Education and training (SETA)	-	149,895
Integrated National Electrification grant(INEP)	-	268,157
Project funded ex-Sedibeng District Municipality	1,160,599	1,160,599
Functional Fire and Rescue Services grant	7,802,053	10,903
Municipal Infrastructure grant	38,059,148	16,080,851
Sedibeng Maintenance grant	1,003,104	1,003,104
	<b>48,633,816</b>	<b>19,268,867</b>

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

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

## 13. Employee benefit obligation

### Post-employment health care benefits

#### Post employment health care benefits

Opening accrued liability	136,743,000	144,570,000
Current-service cost	776,000	828,000
Interest cost	15,151,000	11,825,000
Contributions (benefit paid)	(11,224,964)	(11,202,977)
Actuarial loss/(gain)	(18,133,036)	(9,277,023)
	<b>123,312,000</b>	<b>136,743,000</b>

The valuation was performed by Arch Actuarial Consulting

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. Basis changes: increases in net discount rates : (R11,140,000)
2. Subsidy inflationary increases lower than assumed : (R4,170,000)
3. Changes to membership profile different from assumed.: (R1,709,000)
4. Actual benefits vested, lower than expected : (R1,114,036)

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023                      2022

### 13. Employee benefit obligation (continued)

#### Membership details

<b>In-Service membership at valuation date</b>	<b>Female</b>	<b>Total</b>
Number of in-service members	18	63
Average age	56	57
Average past service	32	32

  

<b>Continuation membership at valuation date</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Number of principal members	83	141	224
Average age	77	78	77
Average subsidy per month	4,531	4,103	4,262

#### Changes in value of obligation

	Current Valuation Date 30-06-2023	1 Year Following the Valuation Date	2 Years Following the Valuation Date
PV of the obligation as at the previous Valuation Date	136,743,000	123,312,000	125,922,000
Current Service Cost	776,000	572,000	637,000
Interest cost	15,151,000	13,404,000	13,694,000
Benefits paid	(11,224,964)	(11,484,000)	(11,484,000)
Actuarial loss/(gain)	(18,133,036)	-	-
	<b>123,312,000</b>	<b>125,804,000</b>	<b>128,769,000</b>

#### Key financial assumptions used

Assumption	Value p.a.
Discount rates	11.38%
Health care cost inflation rate	7.12%
Maximum Subsidy inflation discount rate	4.97%

#### Key Demographic assumption

Average retirement age	62
Continuation of membership at retirement	80%
Mortality during employment	85-90
Mortality post employment	1% Mortality improvement per annum from 2010

#### Withdrawal from service (22/23)

<b>Age</b>	<b>Males</b>
20-24	9%
25-29	8%
30-34	6%
35-39	5%
40-44	5%
45-49	4%
50-54	3%
54+	0%
000	0%

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



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 13. Employee benefit obligation (continued)

#### Long service awards

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

Reconciling and projecting the unfunded accrued liability:

#### Unfunded Accrued Liability

Opening accrued liability	98,585,000	89,952,000
Current service costs	6,657,000	6,274,000
Interest costs	10,782,000	7,472,000
Benefit vestings	(9,896,049)	(17,482,788)
Actuarial loss	(13,175,951)	12,369,788
	<b>92,952,000</b>	<b>98,585,000</b>

Net Liability to reflect on the Statement of Financial Position:

Net Liability	30 June 2023	30 June 2022
Opening balance	98,585,000	89,952,000
Current Service costs	6,657,000	6,274,000
Interest cost	10,782,000	7,472,000
Actuarial (gain)/loss	(13,175,951)	12,369,788
Employer benefit vesting	(9,896,049)	(17,482,788)
	<b>92,952,000</b>	<b>98,585,000</b>

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	10.92%
General earnings inflation rate	6.39%
Net effective discount rate	4.26%

#### Discount rate

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

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.92% per annum has been used. The corresponding liability-weighted index-linked yield is 4.78%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023.

#### Normal salary inflation rate

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

The CPI inflation assumption of 5.39% was obtained from the differential between market yields on index-linked bonds (4.78%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.92%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+10.92\%-0.50\%)/(1+4.78\%))-1$ .

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

2022

### 13. Employee benefit obligation (continued)

Thus, a general earnings inflation rate of 6.39% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.26%.

The next general earnings and monetary award increases were assumed to take place on 1 July 2024.

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.39% per annum for all employees

#### Key demographic assumptions

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.

Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday

#### 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

#### Withdrawal decrements

#### Age

20-24	9%
25-29	8%
30-34	6%
35-39	5%
40-44	5%
45-49	4%
50-54	3%
55-59	0%
55-54	0%

#### Analysis of actuarial (gain)/loss

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

	Rand value
Accrued liability as at 30 June 2022	98,585,000
Service Cost	6,657,000
Interest Cost	10,782,000
Expected benefit payments	(9,896,049)
Actuarial loss/(gain)	(13,175,951)
	<b>92,952,000</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

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### 13. Employee benefit obligation (continued)

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

1. Basis changes: increase in net discount rate : (8 995 000) .
2. Earnings increases higher than assumed : 156 000
3. Changes to employee profile different from assumed. : (5 678 000)
4. Actual benefits vesting, greater than expected : 1 350 049

#### 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

Long Service Leave Days Awards for levels of past service

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

#### Retirement gifts per level of service of retirement

Completed years of service	Retirement gift value for year ending 30 June 2023
10	3,568
15	4,373
20	6,321
25	8,742
30	12,639
35	21,856
40 and every 5yrs thereafter	21,856
	<b>79,355</b>

#### 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 2023

## Notes to the Annual Financial Statements

2023 2022

### 14. Provisions

#### Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Reduction/increase due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	111,651,591	17,573,960	41,601,205	170,826,756
Legal proceedings	4,963,725	-	-	4,963,725
	<b>116,615,316</b>	<b>17,573,960</b>	<b>41,601,205</b>	<b>175,790,481</b>

#### 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
	<b>159,116,942</b>	<b>24,263,717</b>	<b>(66,765,343)</b>	<b>116,615,316</b>

#### 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 2022 to 30 June 2023, should the design have remained the same.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

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 is 24.37Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2023 is R88 525 886 excluding VAT of 15%.

#### Waldrift

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 31.8842ha and the proposed waste disposal area 18.7946Ha. The area to be closed off is 15Ha. The cost estimated (Rehabilitation provision) to close the entire site, based on value determined at 30th of June 2023 is R51 674 687 excluding VAT of 15%.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 14. Provisions (continued)

#### Palm Springs

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

The extent of the property is 66.6384Ha and the waste disposal area is 25,0597Ha. The cost to undertake this closure at 30 June 2023 is R13 334 012 excluding 15% VAT.

On this basis the provisions at 30 June 2023 can be summarised as follows:

i) Waldrift landfill site : R51 674 687

ii) Boitshepi landfill site : R88 525 886

ii) Palm springs landfill site: R13 334 012.

Total for rehabilitation as at 30 June 2023 for all three sites at the respective closure dates is estimated at R 153 534 585:

Total provision for rehabilitation as if closure was at 30 June 2023 in terms of iGRAP 2 for all three landfill sites is:

i) Waldrift landfill site : R32 003 816.07.

ii) Boitshepi landfill site : R128 015 730.85.

iii) Palm springs landfill site R10 807 209.96.

Total : R170 826 756.87.

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 increase adjustment of R59 175 165,71 was made to the provision, with R17 573 960,45 increase in the provision because of interest at an effective rate of 15,74%, and an increase of R35 027 745,39 as result of the adjustment in the value of the provision. A nett adjustment of R3 461 635,05 was made to the Palm Springs landfill asset as the related landfill assets at Waldrift and Boitshepi were already fully depreciated, thus the nett provision movements for these have been accounted for through the surplus/ loss. Therefore, the estimated costs of rehabilitation for both landfill sites are inclusive of costs

A closure directive was issued in July 2022 by the Department of Agriculture and Rural development for the closure of Waldrift and Boitshepi landfill sites in accordance to Section 24G of the National Environmental Management Act of 1998. The municipality has seized operations at both landfill sites in April 2023. Therefore, the estimated costs of rehabilitation for both landfill sites are inclusive of costs. Thus, although the estimated remaining useful life of the Boitshepi landfill site was estimated as 1,86 years according to its remaining airspace, the remaining useful life is estimated at 2 years, which is the fallow period wherein the landfill sites will not be operating and rehabilitation will take place. The same remaining useful life of 2 years has been estimated for Waldrift as operations have seized there as well.

### 15. Consumer deposits

Consumer deposits	63,483,000	60,495,312
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### 16. Service charges

Sale of electricity	2,969,401,381	2,871,585,807
Sale of water	916,294,646	952,820,279
Sewerage and sanitation charges	303,963,386	307,365,981
Refuse removal	179,389,782	190,163,181
	<b>4,369,049,195</b>	<b>4,321,935,248</b>

### 17. Rental of facilities and equipment

#### Premises

Premises	15,437,113	14,472,591
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### 18. Other income

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>18. Other income (continued)</b>		
Industrial effluent	35,254,817	31,824,562
Reconnection fees	25,245,291	28,677,345
Sundries/unallocated income	11,211,146	18,377,773
Cemeteries	5,770,856	9,711,425
General service fees	3,875,252	5,683,803
Capital contribution	4,512,579	2,664,497
Building plans	2,196,893	1,799,099
Advertising	706,900	492,668
Fire and rescue services	93,438	469,367
Sale of tender documents	785,750	415,781
Refuse dumping landfill site	268,752	328,220
Planning fees	102,502	110,825
Warning services	355,096	100,383
Access to information	47,657	16,183
Entrance fees	490	7,919
Staff recoveries	-	543
	<b>90,427,419</b>	<b>100,680,393</b>
<b>19. Finance income</b>		
<b>Interest revenue</b>		
Bank	5,887,421	3,745,265
Interest on arrears	111,202,886	87,923,768
	<b>117,090,307</b>	<b>91,669,033</b>
<b>20. Property rates</b>		
<b>Rates received</b>		
Rates levied	1,148,120,473	1,016,799,884
<b>Valuations</b>		
Residential	79,490,999,000	67,669,127,000
Business	12,494,703,860	11,073,388,000
State owned properties	3,294,498,001	2,759,806,000
Municipal	1,397,111,000	1,197,062,000
Agricultural	1,586,680,000	1,370,120,000
Industrial	6,313,158,000	5,791,928,000
Other	1,526,384,079	4,099,619,078
	<b>106,103,533,940</b>	<b>93,961,050,078</b>
<b>21. Fines</b>		
Traffic fines	408,160,347	48,550,755
Other fines	182,377	623,363
	<b>408,342,724</b>	<b>49,174,118</b>
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	971,079,611	863,881,233
Financial management grant	2,186,446	2,100,000
Fire and rescue service grant	8,851	7,993,739
Health and environmental subsidies	43,643,476	41,419,205
	<b>1,016,918,384</b>	<b>915,394,177</b>
<b>Capital grants</b>		
Library grant	7,570,000	9,170,000
Expanded public works program(EPWP)	1,799,000	2,016,000
Integrated National Electrification Program	14,323,000	17,975,843
Energy Efficiency demand Site Management Program	4,000,000	4,400,000

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>22. Government grants and subsidies (continued)</b>		
Municipal Infrastructure Grant	116,148,853	42,949,150
Education and training(SITA)	3,745,110	2,450,199
	<b>147,585,963</b>	<b>78,961,192</b>
	<b>1,164,504,347</b>	<b>994,355,369</b>

### 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 2022/23 financial year was R 971 061 000.

### Financial management grant

Current-year receipts	2,200,000	2,100,000
Conditions met - transferred to revenue	(2,186,446)	(2,100,000)
	<b>13,554</b>	<b>-</b>

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

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

### Library grant

Current-year receipts	7,570,000	9,170,000
Conditions met - transferred to revenue	(7,570,000)	(9,170,000)
	<b>-</b>	<b>-</b>

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	149,895	648,168
Current-year receipts	3,595,215	1,951,926
Conditions met - transferred to revenue	(3,745,110)	(2,450,199)
	<b>-</b>	<b>149,895</b>

The purpose of the grant are 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	268,157	4,872,223
Current-year receipts	14,323,000	18,244,000
Conditions met - transferred to revenue	(14,323,000)	(17,975,843)
Repayment of unspent	(268,157)	(4,872,223)
	<b>-</b>	<b>268,157</b>

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 the quality of supply..

### 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).

Provide explanations of conditions still to be met and other relevant information.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 22. Government grants and subsidies (continued)

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	16,080,851	50,471,732
Current-year receipts	154,208,000	59,030,000
Conditions met - transferred to revenue	(116,148,853)	(42,949,150)
Repayment of unspent	(16,080,850)	(50,471,731)
	<b>38,059,148</b>	<b>16,080,851</b>

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

Provide explanations of conditions still to be met and other relevant information.

#### Sedibeng Maintenance Grant

Balance unspent at beginning of year	1,003,104	1,003,104
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Provide explanations of conditions still to be met and other relevant information.

#### Health and environmental subsidies

Current-year receipts	43,646,476	41,419,204
Conditions met - transferred to revenue	(43,646,476)	(41,419,204)
	-	-

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	595,358	1,600,000
Conditions met - transferred to revenue	-	(1,004,642)
	<b>595,358</b>	<b>595,358</b>

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

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	1,799,000	2,016,000
Conditions met - transferred to revenue	(1,799,000)	(2,016,000)
Other	-	(1,237,243)
	-	-

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.

#### Functional Fire and Rescue Services(Roll Over)

Balance unspent at beginning of year	10,903	-
Current-year receipts	7,800,000	7,000,000
Conditions met - transferred to revenue	(8,850)	(6,989,097)
	<b>7,802,053</b>	<b>10,903</b>

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



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>22. Government grants and subsidies (continued)</b>		
Provide explanations of conditions still to be met and other relevant information.		
<b>Energy Efficiency and Demand Site Management</b>		
Balance unspent at beginning of year	-	(600,000)
Current-year receipts	4,000,000	5,000,000
Conditions met - transferred to revenue	(4,000,000)	(4,400,000)
	<u>-</u>	<u>-</u>
Provide explanations of conditions still to be met and other relevant information.		
<b>23. Employee related costs</b>		
Basic	697,467,734	647,498,931
Bonus	51,992,337	49,029,394
Medical aid - company contributions	63,219,580	60,895,484
UIF	4,411,176	4,551,806
SDL	6,162,717	(1,030,537)
Leave pay provision charge	23,252,426	53,159,274
Defined contribution plans	129,996,232	124,681,022
Overtime payments	120,129,628	124,489,336
Acting allowances	27,233,857	26,486,486
Car allowance	59,126,957	54,275,828
Housing benefits and allowances	4,435,691	4,335,575
Other allowances	14,506,646	15,742,910
Group insurance	34,338,196	31,267,896
Skills development and casualty contributions	10,680,215	10,072,235
	<u><b>1,246,953,392</b></u>	<u><b>1,205,455,640</b></u>
<b>Remuneration of executive directors</b>		
<b>Municipal manager</b>		
Annual remuneration	755,002	1,846,337
Travel, motor car, accommodation, subsistence and other allowances	10,000	24,000
Annual leave	383,219	-
	<u><b>1,148,221</b></u>	<u><b>1,870,337</b></u>
The contract for Mr. L. Leseane ended on 31 October 2022 and Mr. A Ntuli was appointed to act in the position of the Municipal Manager from 1 November 2022 and eventually appointed permanently on 1 June 2023.		
<b>Chief financial officer</b>		
Annual remuneration	1,520,711	1,520,711
Travel, motor car, accommodation, subsistence and other allowances	18,000	18,000
	<u><b>1,538,711</b></u>	<u><b>1,538,711</b></u>
<b>Executive director: shared services</b>		
Annual remuneration	-	1,269,283
Travel, motor car, accommodation, subsistence and other allowances	-	282,000
Acting allowance	-	70,256
	<u><b>-</b></u>	<u><b>1,621,539</b></u>
The position is vacant in the current financial year, and incumbents were appointed on a rotational basis to act in the position.		
<b>Executive director: public works</b>		
Annual remuneration	1,025,951	1,231,142
Travel, motor car, accommodation, subsistence and other allowances	135,000	162,000
Acting allowance	14,371	-
Annual leave	205,214	-
	<u><b>1,380,536</b></u>	<u><b>1,393,142</b></u>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 23. Employee related costs (continued)

The position was vacant as of 1 May 2023 and an incumbent was appointed to act on the position.

#### Executive director: infrastructure development & planning

Annual remuneration	1,175,759	1,212,312
Travel, motor car, accommodation, subsistence and other allowances	48,500	138,000
Acting allowance	138,916	-
Annual leave	268,254	-
	<b>1,631,429</b>	<b>1,350,312</b>

The is vacant from 1 June 2023 and the incumbent is appointed to act in the position.

#### Chief Risk Officer

Annual remuneration	448,398	-
Travel, motor car, accommodation, subsistence and other allowances	86,000	-
	<b>534,398</b>	<b>-</b>

The position was vacant in the previous financial year and was filled in the current financial year on 1 February 2023.

#### Chief audit executive

The position was vacant as at 30 June 2023.

#### Head of revenue

The position was vacant as at 30 June 2023.

#### Executive Director: Public Safety and Community Development

The position was vacant as at 30 June 2023

#### Executive Director: Economic Development and Planning

The position was vacant as at 30 June 2023

### 24. Remuneration of councillors

Executive Mayor	1,589,023	1,329,082
Mayoral Committee Members	11,056,061	9,673,355
Speaker	1,281,415	1,092,457
Councillors	49,615,222	44,733,516
	<b>63,541,721</b>	<b>56,828,410</b>

#### 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	2,700,545,572	2,540,080,062
Water	1,424,323,313	1,043,810,712
	<b>4,124,868,885</b>	<b>3,583,890,774</b>

### 26. Finance costs

Interest: Long Service Awards	10,782,000	7,472,000
Interest on medical cost	15,151,000	11,825,000
Imputed interest realised	4,233,745	11,457,535
Interest: External borrowings and creditors	598,102,035	375,582,753

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>26. Finance costs (continued)</b>	<b>628,268,780</b>	<b>406,337,288</b>
<b>27. General expenses</b>		
Advertising	969,649	669,239
Auditors remuneration	7,918,825	7,935,955
Bank charges	4,609,977	4,007,362
Commission paid	24,928	603,409
Consulting and professional fees	43,515,401	520,159,934
Hire	99,239,493	72,595,665
Insurance	34,466,696	33,800,117
Postage and courier	288,043	4,763,306
Printing and stationery	1,506,881	5,565,366
Secretarial fees	18,277,685	14,626,839
Software expenses	4,805,730	6,091,658
Telephone and fax	3,097,601	48,195
Uniforms	8,861,231	2,085,388
Special projects	1,538,287	1,424,363
Departmental charges	4	(3)
Venue expenses	12,978,362	16,455,162
Other expenses	53,485,812	30,080,917
Restructuring	134,500,939	149,826,258
	<b>430,085,544</b>	<b>870,739,130</b>
<b>28. Cash generated from operations</b>		
Deficit	(1,737,549,544)	(1,612,160,864)
<b>Adjustments for:</b>		
Depreciation and amortisation	617,455,767	635,200,136
Fair value adjustments	4,797,697	(38,157,613)
Grant in kind	(53,100,877)	(314,792,188)
Non- Cash relating to repairs and maintenance	3,114,505	41,195,882
Debt impairment	1,514,134,138	1,355,131,674
Loss/gain on sale of assets	26,549,429	39,049,048
Movements in provisions	(19,064,000)	5,439,576
Landfill sites gains	55,713,530	(42,501,626)
<b>Changes in working capital:</b>		
Inventories	(5,426,771)	(8,672,060)
Receivables from exchange transactions	(1,121,596,644)	(1,122,691,139)
Other receivables from non-exchange transactions	(707,823,576)	19,409,666
Value added tax	(311,099,024)	(274,339,806)
Payables from exchange transactions	1,985,444,059	1,486,879,188
Unspent conditional grants and receipts	29,364,949	(41,724,202)
	<b>280,913,638</b>	<b>127,265,672</b>
<b>29. Financial instruments disclosure</b>		
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:		
<b>Categories of financial instruments</b>		
<b>2023</b>		
<b>Financial assets</b>		
Trade and other receivables from exchange transactions	At amortised cost 822,671,367	Total 822,671,367
Other receivables from non-exchange transactions	326,017,656	326,017,656
Cash and cash equivalents	85,163,617	85,163,617
	<b>1,233,852,640</b>	<b>1,233,852,640</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 29. Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	63,483,000	63,483,000
Trade and other payables from exchange transactions	9,519,733,285	9,519,733,285
	<b>9,583,216,285</b>	<b>9,583,216,285</b>

#### 30 June 2023

	Less than 1 year	Between 2 and 5 years	Total
Trade and other payables from exchange transaction	9,519,733,285	-	9,519,733,285
Consumer deposits	-	63,483,000	63,483,000
	<b>9,519,733,285</b>	<b>63,483,000</b>	<b>9,583,216,285</b>

#### 2022

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	602,273,637	602,273,637
Other receivables from non-exchange transactions	231,129,302	231,129,302
Cash and cash equivalents	129,403,797	129,403,797
	<b>962,806,736</b>	<b>962,806,736</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	60,495,312	60,495,312
Trade and other payables from exchange transactions	7,534,289,226	7,534,289,226
	<b>7,594,784,538</b>	<b>7,594,784,538</b>

#### 30 June 2022

	Less than 1 year	Between 2 and 5 years	Total
Trade and other payables from exchange transactions	7,534,289,226	-	7,534,289,226
Consumer deposits	-	60,495,312	60,495,312
	<b>7,534,289,226</b>	<b>60,495,312</b>	<b>7,594,784,538</b>

### 30. Awards to close family member of an official/councillor

#### Employee Position & Number

Network Admin (W01886)

Relationship	Supplier Name	Award Value
Spouse	Baiketseng Trading Enterprise CC	24,225

### 31. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	243,466,737	299,509,874
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#### Authorised operational expenditure

##### Already contracted for but not provided for

• Approved and contracted	112,752,221	27,055,599
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# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>32. Contingencies</b>		
<b>Civil matters</b>		
Buzaphi Construction	98,848,870	98,848,870
The Vaal Show Society	-	80,000,000
L.A Mphago	10,000,000	17,111,888
David Maartens	7,367,145	7,367,115
MESO Automation	4,575,862	-
JM Mncwango	3,469,378	3,469,378
Brilliant Telecommunications	3,099,076	-
NURCHA Development Finance	1,700,000	3,187,346
Ndaramawe	2,725,594	2,725,594
Ndlavuka Consulting CC	2,419,156	2,419,156
CV Chabane	2,401,424	-
Johannes Stephanus Van Der Merwe	2,000,000	-
LR Management	1,632,569	-
Swift Power	992,575	992,575
Radius Industrial Engineering	970,000	-
Divinity Trading	724,794	724,794
East Rand Water Care	608,619	-
Wilem Wink Van Westhuizen	80,000	-
King and Associates	536,361	536,361
Port Wig Property Investment	390,000	390,000
Matthews William Eliss	40,250	-
Mokankgadumo Trading and Project	235,000	235,000
MT Teleko	230,000	230,000
Britz Johan Edwards	200,000	-
William Harald Sondus	50,000	-
Telkom SA	44,381	-
Mega Zone	-	154,000,000
MBD Transaction Capital	-	33,886,984
Old Apostolic Church	-	5,500,651
Tejulene	-	3,707,895
Seriti Maluleke Attorneys	-	1,787,495
Phale	-	1,000,000
Sungu Sungu Projects	-	433,281
McLean	-	200,000
I MacLeod	-	50,186
B Hanyane	-	46,444
Darren Phather	-	38,474
M Moeti	-	22,157
	<b>145,341,054</b>	<b>418,911,644</b>

### Contingent assets

The amount of R757 000(2021/22 - R739 587) 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 R116 200 000(2021/22: R138 781 498).

### Contingent liabilities (Insurance)

During the 2022/23 financial year, the municipality encountered insurance claims amounting to R3 480 381(2021/22: R2 326 666)

## 33. Related parties

### Key management information

Section 56 Managers

Councillors

Section 56 managers received compensation as set out in note 23

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 33. Related parties (continued)

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

### 34. Correction of error

During the 2022/23 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:

Balance previously reported 2020/21	7,359,091,456
Adjustments for 2020/21 and prior	42,258,224
Restated balance for 2020/21	7,401,349,680
Surplus/(deficit) for the period 2021/22 reported	(1,566,609,552)
Adjustments 2021/22	(45,551,311)
<b>Restated balance for 2021/22</b>	<b>5,789,188,817</b>
<b>Statement of financial position - 2020/21</b>	
Trade and other receivables from exchanged transactions	(1,108,754)
Trade and other receivables from non-exchanged transactions	(34,246,720)
Value added tax receivables	(9,849,097)
Trade and other payables	87,462,795
	<b>42,258,224</b>
<b>Statement of financial position - 2021/22</b>	
Cash and cash equivalent	483
Trade and other receivables from non-exchanged transactions	(2,102,549)
Trade and other receivables from exchanged transactions	(3,563,273)
Value added tax receivables	3,139,577
Property, plant and equipment	4,111,916
Work in progress infrastructure	(55,424)
Trade and other payables	(39,672,041)
Investment property	(7,410,000)
	<b>(45,551,311)</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

### 34. Correction of error (continued)

#### Statement of financial performance - 2020/21

Service charge	9,698,840
Other income	1,182,242
Infrastructure grant	12,203,518
Health subsidies	1,189,510
Bulk purchases	8,261,455
Contracted services	(74,793,789)
	<b>(42,258,224)</b>

#### Statement of financial performance 2021/22

Other income	8,937,752
Service charges	(2,679,379)
Rental of facilities and equipment	3,141,765
Finance income	(482)
Donations	(4,973,998)
Bulk purchases	26,100,519
Contracted services	12,111,534
Finance cost	203,053
General expenses	(4,711,043)
Depreciation and amortisation	11,590
loss or gain on sale of assets	7,410,000
	<b>45,551,311</b>

	Balance 2021/22	Adjustment 2020/21	Adjustment 2021/22	Restated balance 2021/22
Cash and cash equivalents	129,403,314	-	483	129,403,797
Trade and other receivables from non-exchange	267,478,570	(34,246,720)	(2,102,549)	231,129,301
Trade and other receivables from exchange transactions	606,945,666	(1,108,754)	(3,563,273)	602,273,639
Inventory	33,367,208	-	-	33,367,208
VAT receivable	1,075,935,658	(9,849,097)	3,139,577	1,069,226,138
Property, plant and equipment	10,678,400,559	-	4,056,492	10,682,457,051
Investment property	997,878,176	-	(7,410,000)	990,468,176
Intangible assets	16,788,926	-	-	16,788,926
Heritage assets	57,016	-	-	57,016
Sanlam shares	14,275	-	-	14,275
Trade and other payables	(7,582,079,980)	87,462,795	(39,672,041)	(7,534,289,226)
Unspent conditional grants	(19,268,867)	-	-	(19,268,867)
Employee benefits	(20,885,000)	-	-	(20,885,000)
Consumer deposits	(60,495,312)	-	-	(60,495,312)
Employee benefit obligation	(214,443,000)	-	-	(214,443,000)
Provisions	(116,615,316)	-	-	(116,615,316)
	<b>5,792,481,893</b>	<b>42,258,224</b>	<b>(45,551,311)</b>	<b>5,789,188,806</b>

Details of adjustments

Statement of financial performance

Revenue from exchange transactions

#### Other debtors

Reclassification of a portion of other debtors previously recognised as non 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 34. Correction of error (continued)

#### Provincial Health claims

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

#### Rental

Correction of billing on the rental of Sonhof units not previously accounted for.

#### Transfers and subsidies

Infrastructure grant recognised.

#### Sundry debtors

Sundry debtors incorrectly billed in the previous year, corrected

#### Expenditure

##### Outsourced, professional services, Contractorst

Professional services

##### 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

##### Bulk services - Eskom and Randwater

Correction of statement of ESKOM and Randwater account.

##### Insurance premiums

Insurance premiums recognised

##### Stale cheques

Cancellation of stale cheques of previous years

##### Non-current assets

###### PPE

Developer created assets capitalised.

##### Derecognition

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



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 34. Correction of error (continued)

#### WIP

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

#### Sundry debtors

Billing on sundry debtors not previously accounted for.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 35. Risk management

#### Financial risk management

##### 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.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	9,160,511,897	-	-	-
Consumer deposits	-	-	63,483,000	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	7,148,807,108	-	-	-
Consumer deposits	-	-	60,495,312	-

##### 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	2023	2022
Cash and cash equivalents	85,163,617	129,403,797
Receivables from exchange transactions	822,671,367	602,273,637
Receivables from non-exchange transactions	326,017,656	231,129,302

##### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

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### 36. Going concern

We draw attention to the fact that at 30 June 2023 the municipality has an accumulated surplus of R4,852,985,958 and that the municipality's total assets amount to R14,876,890,540 and exceeds the total liabilities of R10,023,904,582 by R4,852,985,958 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.

#### 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 14<sup>th</sup> 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

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

2022

### 36. 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. 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 148 120 473 for the 2022/2023 financial year

#### 2. Other

The accumulated surplus of the municipality was R4 862 996 969 at year-end. The total assets amounted to R14 886 884 164. The total assets exceed the liabilities with R10 023 887 195.

#### 3. 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

#### 4. 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.

#### 5. Institutional

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

#### 6. Debt relief

The municipality applied to the National Treasury in terms of the Municipal Finance Management Act (MFMA) Circular 124 for relief on the debt payable to Eskom Debt as at 31 March 2023. The relief in terms of the Circular is dependant on the municipality complying with the conditions over a period of 36 months. The period is divided into three periods of 12 consecutive months after which a third of the debt will be written off by Eskom. The approval for an amount of R5 913 358 188, including interest and penalties but excluding the March 2023 current account was granted by the National Treasury on 30 June 2023. The relief will reduce the amount owed to creditors and will enable the municipality to attain a funded budget position in that the revenues realised in future periods will be able to fund and pay the expenditures incurred and liabilities as they fall due.

#### 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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023 2022

### 37. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

#### High Court Order dated 5 July 2023 Eskom versus Emfuleni Local Municipality

During the above High Court Case Eskom was the complainant, inter alia, and Emfuleni Municipality first Respondent.

The court case was due to the non-payment of the Eskom account for the bulk electricity delivered to the Emfuleni Local Municipality as well as breach of contract, as Emfuleni did not honor the signed agreements.

A portion of the Order of the High Court was as follows:

5) Emfuleni must appoint Eskom as its service delivery agent and provider to perform all functions and provide all services relating to Emfuleni's electricity business on behalf of Emfuleni and as service delivery agent and provider:

5.1 Eskom shall be entitled to collect all revenues due to Emfuleni in respect of the electricity distribution function and ensure that the funds are paid into a separate ring-fenced account to be opened in the name of Emfuleni (the "Account");

5.2 Eskom shall be authorised to charge to the Account all costs and expenses incurred by Eskom in discharging its duties in terms of the Agency and the amounts which Emfuleni is liable to pay Eskom for the electricity supplied by Eskom calculated at NERSA approved tariffs.

5.3 Emfuleni shall pay Eskom, in relation to the services rendered by Eskom in respect of the Agency, such amounts as NERSA may determine from time to time on application by Eskom;

5.4 In relation to the Agency, Eskom shall account to Emfuleni quarterly and pay the net revenue (calculated as the difference between the Eskom tariff and Emfuleni's municipal tariff less the costs envisaged in terms of paragraphs 4.2 and 4.3 above) over to Emfuleni.

6. Eskom and Emfuleni, subject to appropriate oversight from NERSA, must finalise the terms of the agreement established by this order within six months of the date of this order.

7. The agreement which shall contain the provisions stipulated under 5 and details and dates regarding how the electricity business of Emfuleni will be handed over to Eskom to enable Eskom to perform its functions as service delivery agent of Emfuleni....."

Emfuleni must therefore, in terms of the Court Order, appoint Eskom as its service delivery agent, with NERSA's oversight, within 6 months of the order. The official agreement for the Principal and Agent service delivery, must therefore be concluded by 5 January 2024

### 38. Unauthorised expenditure

Opening balance as previously reported	7,513,533,948	4,804,669,473
Add: Unauthorised expenditure - current	2,214,091,190	2,708,864,475
<b>Closing balance</b>	<b>9,727,625,138</b>	<b>7,513,533,948</b>

#### Details of unauthorised expenditure

Public Works	1,316,905,909	1,232,146,286
Financial Services	549,387,286	484,617,909
Public Safety and Community Development	287,944,525	84,480,862
Shared Services	49,586,149	459,612,004
Office of the Municipal Manager	-	448,007,414
AEDP & HS	10,267,321	-
	<b>2,214,091,190</b>	<b>2,708,864,475</b>

### 39. Fruitless and wasteful expenditure

Opening balance as previously reported	1,730,579,616	902,698,406
Add: Fruitless and wasteful expenditure identified - current	598,102,035	827,881,210
<b>Closing balance</b>	<b>2,328,681,651</b>	<b>1,730,579,616</b>

### 40. Irregular expenditure

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>40. Irregular expenditure (continued)</b>		
Opening balance as previously reported	883,460,094	651,154,294
Add: Irregular expenditure - current	92,323,720	232,305,800
<b>Closing balance</b>	<b>975,783,814</b>	<b>883,460,094</b>
<b>41. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	726,945	716,120
Current year subscription / fee	(726,945)	(716,120)
	-	-
<b>PAYE and UIF</b>		
Opening balance	18,383,684	17,137,981
Current year subscription / fee	241,447,669	223,886,531
Amount paid - current year	(222,433,998)	(205,502,847)
Amount paid - previous years	(18,383,684)	(17,137,981)
	<b>19,013,671</b>	<b>18,383,684</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	14,529,942	14,934,649
Current year subscription / fee	306,909,493	293,433,618
Amount paid - current year	(306,909,493)	(278,903,676)
Amount paid - previous years	(14,529,942)	(14,934,649)
	-	<b>14,529,942</b>
<b>Councillors' arrear consumer accounts</b>		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:		
30 June 2023	Outstanding more than 90 days	Total
Mollo DS	27,565	27,565
Radebe SMS	4,120	4,120
Mashigo T	5,276	5,276
Mavhimbela SM	30,290	30,290
Mkhubeni DP	19,610	19,610
Mokhele SG	114,756	114,756
Mokoena AD	2,428	2,428
Mokoena NF	60,182	60,182
Msolo NJ	15,434	15,434
Nhlapo PJ	67,629	67,629
Phala NS	12,936	12,936
Tlhokwe TG	9,981	9,981
	<b>370,207</b>	<b>370,207</b>
30 June 2022	Outstanding more than 90 days	Total
Kantso MD	38,584	38,584
Mkhubeni DP	27,869	27,869
Mokhele SG	91,262	91,262
Mokolopo MD	72,147	72,147
Mollo DS	37,048	37,048
Nhlapo PJ	66,998	66,998
Radebe SMS	3,796	3,796

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

	2023	2022
<b>41. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
Sandamela AG	2,420	2,420
	<b>340,124</b>	<b>340,124</b>

### 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:

<b>Electricity</b>		
Kilowatt	417,874,516	464,862,461
Rand value	588,516,384	598,556,898
%	22.2%	23%
<b>Water</b>		
Kiloliter	66,639,487	68,726,884
Rand value	774,042,073	733,720,550
%	61.9%	63.7%

### 42. 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.

<b>Description</b>		
Deviations	93,148	48,315,288

### 43. Segment information

#### General information

#### Identification of segments

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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2023

2022

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### 43. Segment information (continued)

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

#### Aggregated segments

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 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Segment information (continued)

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

2023

	Community & Public Safety	Economic & Environmental Services	Trading Services	NonSegments/N on allocation	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	459,989,947	70,230	63,576,264	2,244,261,980	2,767,898,421
Revenue from exchange transactions	6,635,457	15,754,772	4,431,073,424	52,921,206	4,506,384,859
Interest revenue	-	92,857	90,576,228	26,421,223	117,090,308
<b>Total segment revenue</b>	<b>466,625,404</b>	<b>15,917,859</b>	<b>4,585,225,916</b>	<b>2,323,604,409</b>	<b>7,391,373,588</b>
<b>Entity's revenue</b>					<b>7,391,373,588</b>
<b>Expenditure</b>					
Total segment expenses	991,414,531	70,177,025	5,744,930,724	1,105,868,104	7,912,390,384
Depreciation and amortisation	19,426,610	52,571,571	109,602,612	419,213,182	600,813,975
Interest expense	-	-	-	613,117,780	613,117,780
<b>Total segment expenditure</b>	<b>1,010,841,141</b>	<b>122,748,596</b>	<b>5,854,533,336</b>	<b>2,138,199,066</b>	<b>9,126,322,139</b>
<b>Total segmental surplus/(deficit)</b>	<b>(544,215,737)</b>	<b>(106,830,737)</b>	<b>(1,269,307,420)</b>	<b>185,405,343</b>	<b>(1,734,948,551)</b>
<b>Assets</b>					
Segment assets	507,874	-	189,088,166	182,361,833	371,957,873
<b>Total assets as per Statement of financial Position</b>					<b>371,957,873</b>

### 44. Budget differences

#### Material differences between budget and actual amounts

Service charges - Under-performance of electricity and waste management revenue

Rental of facilities and equipment - Over-projections of revenue informed by erroneous performance as at mid-year.

Trade and other licenses - More health certificates were issued than anticipated.

Other income - This is due to un-allocated cash receipts which were not anticipated.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

2023

2022

### 44. Budget differences (continued)

Finance income - Investment on short-term accounts was not anticipated and grants were expected to be spent in full.

Fines - Fines backlog captured after appointment of service provider

Government grants & subsidies - This is due to unspent grant allocations which cannot be recognised as revenue.

Remuneration of councillors - Vacant positions of MMC resulted in lower spending

Depreciation and amortisation - Higher depreciation charges than anticipated.

Finance costs - Interest on bulk creditors which is high due to high amounts which are outstanding

Debt Impairment - Actual amount inflated by the traffic fines impairment provision

Bulk purchases - High water and electricity losses resulting in high bulk account.

Contracted Services - Overpent due to service delivery needs

Inventories - More inventories were budgeted for in anticipation of in-sourcing

Receivables from non-exchange transactions - More traffic fines were recorded for the year

Receivables from exchange transactions - Budget amounts are gross amounts while the actual is net of impairment

Value added tax - Informed by the transactions for the year. It cannot be accurately projected.

Cash and cash equivalents - Bank accounts were attached for the most part of the year.

Intangible assets - Depreciation and impairments

Sanlam shares - Shares are controlled by the market and cannot be correctly estimated

Payables from exchange transactions - Bank attachments led to the failure to pay bulk accounts

Unspent conditional grants and receipts - Budgeted amounts were assuming that all grants would be spent in full

Provisions - These are actuarial valuations that cannot be accurately estimated at budget stage

Employee benefit obligation - These are actuarial valuations that cannot be accurately estimated at budget stage

Consumer deposits - This is informed by tariff adjustments and new accounts for the year

### 45. New standards and interpretations

#### 45.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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#### 45.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 45. New standards and interpretations (continued)

• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact