



Vaal River City, the Cradle of Human Rights

**Emfuleni Local Municipality**  
**Annual Financial Statements**  
**for the year ended 30 June 2024**

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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	AG Sandamela
MMC - Public safety	ER. Mokoena
MMC - Shared services	MM. Serapelo
MMC - Health and social development	MR. Lesaoana
MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries	SP Mahlasela
MMC - Finance and revenue	HM. Mako
MMC - Public works	JS Mochawe
MMC - Agriculture, local economic development, development planning and tourism	MD Kantso
MMC - Environmental management and planning	J. Radebe

### Accounting Officer

A. Ntuli

### 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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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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**

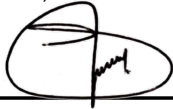
Annual Financial Statements for the year ended 30 June 2024

## **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 2024

## Statement of Financial Position as at 30 June 2024

		2024	2023 Restated*
	Note(s)		
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	3,725,408	85,163,617
Receivables from exchanged transactions	3	525,978,921	818,041,748
Receivables from non-exchange transactions	4	406,138,924	322,646,531
Inventories	5	42,242,890	38,777,036
Value added tax	6	2,032,230,724	1,380,787,298
		<b>3,010,316,867</b>	<b>2,645,416,230</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	10,366,978,709	9,999,366,782
Investment property	8	816,835,414	981,714,552
Intangible assets	9	16,049,497	16,222,803
Heritage assets	10	57,016	57,016
Sanlam shares		21,849	15,755
		<b>11,199,942,485</b>	<b>10,997,376,908</b>
<b>Total Assets</b>		<b>14,210,259,352</b>	<b>13,642,793,138</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	7,729,514,311	4,988,338,108
Unspent conditional grants and receipts	12	5,005,717	48,633,816
Employee benefit obligation	13	28,965,000	27,347,000
Consumer deposit		67,403,060	63,483,000
		<b>7,830,888,088</b>	<b>5,127,801,924</b>
<b>Non-Current Liabilities</b>			
Provisions	14	261,118,491	175,051,485
Employee benefit obligation	13	189,360,000	188,917,000
Municipal relief debt liability		1,725,268,618	3,235,350,559
		<b>2,175,747,109</b>	<b>3,599,319,044</b>
<b>Total Liabilities</b>		<b>10,006,635,197</b>	<b>8,727,120,968</b>
<b>Net Assets</b>		<b>4,203,624,155</b>	<b>4,915,672,170</b>
Accumulated surplus		4,203,624,155	4,915,672,170
<b>Total Net Assets</b>		<b>4,203,624,155</b>	<b>4,915,672,170</b>

\* See Note 45

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

		2024	2023 Restated*
	Note(s)		
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	15	4,712,099,791	4,369,049,195
Rental of facilities and equipment	16	15,896,110	15,437,113
Trade and other licenses		402,760	160,665
Other income	17	112,899,702	86,169,472
Finance income	18	181,739,290	117,090,307
Fair value adjustments		2,816,541	-
Actuarial gains		4,003,683	31,308,987
<b>Total revenue from exchange transactions</b>		<b>5,029,857,877</b>	<b>4,619,215,739</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	1,217,403,577	1,148,120,473
Donations		582,233,407	215,413,836
Fines	20	277,659,956	408,342,724
Interest		438,240,247	1,356,272,888
<b>Transfer revenue</b>			
Government grants & subsidies	21	1,197,666,785	1,164,504,347
<b>Total revenue from non-exchange transactions</b>		<b>3,713,203,972</b>	<b>4,292,654,268</b>
<b>Total revenue</b>		<b>8,743,061,849</b>	<b>8,911,870,007</b>
<b>Expenditure</b>			
Employee related costs	22	(1,346,493,254)	(1,246,953,392)
Remuneration of councillors	23	(65,344,723)	(63,541,721)
Landfill site losses		-	(55,713,530)
Depreciation and amortisation		(318,263,243)	(1,083,055,317)
Finance costs	25	(394,100,657)	(626,590,737)
Debt Impairment		(2,053,091,337)	(1,514,134,138)
Loss/gain on sale of assets		(165,809,478)	(26,712,056)
Bulk purchases	24	(4,059,733,908)	(4,173,711,936)
Contracted services		(452,582,488)	(435,556,707)
Fair value adjustments		-	(4,797,697)
General Expenses	27	(599,690,784)	(586,124,934)
<b>Total expenditure</b>		<b>(9,455,109,872)</b>	<b>(9,816,892,165)</b>
<b>Deficit for the year</b>		<b>(712,048,023)</b>	<b>(905,022,158)</b>

\* See Note 45

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2022</b>	<b>5,820,694,328</b>	<b>5,820,694,328</b>
Changes in net assets		
Surplus for the year	(905,022,158)	(905,022,158)
Total changes	(905,022,158)	(905,022,158)
<b>Restated* Balance at 01 July 2023</b>	<b>4,915,672,178</b>	<b>4,915,672,178</b>
Changes in net assets		
Surplus for the 9 Months ending 31 March 2024	(712,048,023)	(712,048,023)
Total changes	(712,048,023)	(712,048,023)
<b>Balance at 30 June 2024</b>	<b>4,203,624,155</b>	<b>4,203,624,155</b>
Note(s)		

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

		2024	2023 Restated*
	Note(s)		
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		2,929,071,610	3,029,270,435
Grants		1,154,038,686	1,161,694,381
Interest income		84,023,447	25,083,960
Other receipts		1,447,282,048	985,929,172
		<u>5,614,415,791</u>	<u>5,201,977,948</u>
<b>Payments</b>			
Employee costs		(1,331,898,555)	(1,346,523,113)
Suppliers		(3,512,771,379)	(2,478,314,232)
Finance costs		(371,394,657)	(598,102,035)
Other payments		(234,375,295)	(498,124,930)
		<u>(5,450,439,886)</u>	<u>(4,921,064,310)</u>
<b>Net cash flows from operating activities</b>	28	<b><u>163,975,905</u></b>	<b><u>280,913,638</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(250,951,096)	(327,771,669)
Proceeds from sale of investment property	8	6,147,627	-
Purchase of other intangible assets	9	(610,669)	(369,837)
<b>Net cash flows from investing activities</b>		<b><u>(245,414,138)</u></b>	<b><u>(328,141,506)</u></b>
<b>Cash flows from financing activities</b>			
Movement in Consumer Deposits		-	2,987,688
<b>Net cash flows from financing activities</b>		<b><u>-</u></b>	<b><u>2,987,688</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(81,438,233)</u></b>	<b><u>(44,240,180)</u></b>
Cash and cash equivalents at the beginning of the year		85,163,617	129,403,797
<b>Cash and cash equivalents at the end of the year</b>	2	<b><u>3,725,384</u></b>	<b><u>85,163,617</u></b>

The accounting policies on pages 10 to 32 and the notes on pages 33 to 86 form an integral part of the annual financial statements.

\* See Note 45



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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	5,233,039,201	28,368,453	<b>5,261,407,654</b>	4,712,099,791	<b>(549,307,863)</b>	47
Rental of facilities and equipment	17,447,516	-	<b>17,447,516</b>	15,896,110	<b>(1,551,406)</b>	47
Trade and other licenses	156,956	-	<b>156,956</b>	402,760	<b>245,804</b>	47
Other income	78,643,038	4,200,000	<b>82,843,038</b>	112,899,702	<b>30,056,664</b>	
Finance income	146,569,003	-	<b>146,569,003</b>	181,739,290	<b>35,170,287</b>	47
<b>Total revenue from exchange transactions</b>	<b>5,475,855,714</b>	<b>32,568,453</b>	<b>5,508,424,167</b>	<b>5,023,037,653</b>	<b>(485,386,514)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	1,209,708,024	-	<b>1,209,708,024</b>	1,217,403,577	<b>7,695,553</b>	
Donations	-	-	-	582,233,407	<b>582,233,407</b>	47
Fines	131,395,614	-	<b>131,395,614</b>	277,659,956	<b>146,264,342</b>	47
Interest - Taxation revenue	-	-	-	438,240,247	<b>438,240,247</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	1,355,235,155	(152,871,896)	<b>1,202,363,259</b>	1,197,666,785	<b>(4,696,474)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>2,696,338,793</b>	<b>(152,871,896)</b>	<b>2,543,466,897</b>	<b>3,713,203,972</b>	<b>1,169,737,075</b>	
<b>Total revenue</b>	<b>8,172,194,507</b>	<b>(120,303,443)</b>	<b>8,051,891,064</b>	<b>8,736,241,625</b>	<b>684,350,561</b>	
<b>Expenditure</b>						
Employee related costs	(1,545,747,810)	112,765,673	<b>(1,432,982,137)</b>	(1,346,493,254)	<b>86,488,883</b>	47
Remuneration of councillors	(70,192,387)	-	<b>(70,192,387)</b>	(65,344,723)	<b>4,847,664</b>	
Depreciation and amortisation	(513,349,225)	(87,331,646)	<b>(600,680,871)</b>	(318,263,243)	<b>282,417,628</b>	
Finance costs	-	-	-	(394,100,657)	<b>(394,100,657)</b>	47
Debt Impairment	(1,432,374,453)	32,055,681	<b>(1,400,318,772)</b>	(2,053,091,337)	<b>(652,772,565)</b>	47
Loss/gain on sale of assets	-	-	-	(165,809,478)	<b>(165,809,478)</b>	47
Bulk purchases	(3,487,064,567)	-	<b>(3,487,064,567)</b>	(4,059,733,908)	<b>(572,669,341)</b>	47
Contracted Services	(225,222,139)	13,312,620	<b>(211,909,519)</b>	(452,582,488)	<b>(240,672,969)</b>	
General Expenses	(360,314,026)	(8,318,254)	<b>(368,632,280)</b>	(599,690,784)	<b>(231,058,504)</b>	
<b>Total expenditure</b>	<b>(7,634,264,607)</b>	<b>62,484,074</b>	<b>(7,571,780,533)</b>	<b>(9,455,109,872)</b>	<b>(1,883,329,339)</b>	
<b>Operating deficit</b>	<b>537,929,900</b>	<b>(57,819,369)</b>	<b>480,110,531</b>	<b>(718,868,247)</b>	<b>(1,198,978,778)</b>	
Fair value adjustments	-	-	-	2,816,541	<b>2,816,541</b>	47
Actuarial gains/losses	-	-	-	4,003,683	<b>4,003,683</b>	47
	-	-	-	<b>6,820,224</b>	<b>6,820,224</b>	
<b>Deficit for the year</b>	<b>537,929,900</b>	<b>(57,819,369)</b>	<b>480,110,531</b>	<b>(712,048,023)</b>	<b>(1,192,158,554)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>537,929,900</b>	<b>(57,819,369)</b>	<b>480,110,531</b>	<b>(712,048,023)</b>	<b>(1,192,158,554)</b>	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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	46,206,418	-	46,206,418	42,242,890	(3,963,528)	
Receivables from non-exchange transactions	788,483,681	-	788,483,681	406,138,924	(382,344,757)	
Receivables from exchanged transactions	3,969,883,347	-	3,969,883,347	525,978,921	(3,443,904,426)	
Value added tax	3,121,447,670	-	3,121,447,670	2,032,230,724	(1,089,216,946)	
Cash and cash equivalents	597,098,233	-	597,098,233	977,945,628	380,847,395	
	<b>8,523,119,349</b>	<b>-</b>	<b>8,523,119,349</b>	<b>3,984,537,087</b>	<b>(4,538,582,262)</b>	
<b>Non-Current Assets</b>						
Investment property	997,878,176	-	997,878,176	816,835,414	(181,042,762)	
Property, plant and equipment	11,522,597,593	72,351,449	11,594,949,042	10,366,978,709	(1,227,970,333)	
Intangible assets	16,086,649	2,658,488	18,745,137	16,049,497	(2,695,640)	
Heritage assets	57,016	-	57,016	57,016	-	
Sanlam shares	14,275	-	14,275	21,849	7,574	
	<b>12,536,633,709</b>	<b>75,009,937</b>	<b>12,611,643,646</b>	<b>11,199,942,485</b>	<b>(1,411,701,161)</b>	
<b>Total Assets</b>	<b>21,059,753,058</b>	<b>75,009,937</b>	<b>21,134,762,995</b>	<b>15,184,479,572</b>	<b>(5,950,283,423)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	4,791,870,632	13,490,010,692	18,281,881,324	7,729,514,311	(10,552,367,013)	
Consumer deposits	65,058,525	(1,575,526)	63,482,999	67,403,060	3,920,061	
Unspent conditional grants and receipts	8,951,748	(8,951,748)	-	5,005,717	5,005,717	
Employee benefit obligation	-	-	-	28,965,000	28,965,000	
	<b>4,865,880,905</b>	<b>13,479,483,418</b>	<b>18,345,364,323</b>	<b>7,830,888,088</b>	<b>(10,514,476,235)</b>	
<b>Non-Current Liabilities</b>						
Provisions	111,651,591	-	111,651,591	261,118,491	149,466,900	
Municipal relief debt liability	-	-	-	1,725,268,618	1,725,268,618	
Employee benefit obligation	98,585,000	6,027,409	104,612,409	189,360,000	84,747,591	
	<b>210,236,591</b>	<b>6,027,409</b>	<b>216,264,000</b>	<b>2,175,747,109</b>	<b>1,959,483,109</b>	
<b>Total Liabilities</b>	<b>5,076,117,496</b>	<b>13,485,510,827</b>	<b>18,561,628,323</b>	<b>10,006,635,197</b>	<b>(8,554,993,126)</b>	
<b>Net Assets</b>	<b>15,983,635,562</b>	<b>(13,410,500,890)</b>	<b>2,573,134,672</b>	<b>5,177,844,375</b>	<b>2,604,709,703</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	15,983,635,562	(13,410,500,890)	2,573,134,672	4,203,624,155	1,630,489,483	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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), and approved by the Minister of Finance as effective.

The municipality has adopted Directive 5, as issued by the ASB, which outlines the GRAP reporting framework hierarchy. accounting policies for transactions, events or conditions have been developed using the principles set out in the "Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors", read with Directive 5.

In preparing the financial statements, management has used assessments and estimates that are based on the best information available at the time of preparation.

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.

Significant 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.

Included in management's assessment of going concern status are:

- key financial metrics
- the impact of the Covid-19 pandemic
- institutional
- approved budgets
- Revenue War Room and credit control
- the municipality's dependency on grants from National Government
- Debt Relief

A detailed note with the areas of the assessment form part of these financial statements

Based on all of the above, management has concluded that the going-concern assumption used in the compiling of its financial statements, is appropriate

#### 1.2 Materiality

Materiality is judged according to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence users' decisions based on these audited annual financial statements.

In preparing the audited annual financial statements, materiality has been considered in:

- deciding what to report in the audited annual financial statements and how to present it; and
- assessing the effect of omissions, misstatements, and errors on the audited annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof, have been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions, and events) and serve as a margin of error or framework within which to assess misstatements and errors.

Threshold for budget information

Variances between budget and actual amounts are regarded as material when the variance is:

- 10% or greater in the statement of financial position, the statement of financial performance, and the cash flow statement; and

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.2 Materiality (continued)

- 5% or greater in capital expenditure.

All material differences are explained in the relevant note to these financial statements.

#### Qualitative thresholds

The nature of an item, transaction or event is determined by its inherent characteristics, or the circumstances in which it was undertaken. Items, transactions or events may be considered material:

- if they relate to legal or regulatory requirements, e.g. specific disclosures required by legislation, restrictions on certain transactions or activities imposed by legislation, or breaches of legislation.
- if they constitute related party transactions.
- depending on their regularity or frequency, e.g. a once-off transfer of funds to another entity in terms of legislation, or a ministerial directive.
- if they result in the reversal of a trend, e.g. changing a surplus to a deficit, or vice versa.
- if they are likely to result in a change in accounting policy.
- if they involve the commencement of a new function, or the reduction or discontinuation of an existing one.
- depending on the degree of estimation or judgement required to determine their value; and
- if they affect the going-concern assumption of the municipality.

The relative importance of these qualitative factors in determining materiality is a matter of professional judgement.

#### Quantitative thresholds

Quantitative materiality refers to the monetary value of items, transactions or events that are likely to influence users' decisions.

The materiality calculation is based on the final approved 2023/24 budget for all budgetary comparisons as per GRAP 24 and the quantitative value of materiality for the 2023/2024 financial year is set at R70 377 719, calculated as 1% on the net assets figure as per the audited financial statements for 2022/2023 for all other transactions.

Some financial items, although low in value, might by their nature be important to the users of financial statements and some of the services delivered by the municipality. In such cases the interaction between the qualitative and quantitative measures is more indicative for materiality. The consideration of the interaction between qualitative and quantitative factors ensures that municipality does not assess materiality only on the basis of the size, regardless of the presence of qualitative factors, and vice versa.

### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

#### 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

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.

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 28 June 2024 supplied by the JSE after the market closed on 28 June 2024

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

#### Effective interest rate

The municipality used the prime lending of the South African Reserve Bank plus 2% to discount future cash flows as at 30 June 2024. This rate is similar to the interest rate levied on arrear consumer accounts.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

#### 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.

#### 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.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold, held indefinitely or used to the end of their useful lives, and what their condition will be at that time.

#### Fines

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

### 1.4 Investment property

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

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

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

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

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

#### Initial measurement

Investment property is initially recognised at cost.

#### Subsequent measurement

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

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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.4 Investment property (continued)

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

#### Derecognition

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

### 1.5 Property, plant and equipment

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

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

#### Asset classification

The criteria used for determining significant asset components are:

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

#### Initial measurement

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation are newly identified assets.

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

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

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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

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

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

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and paving		48
• Electricity		50
• Water		42
• Sewerage		42
• Housing		30
Community assets		
• Buildings		29
• Recreational facilities		30
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.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

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

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

### 1.6 Intangible assets

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

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

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

#### Initial measurement

Intangible assets are initially recognised at cost.

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

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

#### Subsequent measurement

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

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

Internally generated intangible assets

Websites

#### Initial recognition.

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

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

#### Subsequent measurement

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

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

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

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.6 Intangible assets (continued)

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

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

- A third party has committed to purchase the asset at the end of the useful life;
- There is an active market for the asset; and

a) the residual value can be determined by reference to that market; and

b) it is probable that such market will exist at the end of the asset's useful life.

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

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

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

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

Item	Useful life
Computer software, internally generated	3 - 5 years
Computer software, other	3 - 5 years
Intangible assets under development	3 - 5 years
Intangible assets 1	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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.7 Heritage assets (continued)

#### Subsequent measurement

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

#### Depreciation and Impairment

Heritage assets are not depreciated.

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

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

#### Derecognition

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

### 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

Receivables from non-exchange transactions exclude Fines, Property rates, and VAT as these form part of statutory receivables.

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
Consumer deposits	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 2024

## 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.

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.8 Financial Instruments (continued)

#### 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: 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. 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.

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

#### 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

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 the recoverable amount and the total outstanding amount. In the event that the percentage payment of fines versus the fines issued for the past 3 years, is lower than the percentage payment of fines versus fines issued for the current year, the percentage for the current year is utilized to calculate the recoverable 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 for as a change in accounting estimate as result of new information that became known. The effect of the change in the accounting estimate is accounted for in the current period's surplus and deficit, even if the municipality accounted for the traffic fine in the previous period The accounting is therefore done prospectively.

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.8 Financial Instruments (continued)

#### Bank overdraft and borrowings

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

### 1.9 Statutory receivables

#### Identification

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

Taxes and transfers

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

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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### 1.11 Leases (continued)

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

#### Operating leases - lessor

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

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

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

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

#### Operating leases - lessee

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

### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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

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

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

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

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

#### Reversal of impairment loss

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

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

#### Redesignation

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

### 1.14 Impairment of non-cash generating assets

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

### 1.15 Employee benefits

#### Short term employee benefits

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

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

#### Other post retirement obligations

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

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

#### Long term employee benefits

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

### 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.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.16 Provisions and contingencies (continued)

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.

#### Environmental rehabilitation provisions

The provision for rehabilitation of landfill sites is recognised as and when the environmental liability arises in terms of legislation. Changes in the measurement of existing environmental liabilities resulting from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate, shall be added to or deducted from the cost of the related asset in the current period. The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit. Any unwinding of discount is charged to the statement of financial performance as a finance cost.

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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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### 1.18 Revenue from exchange transactions (continued)

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

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

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

### Interest and dividends

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

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

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

### Prepaid electricity estimation

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

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

### 1.19 Revenue from non-exchange transactions

#### Measurement

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

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

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

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

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

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

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

#### Government grants

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

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

#### Other grants and donations

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

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

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

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

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

### 1.21 Services in kind

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

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

### 1.22 Accounting by principals and agents

#### Identification

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

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

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

#### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

### 1.23 Comparative figures

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

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

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

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.26 Irregular expenditure (continued)

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

### 1.27 Offsetting

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

### 1.28 Segment information

A segment is an activity of an entity:

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

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

Accounting policy and measurement basis:

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

#### 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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.28 Segment information (continued)

Change from prior periods in measurement methods

Nature and effect of asymmetrical allocations to reportable segments.

Reconciliations of total reportable segments to entity:

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

Disclosures of geographical segments

- Geographical areas of operation

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

### 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.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### 1.31 Events after reporting date

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

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

Two types of events can be identified

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

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

#### Identification

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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

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

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

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

#### Binding arrangement

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

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

#### Assessing which entity benefits from the transactions with third parties

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

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

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

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

#### Recognition

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

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

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

### 1.34 Consumer deposits

The municipality recognizes consumer deposits as current liabilities as the municipality has an obligation to refund the deposit once the consumer account is closed and the timing when the consumer account will be closed is unknown.

Consumer deposits are payable when the connection of municipal services is requested. Upon the request to close the account the remainder of the consumer deposit, if any, will be refunded to the consumer once the debt is settled.

### 1.35 Changes in accounting policies and accounting estimates

#### Change in estimates

#### Annual review of useful lives of assets

The annual review of the useful lives of assets result in an increase in the depreciation charge to the Statement of Performance.

It is impracticable to estimate the effect of these changes on future periods.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting policies

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### Changes in accounting policies

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.

### 1.36 GRAP 100 – Discontinued operations

In terms of GRAP 100, Discontinued operations are subject to specific accounting policies.

Sale of assets in the public sector are frequently not completed within 1 year because of the various levels of legislative approval required. Specific disclosures in **GRAP 1 on Presentation of Financial Statements paragraphs .91 and .92** is made about significant assets and groups of assets and liabilities, or components, that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components

GRAP 1 paragraph 91 requires the following:

“If, at the reporting date, management has taken a decision to dispose of a significant asset or group of assets and liabilities or, a component of an entity (see the Standard of GRAP on Discontinued Operations) the entity shall disclose the following information:

- a) a description of the asset(s), group of assets and liabilities, or a component.
- b) the carrying values of the assets, or if the disposal involves a group of assets and liabilities, or a component of an entity, the carrying amounts of those assets and liabilities.
- c) a description of the facts and circumstances of the disposal, including whether any further approvals are required and, the expected sale or transfer date.
- d) details of any disposals completed during the year; and
- e) a description of any circumstances that may have resulted in a decision to dispose of an asset being reversed during the reporting period.

These disclosures should only be provided about assets or groups of assets and liabilities that are significant to an entity or its operations.

### Assets Held for Sale:

- Classified as "held for sale" if carrying amount will be recovered through sale rather than continued use
- Measured at the lower of carrying amount and fair value less costs to sell
- Presented separately in the balance sheet
- No depreciation or amortization is recognized while held for sale

### Discontinued Operations

- A discontinued operation is a component of the entity that either has been disposed of or is classified as held for sale
- The results of discontinued operations are presented separately in the income statement
- The net cash flows of discontinued operations are presented separately in the cash flow statement

### Disclosures

An entity shall disclose the following information in the notes in the period in which the disposal of a component occurs:

- (a) a description of the component;
- (b) a description of the facts and circumstances of the disposal; and
- (c) if applicable, the segment in which the component is presented in accordance with the Standard of GRAP on *Segment Reporting*.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4,200	4,200
Bank balances	2,956,097	84,441,366
Short-term deposits	765,111	718,051
	<b>3,725,408</b>	<b>85,163,617</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
ABSA BANK - current account - 530-000-087	3,514,099	1,879,210	3,512,039	1,879,210
ABSA BANK - Salary account - 405-774-9059	58,880	6,604	58,880	6,604
ABSA BANK - Fines - 407-683-0782	10,000	10,000	10,000	10,000
FNB BANK - Current account - 628-657-05746	16,212,802	77,992,811	(4,453,489)	79,121,491
FNB BANK - Current account - 628-657-06083	192,822	280,317	192,822	280,317
FNB BANK - Current account - 628-657-06538	3,635,845	3,143,744	3,635,845	3,143,744
<b>Total</b>	<b>23,624,448</b>	<b>83,312,686</b>	<b>2,956,097</b>	<b>84,441,366</b>

Invested with	01 July 2023	Invested	Interest capitalised	Withdrawn	Total
ABSA - 9208236189	634,522	-	46,339	-	680,861
ABSA - 4104154533	6,615	-	471	-	7,086
STD Bank - 028606817#75	436	-	-	-	436
STD Bank - 028606817#72	89	-	2	(91)	-
STD Bank - 028606817#60#62	278	-	5	(283)	-
Standard Bank - 028606817#79	36,784	-	1,885	-	38,669
STD Bank 028606817#80	35,869	-	1,957	-	37,826
STD Bank -028606817#81	3,225	-	85	(3,310)	-
FNB - 63021882550	90	-	-	-	90
FNB - 63027137686	70	-	-	-	70
FNB - 63021883368	39	-	-	-	39
FNB - 62942054420	18	-	-	-	18
FNB - 63008226119	15	-	-	-	15
	<b>718,050</b>	<b>-</b>	<b>50,744</b>	<b>(3,684)</b>	<b>765,110</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 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>3. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	2,517,269,198	2,035,581,804
Water	3,524,301,688	2,896,973,334
Sewerage	976,947,854	794,995,850
Refuse	643,568,970	492,001,299
	<b>7,662,087,710</b>	<b>6,219,552,287</b>
<b>Less: Allowance for impairment</b>		
Electricity	(2,115,760,026)	(1,622,122,107)
Water	(3,459,783,305)	(2,614,894,290)
Sewerage	(953,852,538)	(717,677,954)
Refuse	(606,712,920)	(446,816,188)
	<b>(7,136,108,789)</b>	<b>(5,401,510,539)</b>
<b>Net balance</b>		
Electricity	401,509,172	413,459,697
Water	64,518,383	282,079,044
Sewerage	23,095,316	77,317,896
Refuse	36,856,050	45,185,111
	<b>525,978,921</b>	<b>818,041,748</b>
<b>Water, electricity, sewerage and refuse</b>		
Current	214,315,703	251,825,171
30 days	96,590,092	202,102,932
60 days	96,754,008	191,013,205
90 days	118,319,118	173,100,440
	<b>525,978,921</b>	<b>818,041,748</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(5,401,510,539)	(4,417,610,273)
Contributions to allowance	(1,521,422,458)	(901,198,914)
VAT Contribution	(213,189,425)	(114,426,643)
Debt impairment written off against allowance	13,633	31,725,291
	<b>(7,136,108,789)</b>	<b>(5,401,510,539)</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024 2023

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

#### AGEING OF CONSUMER RECEIVABLES

2024

CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Current	30 days	60 days	90 days
Total by customer group				
Government	4,396,893	730,873	292,888	226
Business	167,848,963	80,138,119	85,663,401	109,387
Residential	42,069,848	15,721,099	10,797,719	8,704
	-	-	-	-
	-	-	-	-
Total by customer group	214,315,704	96,590,091	96,754,008	118,319

#### AGEING OF CONSUMER RECEIVABLES

2023

CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Current	30 days	60 days	90 days
Total by customer group				
Government	8,741,622	10,686,437	1,557,014	644
Business	93,826,676	84,905,922	87,745,029	81,518
Residential	149,256,873	106,510,573	101,711,162	90,936
Total by customer group	251,825,171	202,102,932	191,013,205	173,100

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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

#### 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

#### 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	1,354,400,246	1,103,028,316
Impairment property rates	(1,258,899,525)	(939,433,997)
Other receivables - fines	551,076,114	388,604,799
Impairment fines	(444,600,269)	(369,138,317)
Other debtors	602,084,098	477,370,774
Impairment other debtors	(397,921,740)	(337,785,044)
	<b>406,138,924</b>	<b>322,646,531</b>

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

Property rates	1,354,400,247	1,103,028,316
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# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>4. Receivables from non-exchange transactions (continued)</b>		
Impairment property rates	(1,258,899,525)	(939,433,997)
Fines	551,076,114	388,604,799
Impairment fines	(444,600,269)	(369,138,317)
	<b>201,976,567</b>	<b>183,060,801</b>

### Age analysis:

Current	80,952,842	85,466,441
30 Days	52,704,553	50,850,345
60 days	44,214,429	41,674,572
90 days	228,267,101	144,655,175
	<b>406,138,925</b>	<b>322,646,533</b>

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

Opening balance	(1,646,457,359)	(1,103,787,516)
Provision for impairment	(531,668,878)	(612,935,224)
VAT Contribution	(1,842,078)	4,743,957
Amounts written off against allowance	78,446,780	65,521,424
	<b>(2,101,521,535)</b>	<b>(1,646,457,359)</b>

All debtors accounts are assessed for impairment, where applicable the municipality impairs debtors up to 90days and all debtors above 90 days provide in full as bad debt.

### Property Rates

Property Rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Emfuleni Local Municipality's Property Rates Policy. A general valuation is performed every 5 years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate plus 2 % per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

All debtors accounts are assessed for impairment, where applicable the municipality impairs debtors with outstanding amounts up to 90 days

### Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996, as well as the Criminal Procedure Act, No 501 of 1977.

### AGEING OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - 2024

	Not due			
Total by debtor type - property rates	Current	30 days	60 days	90 day
Government	1,502,745	827,598	496,296	415
Business	37,421,541	13,099,240	5,861,589	4,419
Residential	18,669,320	5,874,303	3,909,149	3,004
<b>Total by debtor type - property rates</b>	<b>57,593,606</b>	<b>19,801,141</b>	<b>10,267,034</b>	<b>7,838</b>

### AGEING OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS - 2023

	Not due			
CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Current	30 days	60 days	90 day
<b>Total by debtor type - property rates</b>				
Government	1,292,774	926,620	793,998	686
Business	34,451,071	18,390,261	10,088,365	8,324
Residential	29,981,971	21,038,534	19,255,735	18,363

**Notes to the Annual Financial Statements**

	2024	2023
<hr/>		
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Total by customer group</b>	<b>65,725,816</b>	<b>40,355,415</b>
	<b>30,138,098</b>	<b>27,374</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>5. Inventories</b>		
Consumable stores	39,496,430	37,420,473
Water for distribution	2,746,460	1,356,563
	<b>42,242,890</b>	<b>38,777,036</b>
<b>6. Value added tax</b>		
VAT Receivable	2,032,230,724	1,380,787,298



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	15,047,611,300	(6,710,724,072)	8,336,887,228	14,388,687,859	(6,502,229,738)	7,886,458,121
Buildings	1,028,636,290	(292,206,640)	736,429,650	1,028,636,290	(235,740,386)	792,895,904
Community	711,707,904	(377,401,413)	334,306,491	709,369,475	(355,501,553)	353,867,922
Land	859,133,596	(8,369,454)	850,764,142	859,133,596	(8,369,454)	850,764,142
Other property, plant and equipment	443,516,091	(334,924,893)	108,591,198	440,581,305	(325,200,612)	115,380,693
<b>Total</b>	<b>18,090,605,181</b>	<b>(7,723,626,472)</b>	<b>10,366,978,709</b>	<b>17,426,408,525</b>	<b>(7,427,041,743)</b>	<b>9,999,366,782</b>

### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Donations	Disposal/ derecognitions	Depreciation	Impairment loss	Provision adjustment	Total
Infrastructure	7,886,458,121	233,084,734	373,081,121	(4,007,397)	(211,126,094)	(5,929,757)	65,326,500	8,336,887,228
Community	353,867,922	2,338,428	-	-	(16,515,668)	(5,384,191)	-	334,306,491
Buildings	792,895,904	-	-	-	(56,461,382)	(4,872)	-	736,429,650
Other assets	115,380,693	15,527,934	-	(255,441)	(19,533,448)	(2,528,540)	-	108,591,198
Land	850,764,142	-	-	-	-	-	-	850,764,142
	<b>9,999,366,782</b>	<b>250,951,096</b>	<b>373,081,121</b>	<b>(4,262,838)</b>	<b>(303,636,592)</b>	<b>(13,847,360)</b>	<b>65,326,500</b>	<b>10,366,978,709</b>

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

	Opening balance	Additions	Donation	Transfers	Disposal/ derecognition	Depreciation	Impairment loss	Provision adjustment	Total
Infrastructure	8,511,697,853	290,506,168	52,345,411	(13,486,187)	(22,956,626)	(319,293,950)	(615,816,183)	3,461,635	7,886,458,121
Community	1,218,502,900	2,634,256	381,409	(805,888,480)	(328)	(23,475,324)	(38,286,511)	-	353,867,922
Buildings	881,540,167	-	-	(33,170,452)	-	(55,473,811)	-	-	792,895,904
Other assets	106,808,313	35,980,137	385,497	1,780,978	(75,324)	(21,181,048)	(8,317,860)	-	115,380,693
Land	-	-	-	850,764,142	-	-	-	-	850,764,142
	<b>10,718,549,233</b>	<b>329,120,561</b>	<b>53,112,317</b>	<b>1</b>	<b>(23,032,278)</b>	<b>(419,424,133)</b>	<b>(662,420,554)</b>	<b>3,461,635</b>	<b>9,999,366,782</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024 2023

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

#### ADDITIONS

Included in the total additions are movables and immovables (including projects which are Developer created assets).

The total additions for the 2023/2024-year amount to R 572 148 328.24 of which additions to the amount of R373 080 920.24 were from developer contributions and grants in kind. The remainder of R199 067 408 resulted from in -year additions

#### RUL - Remainng useful life

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

<b>Effect of changes in 2023/24</b>	-	-
Community Facilities	1,816,915	-
Computer Equipment	(41,095)	-
Furniture And Office Equipment	118,555	-
Intangible Assets	199,629	-
Machinery And Equipment	31,302	-
Transport assets	470,232	-
Water infrastructure	761,918	-
Storm-water infrastructure	(607,933)	-
Roads infrastructure	92,419,618	-
Electrical infrastructure	(1,685,240)	-
Sports and Recreation	(204,040)	-
Operational buildings	(5,138,756)	-
Housing	4,377,901	-
Sanitation infrastructure	202,100	-
Solid waste infrastructure	(3,805,727)	-
<b>Effect of changes in 2024/25</b>	-	-
Community Facilities	-	1,816,915
Computer equipment	-	(41,095)
Furniture and office equipment	-	118,555
Intangible assets	-	199,629
machnery and equipment	-	31,302
Sanitation infrastructure	-	202,100
Solid waste infrastructure	-	(3,805,727)
Transport assets	-	470,232
Water infrastructure	-	761,918
Storm water infrastructure	-	(607,933)
Roads infrastructure	-	92,419,618
Electrical infrastrcuture	-	(1,685,240)
Sports and re4creation	-	(204,040)
Operatiomnal buildings	-	(5,138,756)
Housing	-	4,377,901
	<b>88,915,379</b>	<b>88,915,379</b>

#### Impairment of movable assets

An impairment loss was recognised in relation to the Infrastructure assets as follows.

#### Impairment

Community facilities	-	(4,599)
Sports and recreation facilities	-	(3,211,591)
Electrical infrastructure	-	(2,693,374)
Housing	-	(8,128,358)
Machinery	(1,005,502)	-
Transport assets	(2,532,773)	-
Solid waste infrastructure	-	(2,070,921)
Sanitation infrastructure	-	(248,866)
	<b>(3,538,275)</b>	<b>(16,357,709)</b>

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024 2023

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

Condition refers to the tangible physical state that the component is in at the time of the inspection. Upon the inspection of photographic evidence and assets verification results provided by Emfuleni Local Municipality asset custodians there were assets that were triggered for impairment testing due to the significant deterioration in condition and performance grades which adversely impacted the remaining useful life (RUL).

The photographic evidence was analysed against the field guideline for condition grade assessment for particular assets, and the assets condition adjusted accordingly. The approach to determining the remaining useful life of components was based on a system-based algorithm which determines the median remaining useful life based on the new applied condition grade.

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

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

#### Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	284,735,850	10,537,804	295,273,654
Additions/capital expenditure	153,393,840	2,338,430	155,732,270
Prior year error corrections	5,307,274	-	5,307,274
Transferred to completed items	(119,376,316)	-	(119,376,316)
	<b>324,060,648</b>	<b>12,876,234</b>	<b>336,936,882</b>

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

	Included within Infrastructure	Included within Community	Total
Opening balance	154,046,858	7,903,548	161,950,406
Additions/capital expenditure	183,642,582	2,634,256	186,276,838
Prior year error corrections	(55,424)	-	(55,424)
Transferred to completed items	(47,590,893)	-	(47,590,893)
	<b>290,043,123</b>	<b>10,537,804</b>	<b>300,580,927</b>

#### Assets attached

1. Vehicles attached by sheriff due to non-payment of certain creditors outstanding accounts
  2. Vehicles held by service providers due to non-payment of maintenance and repairs done on those
- Various vehicles are held by external service providers due to non-payment  
The sheriff attached a couple of vehicles due to a court order resulting from non-payment of certain creditors accounts.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

					2024	2023
<b>7. Property, plant and equipment (continued)</b>						
<b>Projects in progress as at 30 June 2024</b>						
Project UID	Vote number	Project name	Asset Class	Closing WIP	Comments on status	
EX0050 (608)	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 2024/2025 financial year.	
EX0289	35956450020F9 C41ZZSB	N:Investigate &Dev General Landfill Site	Community Facilities	2,460,111	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 process continued during 2024/2025 and construction expected to start late in 2025/2026	
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. Project to be referred to Council for possible Council funding as it MIG indicated that they will not fund the project further	
EX0376 (606)	35956473520F9 C92ZZVA	R:VANDERBIJLP ARK CEMETERY	Community Facilities	1,674,358	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 2024/2025 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	
EX0869	35966473520G6 E73ZZVA	REFURBISHMENT OF BOPHELONG STADIUM	Sports and recreational facilities	3,402,511	Construction Phase but project progress is slow	
EX1016	35626456020FJ H97ZZSB	INSTALLATION OF WAYBRIDGE	Community Facilities	934,748	Construction Phase but project progress is slow	
EX0755	35426431420FJ G12ZZWM	BTU MV	Electricity	53,923	BTU not installed.	
EX0757	35426430420FJ G14ZZWM	TRANSFORMER S HV	Electricity	42,836,815	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	
EX0807	35426430420FJ F98ZZVA	UPGRADING OF VERDI SUBSTATION	Electricity	635,477	Design phase completed. Construction phase should have started in 2023/2024, but could not due to the attachments of the bank account. Construction planned to be started in 2024/2025. Contractor appointment in Procurement process	
EX0809	35426430420FJ G47ZZVA	UPGRADING OF TOWN SUBSTATION - PHASE 1	Electricity	28,754,662	Upgrading of Town Substation continued in 2022/2023 but the non payment 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 settled. Emfuleni was only able to settle the last payment end of June 2024. Council Report requested for escalation increase.	
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 start due to the attachment of the bank account. Construction planned for 2025/2026	

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

						2024	2023
<b>7. Property, plant and equipment (continued)</b>							
EX0814	35426434020FJ F87ZZWM	REPLACE ELECTRICITY PREPAID METERS	Electricity	11,122,831	Installation and procurement of Pre-Paid Msart ready meters. The program did not really get traction due to public participation that was shut down from September 2023 to June 2024. Public Participation via the Speakers office started in July 2024.		
EX0863	35426430420FJ E07ZZVR	R:20MVA 88/11KV T/FORMER VESCO S/STATION	Electricity	4,671,468	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	25,927,263	Linked to EX0809		
EX0884	35426430420FJ G65ZZVA	REFURBISHMEN T OF VERREF SUBSTATION	Electricity	6,019,105	Refurbishment of the 20 MVA Transformer 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	47,899,898	In Construction Phase expected to be completed over the next 2 years		
EX0812 (918)	35426432420FJ F04ZZSB	SEBOKENG EXT 30 ELECTRIFICATI ON (ELM))	Electricity	8,713,949	Construction Phase. Completion expected 2024/2025		
EX0918 (812)	35426432420G1 F04ZZSB	INEP- SEBOKENG EXT 30	Electricity	800,000	Linked to EX0812		
EX0865 (937 & 1008)	35426430020FJ G60ZZSB	SBK EXT30 WITCHING STATION & FEEDER LINE (ELM)	Electricity	6,189,226	Construction Stage. Bulk infrastructure delayed due to attachment of bank account. Expected to be completed in 2024/2025.		
EX0937 (865 & 1008)	35426430020G1 G60ZZSB	INEP-SBK EXT30 WITCHING STATION & FEEDER LINE	Electricity	6,940,012	Linked to EX0865		
EX0919 (952 & 960)	35426432420G1 F82ZZSB	INEP- LETHABONG PHASE 1 ELECTRIFICATI ON	Electricity	436,901	Construction Stage for the internal electrification. Delayed due to attachment of bank account. Expected to be completed in 2024/2025.		
EX0862 (920, 959 & 967)	35426432420FJ F83ZZSB	LETHABONG BULK (ELM) (Switching Station)	Electricity	7,410,078	Construction Stage for the bulk infrastructure. Delayed due to attachment of bank account. Expected to be completed in 2024/2025.		
EX0959 (920, 862 & 967)	35426432420G1 H20ZZWM	INEP - LETHABONG BULK - FEEDERLINE	Electricity	3,392,099	Linked to EX0862		
EX1048 (952)	35426433020FJ H23ZZWM	INEP - LETHABONG P2C	Electricity	9,105,365	Construction Stage for the electrification. Delayed due to attachment of bank account. Expected to be completed in 2024/2025.		
EX0960 (919 & 952)	35426433020G1 H22ZZWM	INEP - LETHABONG PHASE 2B	Electricity	5,249,565	Linked to EX0919		
EX1049	35426433020FJJ 34ZZWM	LETHABONG P2E & 2D (ELM)	Electricity	152,986	Construction Stage for the electrification. Delayed due to attachment of bank account. Expected to be completed in 2024/2025.		
EX0963	35426430420FJ E09ZZWM	R: RETROFIT S/STATION; MINIBUS & D/PILLAR	Electricity	539,428	1 x minisub still to be installed		
EX0967 (862, 920 & 959)	35426432020G1 H21ZZWM	INEP- LETHABOKG SWITCHING	Electricity	3,814,118	Linked to EX0862		
EX1009	35426433020G1 J32ZZSB	LETHABONG PHASE 2D (54 WALKUPS)	Electricity	499,800	Construction Stage for the electrification. Delayed due to attachment of bank account. Expected to be completed in 2024/2025.		
EX1008 (865 & 937)	35426432420FJ F01ZZVR	SEBOKENG BULK	Electricity	4,092,462	Construction Stage for the bulk infrastructure. Delayed due to attachment of bank account. Expected to be completed in 2024/2025.		

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

				2024	2023
<b>7. Property, plant and equipment (continued)</b>					
EX0333.1	35956435020F8 C39ZZVR	N: NEIGHBOURHOOD PARTNERSHIP GRANT Phase 2A1	Roads and stormwater	4,878,941	Project halted due to the litigation between the municipality and service provider. Commencement planned for 2024/2025 FY.
EX0333.3	35716472420DP H29ZZWM	N: NEIGHBOURHOOD PARTNERSHIP GRANT Phase 3A2	Roads and stormwater	905,223	Project is dependent on funding from National Treasury and is done in phases to reduce budget demands. Project to be implemented in the outer years as Phase 2A1 (EX0333.1) will be implemented until 2025/2026
EX0333.5	35716472420DP H31ZZWM	N: NEIGHBOURHOOD PARTNERSHIP GRANT Phase 3B1-3	Roads and stormwater	258,164	Project is dependent on funding from National Treasury and is done in phases to reduce budget demands. Project to be implemented in the outer years as Phase 2A1 (EX0333.1) will be implemented until 2025/2026
EX0352 (957)	35956473020F9 C28ZZS	N: TARRING OF ROAD IN LAKESIDE PROPER BLOCK	Roads and stormwater	3,547,998	Construction Phase. Construction started April 2022 and completion planned for 2024/2025 FY
EX0528 (EX0529 & 1035)	35956472420F9 C09ZZVA	BLACKTOP ROAD 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 2025/2026 FY.
EX0529 (EX0529 & 1035)	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 in 2024/2025 FY.
EX0534	35956472420F9 C65ZZSB	R: CONCRETING-STORMWATER CHANNEL-ZONE 10	Roads and stormwater	1,191,721	Design complete. The project is currently on hold due to funding limitations. The determination on 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	1,550,037	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2025/2026 FY.
EX0678 (1027)	35956473020F9 D97ZZSB	N: IRONSIDE ROAD 1 STORMWATER & SIDEWALKS	Roads and stormwater	1,309,022	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented in 2024/2025 FY.
EX0962	3596680020G6 E18ZZVR	SEWER LINE-3 RIVERS; 3 R-EAST & SOLPARK (Phase 2)	Sanitation	126,090	Design stage started
EX0721 (950)	35966449420G6 E53ZZVR	UPGR UNION STR BULK SEWER IN VEREENIGING	Sanitation	11,144,574	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. Completion planned for 2024/2025 FY
EX0817 (947)	35966449420G6 F51ZZSB	UPGRADING OUTFALL SEWER ON NORTHERN AREA	Sanitation	6,435,786	Design completed and service provider appointed on Turnkey basis in March 2021, but service provider wanted escalated prices and terminated in Nov 2021. Construction has been delayed due to the attachment of municipal bank account. Now Schedule 6B executed by MISA and is in construction stage
EX0819 (948)	35966449420G6 F53ZZVA	SEWERLINE FROM INDUS; BOIP/TSHEP TO PS4	Sanitation	22,679,084	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 November 2022. Attachment of bank account delayed completion to March 2025
EX1029	3596680020G6 H86ZZVR	SEWER LINE HOUTKOP & UNITAS PARK TO PS3D	Sanitation	23,572,605	In construction stage. Practical completion reached end June 2024 and snag list to be resolved. Construction completion expected end August 2024.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

					2024	2023
<b>7. Property, plant and equipment (continued)</b>						
EX0298	35956446020F9 D02ZZVA	R:WATER SUP FRM EVATON RES TO DADEVILLE	Water	3,955,256	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. The municipality appointed 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 23/24 financial year. Construction was planned for 2023/2024fy. But due to bank attachment and reduction of grant funds, the project will be implemented in the 2024/2025fy.	
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 2024/2025 FY.	
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 2024/2025 FY.	
EX0301 (EX1031)	35956446020F9 D06ZZVA	N: WATER SUP WESTERN AREAS & VAALOEWER	Water	2,993,204	Design complete. Awaiting funding approval for the construction phase and is planned to be implemented after 2024/2025 FY.	
EX0314 (EX0646, 965 & 1030)	35956446020F9 D04ZZVA	N: BULK WATER SUPPLY TSHEPISO TO SHARPEVILLE	Water	2,311,783	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 the municipality appointed a consultant to conduct design review and conclude the EIA application process before the implementation can commence. Construction was planned for 2023/2024fy. But due to bank attachment and reduction of grant funds, the project will be implemented in the 2024/2025	
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 2024/2025 FY.	
				<b>336,936,885</b>		

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

		2024	2023
<b>7. Property, plant and equipment (continued)</b>			
<b>Maintenance of property, plant and equipment</b>			
<b>Maintenance work executed 2023/2024</b>			
Service Sector	Maintenance Description	Maintenance Cost(ELM) - 2022/23	Maintenance Cost(Section Sect 63 Interventions) - 2021/22
Metsi Water	Maintenance Reservoirs, WTW and all bulk and internal supply reticulation and associated hardware	137,771,000	40,524,816
Metsi Sanitation	Maintenance of sewer networks, WWTW and pump stations.	269,919,000	168,627,470
Electricity	Maintenance of HV, MV and Low voltage networks, associated Substation and hardware	260,205,000	-
Roads & Stormwater	Maintenance of paved and unpaved roads, surface and subsurface drainage systems & Road Traffic Signs	28,642,000	-
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	-
EMP (Waste)	Maintenance and Operation of Landfill Sites & Mini Transfer Stations	15,100,000	-
Operational Buildings/Investment Properties & Other	Maintenance of buildings, fences sites air conditioning & lifts, plumbing & electrical systems	21,572,000	-
Transport Fleet	This is the maintenance of the fleet serving the council's departments	5,613,000	-
		-	-
		<b>904,542,290</b>	<b>209,152,286</b>

### The appointment of Rand Water in terms of the Section 41 the Water Services Act

The appointment of Rand Water as Implementing Agent for the Vaal River Intervention in terms of the Section 41 of the Water Services Act for operations and maintenance of the water and sewer systems at Emfuleni Local Municipality.

On 6 July 2021 the then Minister of Water and Sanitation, issued a directive in terms of section 41 of the Water Services Act appointing Rand Water as the Implementing Agent for the Vaal River Intervention in terms of Section 63 of the Water Services Act at Emfuleni Local Municipality

On 27 May 2021 Cabinet took a decision to invoke Section 63 of the National Water Services Act in Emfuleni Local Municipality.

DWS appointed Rand Water as the Implementing Agent for the Capital component of the project, for a period of 3 years, commencing on 1 October 2021 and the termination date will be 30 September 2024.

The DWS is, in terms of the Regional Bulk Infrastructure Grant (RBIG), responsible for funding the Emfuleni Section 63.

The cost was envisaged as R600m per annum.

On 05 October 2021 the Implementing Agent Agreement with Rand Water was signed by the Minister.

Rand Water placed staff at Vaaloewer, Sebokeng WCW, Leeuwkuil WCW and Rietspruit WCW, who work with Metsi-a-Lekoa operations staff.

Rand Water delivered 16 vehicles by 04 May 2022 and the vehicles were launched to the public on 09 May by the Executive Mayor

The remuneration shall be in the form of an Implementing Agent fee equal to 5% of all of funding for the Project claimed from DWS, inclusive of VAT. This amount excludes disbursements incurred by Rand Water execution/project team.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
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### 8. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	816,835,414	-	816,835,414	981,714,552	-	981,714,552

#### Reconciliation of investment property - 2024

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	981,714,552	(167,689,585)	2,810,447	816,835,414

#### Reconciliation of investment property - 2023

	Opening balance	Disposals/derecognition	Impairments	Fair value adjustments	Other adjustments	Total
Investment property	997,878,176	(3,670,000)	(284,447)	(7,410,000)	(4,799,177)	981,714,552

#### Reconciliation of Investment property –

For the determination of the annual fair value of investment property an amount of R2 808 447.12 as a fair value gain was adjusted. This was determined based on the valuation roll received from Black Dot Property Consultants (Pty) Ltd. This resulted in an overall increase of 0.28% in the value for the period 1 July 2023 to 30 June 2024

#### 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 - 2024

Opening Balance	981,714,552	997,878,176
Fair value adjustment	2,810,447	(7,410,000)
Impairment	-	(284,447)
Other adjustment	-	(4,799,176)
Transfer	-	-
Disposals	(167,689,585)	(3,670,000)
	<b>816,835,414</b>	<b>981,714,552</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
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### 9. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	37,095,590	(34,895,609)	2,199,981	36,514,461	(34,141,174)	2,373,287
Servitudes	13,849,516	-	13,849,516	13,849,516	-	13,849,516
<b>Total</b>	<b>50,945,106</b>	<b>(34,895,609)</b>	<b>16,049,497</b>	<b>50,363,977</b>	<b>(34,141,174)</b>	<b>16,222,803</b>

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Disposals/derecognition	Amortisation	Total
Computer software, other	2,373,287	610,669	(4,683)	(779,292)	2,199,981
Servitudes	13,849,516	-	-	-	13,849,516
	<b>16,222,803</b>	<b>610,669</b>	<b>(4,683)</b>	<b>(779,292)</b>	<b>16,049,497</b>

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	2,939,412	369,830	(9,771)	(926,184)	2,373,287
Servitudes	13,849,516	-	-	-	13,849,516
	<b>16,788,928</b>	<b>369,830</b>	<b>(9,771)</b>	<b>(926,184)</b>	<b>16,222,803</b>

### 10. Heritage assets

	2024			2023		
	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 2024

	Opening balance	Total
Heritage assets	57,016	57,016

#### Reconciliation of heritage assets 2023

	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 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>11. Payables from exchange transactions</b>		
Trade payables	6,772,136,594	4,258,523,302
Payments received in advanced	463,787,481	308,760,820
Year end salary creditors	227,051,554	164,712,542
Accrued leave pay	182,678,746	169,991,414
Retentions	48,513,325	49,033,805
Accrued bonus	31,003,942	29,966,684
Other payables	3,826,438	4,644,447
Unclaimed wages	516,231	2,705,094
	<b>7,729,514,311</b>	<b>4,988,338,108</b>
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Fire and rescue services grant	2,053	595,358
Financial management grant	-	13,554
Education and training (SETA)	814,664	-
Expanded public works programme(EPWP)	2	-
Project funded ex-Sedibeng District Municipality	1,160,599	1,160,599
Functional Fire and Rescue Services grant	2,025,295	7,802,053
Municipal Infrastructure grant	-	38,059,148
Sedibeng Maintenance grant	1,003,104	1,003,104
	<b>5,005,717</b>	<b>48,633,816</b>
See note for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
<b>13. Employee benefit obligation</b>		
<b>Post-employment health care benefits</b>		
<b>Post employment health care benefits</b>		
Opening accrued liability	123,312,000	136,743,000
Current-service cost	572,000	776,000
Interest cost	13,404,000	15,151,000
Contributions (benefit paid)	(11,190,630)	(11,224,964)
Actuarial loss/(gain)	(1,533,370)	(18,133,036)
	<b>124,564,000</b>	<b>123,312,000</b>
<b>The valuation was performed by Arch Actuarial Consulting</b>		
The projected unit credit method has been used i.e. the defined benefit obligation in respect of eligible employees is accrued over their expected working lifetimes. The average expected remaining working-lifetime of the employees is 5.1 years		
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 post-employment health care benefit is not a funded arrangement i.e. there is <b>no plan asset</b> in place to meet this <b>defined benefit obligation (DBO)</b> .		
The main reasons for the movements in actuarial gain can be attributed to the following factors:		
<b>Component of actuarial (gain)/loss</b>		<b>Value</b>
Financial assumptions: increases in net discount rates		(593,000)
Subsidy inflation increases higher than assumed		1,514,000
Changes to membership profile different from assumed		(2,279,000)
Actual benefits vested lower than expected		(175,970)
		<b>(1,533,970)</b>
	<b>2024</b>	<b>2023</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>13. Employee benefit obligation (continued)</b>		
Current portion of benefit obligation	11,932,000	11,366,000
Non-current portion of benefit obligation	112,632,000	111,946,000
	<b>124,564,000</b>	<b>123,312,000</b>

### Membership details

<b>In-Service membership at valuation date</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Number of in-service members	43	18	61
Average age	58	56	57
Average past service	33	33	33
<b>Continuation membership at valuation date</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Number of principal members	79	136	215
Average age	77	79	78
Proportion with a spouse dependant	70%	13%	33%
Average subsidy per month(2024 rand value)	4,757	4,369	4,511

### Changes in value of obligation

	<b>Year ending 30-06-2024</b>	<b>Year ending 30-06-2023</b>	<b>Year ending 30-06-2022</b>	<b>Year ending 30-06-2021</b>
Defined benefit obligation	124,564,000	123,312,000	136,743,000	144,570,000

### Key financial assumptions used

#### Assumption

Discount rates	11.21%	11.38%
Health care cost inflation rate	6.85%	7.12%
CPI inflation rate	5.35%	5.62%
Net discount rate (med Aid contributions)	4.08%	3.98%
Maximum subsidy inflation rate	4.76%	4.97%
Net discount rate (max subsidy)	6.15%	6.11%

### 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 Post employment DBO. 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 11.21% per annum has been used. The corresponding liability-weighted index-linked yield is 5.09% 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 28 June 2024.

### Medical Aid contribution inflation rate

A medical aid contribution inflation rate of 6.85% per annum has been assumed. This is 1.50% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 5.35% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.08% per annum which derives from  $((1+11.21\%)/(1+6.85\%))-1$ .

The CPI inflation assumption of 5.35% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated terms of the DBO (5.09%) and those of nominal bonds 11.21% with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+ 11.21\% - 0.50\%)/(1+ 5.09\%))-1$ .

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

The next general earnings and monetary award increases were assumed to take place on 1 July 2025

### Maximum Subsidy Inflation Rate

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024

2023

### 13. Employee benefit obligation (continued)

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited. This maximum amount is set at R 5,541.25 per family per month for the year ending 30 June 2025. The annual increases to this maximum amount are periodically specified by the local government bargaining council.

Recent past annual increases balanced with sustainability needs of employees have resulted in this assumption being set at 75% of salary inflation. The future salary inflation assumption of 6.35% per annum was set to be 1.00% above expected CPI inflation. Thus a maximum subsidy inflation assumption of 4.76% per annum was used. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2025.

#### Demographic assumptions

##### 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

##### Continuation of Membership

It has been assumed that 80% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

##### Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 65% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

##### 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

##### Post-Employment Mortality

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from  $[1 - (1 - 1\%)^2]$ , and so on.

##### Termination of Service

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below

##### Termination rates per annum

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

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024 2023

### 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	2024	2023
Opening Defined Benefit Obligation (DBO)	92,952,000	98,585,000
Current service costs	6,287,000	6,657,000
Interest costs	9,302,000	10,782,000
Benefit vestings	(12,310,287)	(9,896,049)
Actuarial loss	(2,469,713)	(13,175,951)
	<b>93,761,000</b>	<b>92,952,000</b>

Net Liability to reflect on the Statement of Financial Position:

Net defined benefit obligation for LSA	30 June 2024	30 June 2023
Opening balance	92,952,000	98,585,000
Current Service costs	6,287,000	6,657,000
Interest cost	9,302,000	10,782,000
Actuarial (gain)/loss	(12,310,287)	(13,175,951)
Employee benefit vesting	(2,469,713)	(9,896,049)
	<b>93,761,000</b>	<b>92,952,000</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

The table below also compares the assumptions used at the current and previous valuation dates

#### Key Financial Assumptions

	2024	2023
Discount rate	10.68%	10.92%
CPI inflation rate	4.91%	5.39%
General earnings inflation rate	5.91%	6.39%
Net discount rate	4.51%	4.26%
Average retirement age	62	
Mortality during employment	SA 85-90	

#### 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 10.68% per annum has been used. The corresponding liability-weighted index-linked yield is 5.03%. 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 28 June 2024

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024

2023

### 13. Employee benefit obligation (continued)

#### 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 4.91% per annum was obtained from the differential between market yields on index-linked bonds (5.03%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.68%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+10.68\%-0.50\%)/(1+5.03\%))-1$ .

Thus, a general earnings inflation rate of 5.91% 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 4.51%.

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

#### Reasons for the Movement in the Defined Benefit Obligation

The average DBO has increased by 6% since the last valuation due to an increase in the average earnings and an increase in the average past service, partially offset by an increase in the net discount rate.

The total DBO has increased by 1% (or R 809,000) due to the above, partially offset by a decrease in the number of eligible employees since the last valuation.

Main reasons for the movement in the actuarial (gains)/loss can be attributed to the following:

These unexpected movements (also termed actuarial gains and losses) are separated into four main components: the effect of the change in the basis (assumptions), changes to earnings, and to the employee profile and actual benefits vested being different from what was expected as at the previous valuation.

#### Key demographic assumptions

Age band	Promotional earnings scale 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

#### Termination of Service

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Age	
20-24	9%
25-29	8%
30-34	6%

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
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### 13. Employee benefit obligation (continued)

35-39	5%
40-44	5%
45-49	4%
50-54	3%
55+	0%

### Net defined benefit liability history

	2024	2023	2022	2021	2020
Defined benefit obligation	93,761,000	92,952,000	98,585,000	89,952,000	79,424,000

### Analysis of actuarial (gain)/loss

	Rand value
Accrued liability as at 30 June 2024	92,952,000
Service Cost	6,287,000
Interest Cost	9,302,000
Expected benefit payments	(12,310,287)
Actuarial loss/(gain)	(2,469,713)
	<b>93,761,000</b>

### Past and Future Changes in the Net Defined Benefit Liability

	30 June 2024	30 June 2025	30 June 2026
Opening DBO	92,952,000	93,761,000	91,911,000
Current service cost	6,287,000	6,055,000	6,702,000
Interest cost	9,302,000	9,128,000	9,306,000
Benefits vesting	(12,310,287)	(17,033,000)	(9,822,000)
Actuarial loss/(gain)	(2,469,713)	-	-
	<b>93,761,000</b>	<b>91,911,000</b>	<b>98,097,000</b>

As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

	2024	2025	2026
Current portion (due in next 12 months)	17,033,000	9,822,000	15,803,000
Non-current portion	76,728,000	82,089,000	82,294,000
	<b>93,761,000</b>	<b>91,911,000</b>	<b>98,097,000</b>

### Long service award arrangement

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



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024

2023

### 13. Employee benefit obligation (continued)

#### Long Service Monetary Awards (in the form of cash and retirement gifts)

General earnings increase of 5% as at 1 July 2024 has been included in the earnings disclosed above and used in this valuation

Completed years of service	Cash award (year ending 30 June 25)	Retirement Gift (year ending 30 June 25)
10	-	3,649
15	-	4,602
20	12,240	6,651
25	12,240	9,199
30	17,118	13,300
35	21,280	22,999
40-45	29,600	22,999

#### 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.

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

The actuarial (gain)/loss summarises the effects of the valuation assumptions compared to the actual experience of the participants. The table below shows a reconciliation of the projected liability to the accrued liability as at 30 June 2020.

	Amount
Accrued liability as at 30 June 2019	83,463,300
(1) Service Cost	5,903,187
(2) Interest Cost	6,260,293
(3) Expected benefit payments	(12,401,549)
Projected accrued liability as at 30 June 2020	83,225,231
(4) Discount rate changes	(7,227,192)
(5) Staff changes	(1,228,611)
(6) Salary changes	3,522,882
(7) Miscellaneous	1,131,718
<b>Actual accrued liability as at 30 June 2020</b>	<b>79,424,028</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024 2023

### 14. Provisions

#### Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	170,826,756	26,888,131	59,178,875	256,893,762
Legal proceedings	4,224,729	-	-	4,224,729
	<b>175,051,485</b>	<b>26,888,131</b>	<b>59,178,875</b>	<b>261,118,491</b>

#### Reconciliation of provisions - 2023

	Opening Balance	Change in discount factor	Reduction 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	4,224,729	-	-	4,224,729
	<b>115,876,320</b>	<b>17,573,960</b>	<b>41,601,205</b>	<b>175,051,485</b>

#### Landfill sites

The latest review of remaining life based on increased deposition rates (due to the other landfill sites' closure) reduces the life to just 4,5 years. And this is not just for the current (last remaining) cells (9Ha), but for the whole facility (25Ha) that will now be closed. The latest report does not indicate a review of the costs, so we have used cost rates from the previous report (that focussed on the current used area only) and prepared the provision estimate accordingly (same rates though adjusted for inflation, new closure dates therefore changed discounted amounts, and the increased area – the whole site including cells previously closed).

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 2023 to 30 June 2024, 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 and Waldrift landfill sites

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, 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 1 year, which is the fallow period wherein the landfill sites will not be operating and rehabilitation will take place. The same remaining useful life of 1 year has been estimated for Waldrift as operations have seized there as well.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>14. Provisions (continued)</b>		
<b>Palm Springs</b>		
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.		
Total provision for rehabilitation as if closure was at 30 June 2024 in terms of iGRAP 2 for all three landfill sites is:		
i) Waldrift landfill site : R35 811 695.14		
ii) Boitshepi landfill site : R143 247 302.64		
iii) Palm springs landfill site R77 834 764.80		
Total : R256 893 762.58		
<b>15. Service charges</b>		
Sale of electricity	3,219,591,691	2,969,401,381
Sale of water	979,788,063	916,294,646
Sewerage and sanitation charges	320,265,762	303,963,386
Refuse removal	192,454,275	179,389,782
	<b>4,712,099,791</b>	<b>4,369,049,195</b>
<b>16. Rental of facilities and equipment</b>		
Premises	15,896,110	15,437,113
<b>17. Other income</b>		
Industrial effluent	30,228,628	35,254,817
Reconnection fees	5,526,484	25,245,291
Sundries/unallocated income	49,971,174	6,953,199
Cemeteries	6,720,411	5,770,856
General service fees	7,969,249	3,875,252
Capital contribution	7,778,543	4,512,579
Building plans	1,711,552	2,196,893
Sale of tender documents	1,097,406	785,750
Advertising	778,591	706,900
Refuse dumping landfill site	492,098	268,752
Warning services	351,722	355,096
Access to information	107,628	47,657
Fire and rescue services	87,572	93,438
Planning fees	77,337	102,502
Entrance fees	1,307	490
	<b>112,899,702</b>	<b>86,169,472</b>
<b>18. Finance income</b>		
Interest on arrears	174,508,403	111,202,886
Bank	7,230,887	5,887,421
<b>Interest revenue</b>	<b>181,739,290</b>	<b>117,090,307</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>19. Property rates</b>		
<b>Rates received</b>		
Rates levied	1,217,403,577	1,148,120,473
Property Rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Emfuleni Local Municipality's Property Rates Policy. A general valuation is performed every 5 years, with supplementary valuations in between.		
<b>Valuations</b>		
Residential	80,758,685,900	79,490,999,000
Business	12,895,710,860	12,494,703,860
Industrial	6,410,918,000	6,313,158,000
State owned properties	3,364,198,001	3,294,498,001
Agricultural	1,669,620,000	1,586,680,000
Other	1,533,612,079	1,526,384,079
Municipal	1,402,581,000	1,397,111,000
	<b>108,035,325,840</b>	<b>106,103,533,940</b>
<b>20. Fines</b>		
Traffic fines	277,115,771	408,160,347
Other fines	544,185	182,377
	<b>277,659,956</b>	<b>408,342,724</b>
<b>21. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	1,066,033,062	971,079,611
Health and environmental subsidies	37,773,141	43,643,476
Fire and rescue service grant	9,976,758	8,851
Cogta grant	4,588,355	-
Financial management grant	2,200,000	2,186,446
Gauteng library grant	123,067	-
	<b>1,120,694,383</b>	<b>1,016,918,384</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	59,649,000	116,148,853
Library grant	12,940,000	7,570,000
Education and training(SITA)	2,583,214	3,745,110
Expanded public works program(EPWP)	1,241,998	1,799,000
Integrated National Electrification Program	558,190	14,323,000
Energy Efficiency demand Site Management Program	-	4,000,000
	<b>76,972,402</b>	<b>147,585,963</b>
	<b>1,197,666,785</b>	<b>1,164,504,347</b>
<b>Equitable Share</b>		
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 2023/24 financial year was R 1 066 033 062.		
<b>Financial management grant</b>		
Balance unspent at beginning of the year	13,554	-
Current-year receipts	2,200,000	2,200,000
Conditions met - transferred to revenue	(2,200,000)	(2,186,446)
Repayment of unspent	(13,554)	-
	<b>-</b>	<b>13,554</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>21. Government grants and subsidies (continued)</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.		
<b>Library grant</b>		
Current-year receipts	12,940,000	7,570,000
Conditions met - transferred to revenue	(12,940,000)	(7,570,000)
	-	-
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.		
<b>Education and training SETA</b>		
Balance unspent at beginning of the year	-	149,895
Current-year receipts	3,397,879	3,595,215
Conditions met - transferred to revenue	(2,583,215)	(3,745,110)
	<b>814,664</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.		
<b>Intergrated National Electrification Programme Grant(INEP)</b>		
Balance unspent at beginning of the year	-	268,157
Current-year receipts	558,000	14,323,000
Conditions met - transferred to revenue	(558,000)	(14,323,000)
Repayment of unspent	-	(268,157)
	-	-
To implement the integrated national electrification programme(INEP) by providing capital subsidies to address the eletrification backlock of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve the quality of supply..		
<b>Project funded ex-Sedibeng District Municipality</b>		
Balance unspent at beginning of the year	1,160,599	1,160,599
Conditions still to be met - remain liabilities (see note 12).		
The purpose of the grant is to assist the municipality with upgrading cemeteries.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of the year	38,059,148	16,080,851
Current-year receipts	59,649,000	154,208,000
Conditions met - transferred to revenue	(59,649,000)	(116,148,853)
Repayment of unspent	(38,059,148)	(16,080,850)
	-	<b>38,059,148</b>
Conditions still to be met - remain liabilities (see note 12).		
To provide specific capital finance for eradicating basic municipal infrastructure backlog for poor household, micro enterprises and social institutions servicing poor communities. Improve access to basic services infrastructure for poor communities.		
<b>Sedibeng Maintenance Grant</b>		
Balance unspent at beginning of the year	1,003,104	1,003,104

**Notes to the Annual Financial Statements**

	2024	2023
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**21. Government grants and subsidies (continued)**

The purpose of this grant is the maintenance of farming equipment and implannts donated by GDARD to Sedibeng Municiplaity as part of GDARD's mechandization programme.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>21. Government grants and subsidies (continued)</b>		
<b>Health and environmental subsidies</b>		
Current-year receipts	37,773,141	43,646,476
Conditions met - transferred to revenue	(37,773,141)	(43,646,476)
	-	-

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 the year	595,358	595,358
Repayment of unspent	(593,305)	-
	<b>2,053</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)

Current-year receipts	1,242,000	1,799,000
Conditions met - transferred to revenue	(1,241,998)	(1,799,000)
	<b>2</b>	-

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 the year	7,802,053	10,903
Current-year receipts	4,200,000	7,800,000
Conditions met - transferred to revenue	(9,976,758)	(8,850)
	<b>2,025,295</b>	<b>7,802,053</b>

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

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

The transfer of R4 200 000 for the procurement of two grass fire response units, rescue equipment, 1 breathing apparatus compressor and procurement/programming radio communication equipment for fire and rescue services.

### Energy Efficiency and Demand Site Management

Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
	-	-

To provide subsidies to municipalities to implement energy efficiency and demand site management initiative within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>22. Employee related costs</b>		
Basic	779,815,043	697,467,734
Bonus	53,026,137	51,992,337
Medical aid - company contributions	66,764,293	63,219,580
UIF	4,295,571	4,411,176
SDL	5,964,945	6,162,717
Leave pay provision charge	18,402,438	23,252,426
Defined contribution plans	134,024,024	129,996,232
Overtime payments	122,124,798	120,129,628
Acting allowances	27,828,996	27,233,857
Car allowance	70,290,911	59,126,957
Housing benefits and allowances	4,602,982	4,435,691
Other allowances	13,458,574	14,506,646
Group insurance	34,829,620	34,338,196
Skills development and casualty contributions	11,064,922	10,680,215
	<b>1,346,493,254</b>	<b>1,246,953,392</b>

### Remuneration of executive directors

#### Municipal manager

Annual remuneration	1,775,895	755,002
Travel, motor car, accommodation, subsistence and other allowances	24,000	10,000
Annual leave	-	383,219
	<b>1,799,895</b>	<b>1,148,221</b>

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.

#### Chief Operations Officer

Annual remuneration	258,420	-
Travel, motor car, accommodation, subsistence and other allowances	40,500	-
	<b>298,920</b>	<b>-</b>

The position was vacant in the previous financial year and it was filled in the current financial year 1 April 2024.

#### Chief financial officer

Annual remuneration	657,378	1,520,711
Travel, motor car, accommodation, subsistence and other allowances	37,500	18,000
Annual leave	306,575	-
	<b>1,001,453</b>	<b>1,538,711</b>

The position was vacant in the previous financial year and the position was only filled on 1 April 2024..

#### Executive director: public safety and community development

Annual remuneration	181,058	-
Travel, motor car, accommodation, subsistence and other allowances	43,000	-
	<b>224,058</b>	<b>-</b>

The position was vacant in the last financial year, the current incumbent was appointed on 25 April 2024

#### Executive director: shared services

Annual remuneration	548,223	-
Travel, motor car, accommodation, subsistence and other allowances	97,484	-
	<b>645,707</b>	<b>-</b>

The position was vacant in the previous financial year, and was filled on 18 December 2023.



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>22. Employee related costs (continued)</b>		
<b>Executive director: public works</b>		
Annual remuneration	-	1,025,951
Travel, motor car, accommodation, subsistence and other allowances	-	135,000
Acting allowance	-	14,371
Annual leave	-	205,214
	<b>-</b>	<b>1,380,536</b>
The position was vacant as of 1 May 2023 and an incumbent was appointed to act in the position.		
<b>Executive director: infrastructure development &amp; planning</b>		
Annual remuneration	-	1,175,759
Travel, motor car, accommodation, subsistence and other allowances	-	48,500
Acting allowance	-	138,916
Annual leave	-	268,254
	<b>-</b>	<b>1,631,429</b>
The position is vacant from 1 June 2023 and the incumbent is appointed to act in the position.		
<b>Chief Risk Officer</b>		
Annual remuneration	1,321,697	448,398
Travel, motor car, accommodation, subsistence and other allowances	258,000	86,000
	<b>1,579,697</b>	<b>534,398</b>
The position was filled on 1 February 2023.		
<b>Chief audit executive</b>		
Annual remuneration	1,304,441	-
Travel, motor car, accommodation, subsistence and other allowances	203,114	-
	<b>1,507,555</b>	<b>-</b>
The position was vacant in the previous financial year and was filled on 21 August 2023.		
<b>Executive Director: Economic Development and Planning</b>		
Annual remuneration	423,916	-
Travel, motor car, accommodation, subsistence and other allowances	54,000	-
	<b>477,916</b>	<b>-</b>
The position was vacant in the last financial year, the current incumbent was appointed on 01 March 2024.		
<b>23. Remuneration of councillors</b>		
Executive Mayor	1,609,522	1,589,023
Mayoral Committee Members	11,347,126	11,056,061
Speaker	1,310,117	1,281,415
Councillors	51,077,958	49,615,222
	<b>65,344,723</b>	<b>63,541,721</b>
<b>In-kind benefits</b>		
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.		
<b>24. Bulk purchases</b>		
Electricity	2,749,505,840	2,749,261,508
Water	1,310,228,068	1,424,450,428
	<b>4,059,733,908</b>	<b>4,173,711,936</b>

# Emfuleni Local Municipality

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## Notes to the Annual Financial Statements

	2024	2023
<b>25. Finance costs</b>		
Interest: External borrowings and creditors	371,394,657	596,423,992
Interest on medical cost	13,404,000	15,151,000
Interest: Long Service Awards	9,302,000	10,782,000
Imputed interest realised	-	4,233,745
	<b>394,100,657</b>	<b>626,590,737</b>
<b>26. Auditor's remuneration</b>		
Fees	8,085,434	7,918,825
<b>27. General expenses</b>		
Insurance	51,741,701	34,466,696
Hire	49,151,042	99,239,493
Other expenses	39,772,957	53,489,973
Consulting and professional fees	30,943,814	43,356,047
Secretarial fees	16,165,964	18,277,685
Venue expenses	14,186,238	12,978,362
Commission paid	8,562,556	24,928
Auditors remuneration	8,085,434	7,918,825
Uniforms	8,661,174	8,861,231
Software expenses	6,515,870	4,928,615
Bank charges	4,073,059	4,609,977
Advertising	4,025,660	969,649
Special projects	2,807,163	1,538,287
Printing and stationery	2,042,516	1,506,881
Telephone and fax	178,388	3,097,601
Other	352,777,247	290,572,637
Departmental charges	1	4
Postage and courier	-	288,043
	<b>599,690,784</b>	<b>586,124,934</b>
<b>28. Cash generated from operations</b>		
Deficit	(712,048,023)	(1,737,549,544)
<b>Adjustments for:</b>		
Depreciation and amortisation	318,263,243	617,455,767
Fair value adjustments	(2,816,541)	4,797,697
Grant in kind	(582,233,407)	(53,100,877)
Non- Cash relating to repairs and maintenance	209,152,286	3,114,505
Debt impairment	2,053,091,337	1,514,134,138
Loss/gain on sale of assets	165,809,478	26,549,429
Movements in provisions	2,061,000	(19,064,000)
Landfill sites gains	20,740,506	55,713,530
Prior year adjustment	(1,510,081,941)	-
<b>Changes in working capital:</b>		
Inventories	(3,465,854)	(5,426,771)
Receivables from exchange transactions	(1,229,359,631)	(1,121,596,644)
Consumer debtors	3,920,060	-
Other receivables from non-exchange transactions	(615,161,271)	(707,823,576)
Value added tax	(651,443,426)	(311,099,024)
Payables from exchange transactions	2,741,176,188	1,985,444,059
Unspent conditional grants and receipts	(43,628,099)	29,364,949
	<b>163,975,905</b>	<b>280,913,638</b>
<b>29. Awards to close family member of an official/councillor</b>		
<b>Employee Position &amp; Number</b>	<b>Relationship</b>	<b>Supplier Name</b>
Network Admin (W01886)	Spouse	Baiketseng
		Trading
		Enterprise CC
		<b>Award Value</b>
		24,225

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 30. Financial instruments

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

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

#### Categories of financial instruments

##### 2024

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	525,978,921	525,978,921
Other receivables from non-exchange transactions	204,162,358	204,162,358
Cash and cash equivalents	3,725,408	3,725,408
	<b>733,866,687</b>	<b>733,866,687</b>

#### Financial liabilities

	At amortised cost	Total
Consumer deposits	67,403,060	67,403,060
Trade and other payables from exchange transactions	7,288,263,838	7,288,263,838
	<b>7,355,666,898</b>	<b>7,355,666,898</b>

##### 30 June 2024

	Less than 1 year	Total
Trade and other payables from exchange transaction	7,288,263,838	7,288,263,838
Consumer deposits	67,403,060	67,403,060
	<b>7,355,666,898</b>	<b>7,355,666,898</b>

##### 2023

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	818,041,748	818,041,748
Other receivables from non-exchange transactions	139,585,730	139,585,730
Cash and cash equivalents	85,163,617	85,163,617
	<b>1,042,791,095</b>	<b>1,042,791,095</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>30. Financial instruments (continued)</b>		
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Consumer deposits	63,483,000	63,483,000
Trade and other payables from exchange transactions	4,620,962,374	4,620,962,374
	<b>4,684,445,374</b>	<b>4,684,445,374</b>
<b>30 June 2023</b>		
	<b>Less than 1 year</b>	<b>Total</b>
Trade and other payables from exchange transactions	4,620,962,374	4,620,962,374
Consumer deposits	63,483,000	63,483,000
	<b>4,684,445,374</b>	<b>4,684,445,374</b>
<b>31. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	237,733,913	243,466,737
<b>Total capital commitments</b>		
Already contracted for but not provided for	237,733,913	243,466,737
<b>Authorised operational expenditure</b>		
<b>32. Contingencies</b>		
<b>Civil matters</b>		
Cape Gate	562,080,435	-
Buzaphi Construction	98,848,870	98,848,870
L.A Mphago	9,189,328	10,000,000
David Maartens	7,367,145	7,367,145
MESO Automation	4,575,862	4,575,862
JM Mncwango	3,469,387	3,469,378
Brilliant Telecommunications	3,099,076	3,099,076
Zakharias Matheus Briedenhann	3,040,000	-
Ndaramawe	2,725,594	2,725,594
Ndlavuka Consulting CC	2,419,156	2,419,156
CV Chabane	2,401,242	2,401,424
NURCHA Development Finance	1,700,000	1,700,000
LR Management	1,632,678	1,632,569
Heinrich Syman	1,348,943	-
Celiwe Mbandezelo and Thobile Daneka	1,230,000	-
Susara Dorothea Naude	1,000,000	-
Swift Power	992,575	992,575
Radius Industrial Engineering	970,000	970,000
Divinity Trading	724,794	724,794
King and Associates	536,361	536,361
Liray Pty Ltd	592,104	-
Lekoa Consulting Engineering	559,117	-
Port Wig Property Investment	390,000	390,000
Bernadet June Scheppers	350,000	-
Mokankgadumo Trading and Project	235,000	235,000
MT Teleko	230,000	230,000
Britz Johan Edwards	200,000	200,000
Wilem Wink Van Westhuizen	80,000	80,000
Barry Van Wyk	65,461	-
Zakea Thapelo Mabothe	65,000	-
Mpho Moses Khoali	61,589	-
William Harald Sondus	50,000	50,000

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
<b>32. Contingencies (continued)</b>		
Telkom SA	44,381	44,381
Matthews William Eliss	40,250	40,250
Mameso Mathapelo Tshabalala	31,542	-
East Rand Water Care	-	608,619
Johannes Stephanus Van Der Merwe	200,000	2,000,000
Aphane Consulting	3,615,910	-
		-
	<b>716,161,799</b>	<b>145,341,054</b>

### Contingent assets

The amount of R303 968 494 (2022/23 - R757 000) relating to a claims lodged and were paid over 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 R112 600 000 (2022/23: R116 200 000).

### Contingent liabilities (Insurance)

During the 2023/24 financial year, the municipality encountered insurance claims amounting to R1 508 196(2022/23: R3 480 381)

## 33. Related parties

### Key management information

#### Remuneration of management

Section 56 Managers

Councillors

Section 56 managers received compensation as set out in note 23

No remuneration was paid to families of Section 56 managers.

Members of council received compensation as set out in note 24

No remuneration was paid to family members of councillors

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 34. 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 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	7,288,263,838	-	-	-
Consumer deposits	67,403,060	-	-	-
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	4,620,962,374	-	-	-
Consumer deposits	63,483,000	-	-	-

##### 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	2024	2023
Cash and cash equivalents	3,725,408	85,163,617
Receivables from exchange transactions	525,978,921	818,041,748
Receivables from non-exchange transactions	204,162,358	139,585,730

##### 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 2024

## Notes to the Annual Financial Statements

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### 35. 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.

#### 1. 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, However, Eskom did not agree with the conditions and requirements of the proposed agreement and there was no further development

#### 2. Attachment of municipal vehicles/equipment by Sheriff

On 9 July 2024, 45 municipal vehicles/equipment were attached by the Sheriff. The attachment was as result of a salary dispute of a certain group of employees to the amount of approximately R8m. However, 41 Vehicles/equipment were returned to the municipality but 4 not yet

Upon return, it was very clear that the vehicles were damaged extensively, as if they were parked in an area where a fire broke out and were not removed in time. The extend of the damages is still to be determined

The asset department also have a problem with vehicles parked at various service providers due to non-payment and non-accessibility. Some of these service providers sold the vehicles as scrap after a couple of years as no repair costs nor storage fees were paid to release these to the municipality. Some of sold vehicles were registered in third parties' names also. The Legal Department was instructed to investigate the matters thoroughly and submit report back to council

#### Listing:

Vehicles/equipment attached and returned:

- 24x trucks
- 3 x Sedans
- 2 x Trailers
- 3 x Water Tankers
- 1x Lawn mover

# Emfuleni Local Municipality

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## Notes to the Annual Financial Statements

	2024	2023
<b>35. Events after the reporting date (continued)</b>		
- 1 x Tractor		
- 7 x Bakkies		
Vehicles/equipment not returned		
1 x sedan (CWO 847 GP)		
1 x Tractor		
1 x Cat 928 Truck		
1 x Trailer		
<b>36. Unauthorised expenditure</b>		
Opening balance as previously reported	9,727,625,138	7,513,533,948
Add: Unauthorised expenditure - current	1,650,398,309	2,214,091,190
Less: Approved/condoned/authorised by council	(7,654,233,879)	-
<b>Closing balance</b>	<b>3,723,789,568</b>	<b>9,727,625,138</b>
<b>Details of unauthorised expenditure</b>		
Public works	803,337,215	1,316,905,909
Financial services	424,340,133	549,387,286
Community development	215,191,708	287,944,525
Shared services	37,353,305	49,586,149
Municipal manager	6,672,844	-
AEDP&HS	163,503,105	10,267,321
	<b>1,650,398,310</b>	<b>2,214,091,190</b>
<b>Cash vs Non-cash</b>		
<b>Non-cash items</b>		
Depreciation		129,660,193
Debt impairment	588,661,203	438,572,885
<b>Cash items</b>		
Bulk purchases electricity	308,735,550	628,411,203
Bulk purchases water	263,933,791	466,883,313
Operational costs	489,067,765	550,563,597
	<b>1,650,398,310</b>	<b>2,214,091,191</b>
<b>37. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	2,328,681,651	1,730,579,616
Add: Fruitless and wasteful expenditure identified - current	208,472,407	598,102,035
Less: Amount recovered - current	(41,076,063)	-
<b>Closing balance</b>	<b>2,496,077,995</b>	<b>2,328,681,651</b>
<b>38. Irregular expenditure</b>		
Opening balance as previously reported	975,783,814	883,460,094
Add: Irregular expenditure - current	49,341,902	92,323,720
<b>Closing balance</b>	<b>1,025,125,716</b>	<b>975,783,814</b>



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 39. Going Concern assessment

We draw attention to the fact that as at 30 June 2024 the municipality has an accumulated surplus of R4 203 624 155 and that the municipality's total assets amount to R14 210 259 352 and exceeds the total liabilities of R10 006 635 197 by R4 203 624 155 however the surplus is not cash backed

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 is currently in the review phase of the four (4) pillars turnaround strategy in the Financial Viability Plan in addressing going concern issues experienced by the municipality. 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 FRP status quo assessment is currently also under review. Stakeholder engagement is being done

The four pillars currently envisaged are:

1. Governance
2. Institutional
3. Financial
4. Service delivery.

#### Factors that formed part of the assessment

##### 1. Governance

Covid 19 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.

##### 2. Institutional

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

#### The staff component is currently being addressed

##### 3. Financial

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

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

#### Financial ratios

When conducting the going concern assessment, several financial ratios was used to evaluate Emfuleni's ability to continue operating in the foreseeable future.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### Key Financial Ratios for Going Concern Assessment

#### Liquidity:

- **Current Ratio:** Measures the ability to pay off its short-term liabilities with its short-term assets.

Formula: Current Assets / Current Liabilities = **0.3844**

Ratio is below the norm, and it indicates that Emfuleni has more current liabilities than current assets, which could be a sign of potential liquidity problems.

**Quick Ratio (Acid-Test Ratio):** Similar to the current ratio but excludes inventory from current assets, providing a more stringent measure of liquidity.

Formula: (Current Assets - Inventory) / Current Liabilities = **0.3790**

Ratio is below the norm, and it indicates that Emfuleni potentially has liquidity issues.

#### Solvency:

**Debt Ratio:** Indicates the proportion of Emfuleni assets financed by debt.

Formula: Total Liabilities / Total Assets = **0.7042**

Ratio is below the norm and indicates that Emfuleni has more assets than debt, suggesting a more stable financial position and lower financial risk.

#### Cash Flow:

**Cash Flow to Debt Ratio:** Evaluates the company's ability to service its debt with its cash flow.

Formula: Operating Cash Flow / Total Debt = **0.01640**

Ratio is below the norm and indicates potential liquidity issues, as Emfuleni generates less cash flow than its total debt, indicating a higher risk of default and the need for improved cash flow management or debt restructuring.

#### Working Capital:

**Working Capital:** Reflects Emfuleni's short-term liquidity and operational efficiency.

Formula: Current Assets / Current Liabilities = **0.3844**

Ratio is below the norm and indicates that Emfuleni may struggle to cover its short-term liabilities than may result in potential liquidity issues.

#### Improving Working Capital:

- Increase Receivables Collection: Implement efficient collection practices to reduce the accounts receivable period.
- Manage Inventory Efficiently: Optimize inventory levels to ensure sufficient stock without tying up too much capital.
- Extend Payables Period: Negotiate longer payment terms with suppliers to delay cash outflows.

#### Practical Steps for Managing Working Capital

- Cash Flow Management: Regularly monitor cash flow to ensure liquidity and meet short-term obligations – daily monitoring.
- Credit Control: Implement strict credit policies and regular follow-ups to minimize bad debts and improve cash collection – Monthly report to Mayoral Committee.
- Inventory Management: Utilize inventory management systems to avoid overstocking or stockouts, ensuring optimal inventory levels.
- Expense Control: Identify areas for cost reduction and control operational expenses without compromising service quality.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 4. Service delivery

The infrastructure of Emfuleni is in an extremely 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.

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 217 403 577 for the 2023/2024 financial year

### 1. Other

The accumulated surplus of the municipality was R4 203 624 155 at year-end. The total assets amounted to R14 210 259 352. The total assets exceed the liabilities with R4 203 624 155

### 2. 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

### 3. 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.

### 4. 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 dependent 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 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.

Approval for the write-off is awaited. Compliance from the side of the municipality was at 88%

### 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

The municipality together with Rand Water are working on establishing a Special Purpose Vehicle to operate water and sanitation function

The municipality on its own will not be able to source funding to deal with the infrastructure backlog for the sustainability of the service. This will reduce the liability that Emfuleni owe Rand Water going forward and improve the Statement of Position.

### 40. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	711,531	726,945
Paid	(711,531)	(726,945)
	-	-

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
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### 40. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	19,013,671	18,383,684
Current year subscription / fee	254,788,452	241,447,669
Amount paid - current year	(233,830,455)	(222,433,998)
Amount paid - previous years	(19,013,671)	(18,383,684)
	<b>20,957,997</b>	<b>19,013,671</b>

#### Pension and Medical Aid Deductions

Opening balance	-	14,529,942
Current year subscription / fee	320,165,846	306,909,493
Amount paid - current year	(303,546,073)	(306,909,493)
Amount paid - previous years	-	(14,529,942)
	<b>16,619,773</b>	<b>-</b>

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

##### 30 June 2024

	Outstanding more than 90 days	Total
Mavhimbela SM	38,513	38,513
Mollo DS	30,863	30,863
Radebe SMS	4,463	4,463
Mokhele SG	132,514	132,514
Mokoena NF	61,094	61,094
Msolo NJ	29,311	29,311
Nhlapo PJ	68,641	68,641
Phala NS	4,980	4,980
	<b>370,379</b>	<b>370,379</b>

##### 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>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	2024	2023
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### 40. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### 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	450,908,432	417,874,516
Rand value	751,036,434	588,516,384
%	24.8%	22.2%
<b>Water</b>		
Kiloliter	65,931,860	66,639,487
Rand value	836,278,422	774,042,073
%	62.1%	61.9%

### 41. Deviation from supply chain management regulations

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

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

<b>Description</b>		
Deviations	3,078,338	93,148

### 42. 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

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

**Notes to the Annual Financial Statements**

	2024	2023
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**42. Segment information (continued)**

**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 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Segment information (continued)

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

2024

	Community & Public Safety	Economic & Environmental Services	Trading Services	NonSegments/! on allocation	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	371,508,772	81,632	1,757,514,862	1,582,602,617	3,711,707,883
Revenue from exchange transactions	7,668,436	16,292,122	4,602,245,170	45,350,162	4,671,555,890
Interest revenue	-	99,490	311,249,337	33,312,714	344,661,541
<b>Total segment revenue</b>	<b>379,177,208</b>	<b>16,473,244</b>	<b>6,671,009,369</b>	<b>1,661,265,493</b>	<b>8,727,925,314</b>
<b>Entity's revenue</b>					<b>8,727,925,314</b>
<b>Expenditure</b>					
Total segment expenses	588,403,366	75,576,862	4,971,311,177	906,794,356	6,542,085,761
Depreciation and amortisation	217,584,940	164,873,044	1,523,863,866	312,785,877	2,219,107,727
Interest expense	13,109,436	53,239,041	64,841,900	173,225,501	304,415,878
Total gains and losses	-	-	-	374,363,947	374,363,947
<b>Total segment expenditure</b>	<b>819,097,742</b>	<b>293,688,947</b>	<b>6,560,016,943</b>	<b>1,767,169,681</b>	<b>9,439,973,313</b>
<b>Total segmental surplus/(deficit)</b>	<b>(439,920,534)</b>	<b>(277,215,703)</b>	<b>110,992,426</b>	<b>(105,904,188)</b>	<b>(712,047,999)</b>
<b>Assets</b>					
Segment assets	109,251,697	1,708,165,031	5,460,887,399	6,931,955,225	14,210,259,352
<b>Total assets as per Statement of financial Position</b>					<b>14,210,259,352</b>
<b>Liabilities</b>					
Segment liabilities	4,001,271	-	5,564,400,502	4,430,061,723	9,998,463,496
<b>Total liabilities as per Statement of financial Position</b>					<b>9,998,463,496</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

### 43. New standards and interpretations

#### 43.1 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:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	
• GRAP 25 (as revised): Employee Benefits	01 April 2023	
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	

#### 43.2 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Conceptual framework for general purpose financial reports	01 April 2023	Reporting
• GRAP 107 Mergers	May not early adopt	Not applicable
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	May not early adopt	Not applicable
• GRAP 105 Transfer of Functions Between Entities Under Common Control	May not early adopt	Not applicable
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2023	No known
• GRAP 103 (as revised): Heritage Assets	01 April 2023	No known
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Not applicable
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Reassessments of categories and accounting
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	Not known

#### 43.3 Guidelines which are not authoritative where entities are encouraged to apply the guidelines when preparing their Financial Statements:

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Not known
• Guideline on the application of materiality in the Financial Statements	01 April 2023	Impact only disclosures



# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

2024 2023

### 44. Accounting by principals and agents

#### Department of Justice – Contempt of Court

##### Agent for the National Department of Justice

The municipality acts as an agent for the National Department of Justice, collecting contempt-of-court fines imposed on traffic fine offenders who fail to appear in court. The municipality does not derive any revenue from this function.

Reconciliation of amounts payable to the department	2024	2023
Balance owing at the beginning of year	627,780	551,130
Revenue received on behalf of principal	142,320	76,650
	<b>770,100</b>	<b>627,780</b>

#### Collecting agentsCollecting agents

##### Agent for the Road Traffic Act and Criminal Procedures Act

The Road Traffic Infringement Agency (TMT) act as an agent for the municipality. TMT issues and collects fines on behalf of the municipality and performs all the administration hereof. The appointment of TMT was done officially in writing on 22 February 2022 and will terminate automatically on 21 February 2025. The municipality must pay a service fee to TMT monthly

Reconciliation of amounts payable to TMT	2024	2023
Balance owing at the beginning of year	4,875,425	877,029
Service fees recognised by municipality	15,482,983	9,971,017
Set off done by TMT	(12,498,900)	(5,972,621)
<b>Balance owed to TMT at the end of year</b>	<b>7,859,508</b>	<b>4,875,425</b>

#### Prepaid electricity

Galactic Enyane JV are service providers who serve as agents for the municipality in the third-party sale of prepaid electricity. Galactic offset their commission after 30 days from the money to be paid over to the municipality, if the municipality has not paid commission owed to them.

#### Smart meters - electricity

BXC is a service provider who serve as agent for the municipality in the third-party sale of prepaid electricity, installation and maintenance of smart meters. Offsetting against payments owed to the municipality, resulting from collections made from third parties and the commission owed to the service provider.

### 45. Correction of error

During the 2021/2022 year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods: The comparative amounts have been restated as follows:

Surplus / (deficit) for the period	2022/23
Balance previously reported 2021/2022 and before	5,789,188,806
Adjustments for 2021/2022 and before	31,505,504
<b>Restated balance for 2021/2022</b>	<b>5,820,694,310</b>
Surplus / (deficit) for the period 2021/2022 reported	(1,737,549,544)
Adjustments for 2022/2023	832,527,386
<b>Restated Surplus/ (deficit) for the period 2022/2023</b>	<b>4,915,672,152</b>
<b>Restated balance for 2022/2023</b>	<b>4,915,672,152</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

### 45. Correction of error (continued)

Statement of financial performance	2022/23
Other income	4,257,947
Donations	(162,312,959)
Depreciation and amortisation	(180,463,650)
Finance costs	(1,678,043)
Impairment	646,063,202
Loss/gain on sale of assets	162,627
Bulk purchases	48,843,050
Contracted services	4,662,222
General Expenses	156,039,390
Interest debt relief	(1,356,272,888)
Imputed interest	8,171,715
	<b>(832,527,387)</b>

Statement of financial performance	2021/22 and before
Other income	(4,615,876)
Private entity developer contributions in kind	35,146,241
Contractor services	905,603
(Loss)/Gain on sale of assets	(731,109)
Business and finance man. Consultants	(1,380,600)
Legal costs and litigation	1,104,888
Hire charges	-
Inventory physical & nett rel value losses	178,551
Insurance claims paid	15,355
General expenses	236,330
Interest overdue accounts	22,654
Depreciation	623,467
	<b>31,505,504</b>

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

### 45. Correction of error (continued)

Statement of financial position	Balance 2023	Adjustments 2021/22	Adjustments 2022/23	Restated balance 2023
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	85,163,617	-	-	85,163,617
Receivables from exchanged transactions	822,671,367	(1,633,823)	(2,995,796)	818,041,748
Receivables from non-exchange transactions	326,017,656	(2,448,732)	(922,393)	322,646,531
Inventory	38,793,979	20,184	(37,128)	38,777,035
Value added tax	1,380,325,164	(50,198)	512,334	1,380,787,300
<b>Non-Current Assets</b>				
Land	-	-	850,968,596	850,968,596
Property, plant and equipment	10,418,878,076	36,092,182	(1,306,572,073)	9,148,398,185
Investment property	987,884,552	-	(6,170,000)	981,714,552
Intangible assets	15,736,662	-	486,141	16,222,803
Heritage assets	57,016	-	-	57,016
Sanlam shares	15,755	-	-	15,755
<b>Total Assets</b>	<b>14,075,543,844</b>	<b>31,979,613</b>	<b>(464,730,319)</b>	<b>13,642,793,138</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables from exchange transactions	(9,519,733,285)	(1,213,104)	4,532,608,281	(4,988,338,108)
Consumer deposits	-	-	(63,483,000)	(63,483,000)
Unspent conditional grants and receipts	(48,633,816)	-	-	(48,633,816)
Employee benefit obligation	(27,347,000)	-	-	(27,347,000)
<b>Non-Current Liabilities</b>				
Provisions	(175,790,481)	738,996	-	(175,051,485)
Consumer deposits	(63,483,000)	-	63,483,000	-
Employee benefit obligation	(188,917,000)	-	-	(188,917,000)
Municipal debt relief	-	-	(3,235,350,559)	(3,235,350,559)
<b>Total liabilities</b>	<b>(10,023,904,582)</b>	<b>(474,108)</b>	<b>4,532,608,281</b>	<b>(5,491,770,409)</b>

### Statement of financial performance

#### Receivables from exchange transactions

Incidental cash surpluses

Public transferred funds to the municipality without adequate information. These funds are receipted under incidental cash surpluses until the persons queries their payments

#### Revenue from non-exchange transactions

Donations and Grants

Accounting for Grants in kind operational for water and water water - Section 63. Developer created assets completed and transferred to municipality. Should have been capitalised in previous years - now capitalised. Grants in kind were accounted for. The information of grants in kind (section 63) was not available in previous years and is onny accounted for tduring the year under review

Municipal Debt Relief

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 45. Correction of error (continued)

The Municipal Debt Relief Circular for the 2023/24 MTREF was promulgated on 31 March 2023. Approval was given for 5 municipalities, of which Emfuleni Local Municipality is one, to become part of the Debt Relief Programme on 1 June 2023. However, the Municipal Debt Relief Supplementary Guide was only promulgated on 21 February 2024. This resulted in a correction of prior year error, done in terms of GRAP 23 – Revenue from Non-exchange transactions, to be performed, as the financial year end of the municipality was 30 June 2023 and the relevant accounting could only be done in the 23/24 financial year.

#### **Expenditure**

Professional services

Human resources training and development Consultants & prof services

#### **Legal costs and litigation**

Legal advice and cost that was not accounted for previously

Reversal of interest on interest levied

#### **Loss /gain on sale of assets**

COAF 34 Impairments. Various recognitions for impairment not done in 2022/2023 now corrected resulting in Loss/Gains on sale of assets due to the influence it had on the depreciation. High level corrections now split in individual corrections as per AG consent for AFS 22/23

#### **Finance Cost**

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

Reversal of interest on interest levied

#### **Depreciation and amortisation and impairment**

Changes in depreciation due to changes in remaining useful life of assets accompanying impairment recognition.

COAF 34 of 2022/2023. High level correction now split in individual corrections as per AG consent

#### **Lisences and permits**

Payment of software licences

#### **Contracted services**

Human resources training and development Consultant & prof services

#### **Hiring equipment**

Equipment hired during the year

#### **Bulk services - ESCOM and Rand Water**

Interest on ESCOM and DWS accounts cancelled.

#### **Current assets**

#### **Trade and other receivables from non-exchange transactions**

#### **Non-current assets**

#### **PPE**

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 45. Correction of error (continued)

The valuations of land and improvements were divided during the 2023/2024 financial year. Incorrect expensed project in 2022/2023 corrected to WIP register. Various corrections to opening balances of assets were done. Various projects that were under W.I.P are now transferred and accounted for as PPE. Certain infrastructure assets that were capitalised in previous years were de-recognised.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 45. Correction of error (continued)

#### WIP

Various transfers from WIP expenses to opex (previous years) accounted for. Projects that were under WIP were transferred from WIP to PPE.

#### Investment Property

Investments property incorrectly capitalised previous year- human settlements. Now corrected.

#### Current liabilities

#### Consumer deposits

As per GRAP 1 - Presentation of financial statements consumer deposits are now disclosed as current liabilities and not non-current.

#### Payables from exchange transactions

Many creditors were corrected with interest paid and accruals. Accruals done in previous years were reversed.

#### Provisions

Correction of provision for legal fees as the cases had prescribed.

#### Retention

Correction of accounting for retention.

#### Reclassification

There was a realignment of the trial balance on Caseware and Solar.

### 46. Operating lease

#### Total lease rental (operating lease municipal buildings lessor)

##### Payable within one year

Actual payment	1,114,801	1,659,001
Straight lined payment	1,831,210	2,373,256

##### Payments from 2 to 5 years

Actual payment	38,309,669	39,422,659
Straight lined payment	36,332,941	38,163,150

##### Payable within one year

Payments from 2 to 5 years	1,114,801	1,659,001
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<b>Total lease liability</b>	<b>39,424,470</b>	<b>41,081,660</b>
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The average lease term is 1 to 99 years and the average effective escalation rate was (is) 10% interest rates are fixed or variable at a contract date. All leases have variable or fixed repayments and in certain instances contingent rent is payable as per stipulation in the lease agreements

The municipality's obligation under operating leases are secured by the lessors charge over the leased assets. The municipality did not default on any of the interest or capital repayments of the leases. No terms and conditions of operating leases were re-negotiated. There is no restriction imposed on the lease agreements.

# Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 46. Operating lease (continued)

#### Total lease rental (operating lease printers)

##### Payable within one year

Actual payment	3,696,288	-
Strait lined payment	3,696,288	-

##### Payments from 2 to 5 years

Actual payment	5,236,408	-
Strait lined payment	5,236,408	-

##### Payable within one year

3,696,288 -

##### Payments from 2 to 5 years

5,236,408 -

##### Total lease liability

**8,932,696** -

The average lease term is 3 years and the average effective borrowing rate was(is) 6,75% . The escalation interest rates is 0% which increases every year after the inception date. All leases have variable or fixed repayments and in certain instances contingent rent is payable as per stipulation in the lease agreements

The municipality's obligation under operating leases are secured by the lessors charge over the leased assets. No terms and conditions of operating leases were re-negotiated. There is no restriction imposed on the lease agreements

### 47. Budget variances

#### Revenue from exchange transactions

Service charges - This is due to tariff increases.

Rental of facilities and equipment - This is due to tariff increases.

Trade and other license - Market Porters certificates in EDP clusters were issued above expectations.

Finance income - This is due to increased debtors balances.

Actuarial gains/losses - Actuarial gains are not known at budget stage

#### Revenue from non-exchange transactions

Donations - This is due to allocations in kind of R266 million for Roads and R40 for water and sanitation.

Fines - Backlogs that were recorded in 2022/2023 lead to an amount higher amount than the current year.

#### Expenditure

Employee related costs - Appointed new employees and salary increase

Bulk purchase - Insufficient provision and water losses

Debt impairment - Due to declining collection of revenue

Finance costs - Due to payments made and the Debt Relief Programme

Fair value adjustments - The amounts cannot be determined at budgeting stage

Imputed interest - The amounts cannot be determined at budgeting stage

Landfill site losses - The amounts cannot be determined at budgeting stage

Loss/gain on sale of assets - The amounts cannot be determined at budgeting stage