



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

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Legal form of entity

Local Municipality KZN 253 Governed by MFMA

### Nature of business and principal activities

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and water, collection, purifying and disposal of waste water and the construction and maintenance of roads and provision of parks, sport and recreation facilities.

### Executive committee

Executive Mayor

Deputy Mayor

Member

Councillors

Cllr. L.Y. Mhlungu

Cllr. Z.H. Madi

Cllr. L.Y. Mthethwa

Cllr. V.C Ndlovu (MPAC Chairperson)

Cllr. N. Ndlovu

Cllr.M.J. Mthethwa

Cllr. M.M. Booyens

Cllr.F.G.S Smook

Cllr. F. Mlambo (Resigned)

Cllr. N.A Madida

Cllr. T.S. Buthelezi

### Grading of local authority

Grade 1

### Chief Finance Officer (CFO)

Miss S. Mhlophe

### Accounting Officer

SS De-klerk

### Registered office

34 Voor Street

Utrecht

Kwa Zulu Natal

2980

### Postal address

P.O. Box 11

Utrecht

Kwa Zulu Natal

2980

### Bankers

Standard Bank

First National Bank

### Auditors

Auditor General of South Africa

### Attorneys

Mdledle Incorporated

Phumlani Ngubane and Associates Inc.

Mazibuko Z and Associates Inc.

### Telephone number

034 - 331 3041

### Fax number

031 - 331 4312

# Emadlangeni Local Municipality

(Registration number KZN 253)

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CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Integrated National Energy Programme
EPWP	Extended Public Works Programme
FMG	Finance Management Grant

# **Emadlangeni Local Municipality**

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on page 1 to 73, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on its behalf by:

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**Accounting Officer  
Designation**

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2021.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Buhle Dhlamini (Chairperson)	5
Adv Jabulani Mhlongo	5
Nontokozi Makhubu	3

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management still require some attention/improvement to ensure that they are efficient, effective and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2021.

### 1. Review of activities

#### Main business and operations

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and disposal of waste, the construction and maintenance of roads and provision of parks, sport and recreation facilities. and operates principally in South Africa in the Kwa Zulu Natal Province.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 176,546,245 and the municipality's total liabilities does not exceed its total assets.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
SS De-klerk	South African

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 01 October 2021 and were signed on its behalf by:

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**Accounting Officer**  
**Designation**

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Other financial assets	8	435,226	405,256
Receivables from exchange transactions	11&14	3,548,052	8,933,002
Receivables from non-exchange transactions	12&14	11,562,130	6,903,454
VAT receivable	13	6,334,731	6,249,557
Prepayments	10	334,653	282,672
Cash and cash equivalents	15	4,341,754	3,910,530
		<b>26,556,546</b>	<b>26,684,471</b>
<b>Non-Current Assets</b>			
Biological assets that form part of an agricultural activity	3	2,860,200	3,276,700
Investment property	4	13,823,179	14,066,317
Property, plant and equipment	5	175,054,564	167,542,649
Intangible assets	6	361,657	582,079
Heritage assets	7	1,190,580	1,190,580
		<b>193,290,180</b>	<b>186,658,325</b>
<b>Total Assets</b>		<b>219,846,726</b>	<b>213,342,796</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of the long term Loan	17	147,767	147,767
Payables from exchange transactions	19	15,812,339	14,615,541
Payables from non exchange	20	1,599,888	1,203,004
Consumer deposits	21	168,152	168,152
Employee benefit obligation	9	1,467,000	385,260
Unspent conditional grants and receipts	16	814,216	949,492
		<b>20,009,362</b>	<b>17,469,216</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	17	273,313	367,802
Employee benefit obligation	9	1,750,000	2,290,917
Provisions	18	21,267,806	20,528,721
		<b>23,291,119</b>	<b>23,187,440</b>
<b>Total Liabilities</b>		<b>43,300,481</b>	<b>40,656,656</b>
<b>Net Assets</b>		<b>176,546,245</b>	<b>172,686,140</b>
Accumulated surplus		176,546,245	172,686,140

\* See Note 48

# Emadlangeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	23	375,961	370,384
Service charges	24	15,857,960	16,125,081
Operational revenue	25	37,313	414,922
Rental of facilities and equipment	27	1,105,243	1,019,508
Interest received - investment	26	182,346	878,354
Licences and permits	29	1,483,648	939,652
Actuarial gains	9	-	159,746
Gain on biological assets and agricultural produce	3	-	756,034
<b>Total revenue from exchange transactions</b>		<b>19,042,471</b>	<b>20,663,681</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	21,786,766	20,301,570
Property rates - penalties imposed	31	3,944,202	3,068,218
<b>Transfer revenue</b>			
Government grants & subsidies	32	59,044,410	45,163,190
Fines, Penalties and Forfeits	28	1,072	103,890
<b>Total revenue from non-exchange transactions</b>		<b>84,776,450</b>	<b>68,636,868</b>
<b>Total revenue</b>	22	<b>103,818,921</b>	<b>89,300,549</b>
<b>Expenditure</b>			
Employee related costs	33	(37,687,582)	(34,552,014)
Remuneration of councillors	34	(3,714,640)	(3,713,930)
Depreciation and amortisation	35	(9,644,878)	(8,931,589)
Impairments	36	-	(82,204)
Finance costs	37	(1,728,484)	(150,540)
Lease rentals on operating lease	30	(79,111)	(92,138)
Debt Impairment	38	(9,539,225)	(17,195,430)
Bulk purchases	39	(14,679,351)	(13,579,852)
Contracted services	40	(13,561,677)	(14,070,423)
Fair value adjustments		(416,500)	-
Actuarial losses	9	(522,500)	-
General Expenses	41	(8,384,868)	(12,177,150)
<b>Total expenditure</b>		<b>(99,958,816)</b>	<b>(104,545,270)</b>
<b>Surplus (deficit) for the year from continuing operations</b>		<b>3,860,105</b>	<b>(15,244,721)</b>
Loss on Disposals of assets	5	-	(97,060)
<b>Surplus (deficit) for the year</b>		<b>3,860,105</b>	<b>(15,341,781)</b>

\* See Note 48



# Emadlangeni Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at July 1, 2018 restated</b>	<b>188,027,921</b>	<b>188,027,921</b>
Changes in net assets		
Surplus for the year	(15,341,781)	(15,341,781)
Total changes	(15,341,781)	(15,341,781)
<b>Restated* Balance at 01 July 2020</b>	<b>172,686,140</b>	<b>172,686,140</b>
Changes in net assets		
Surplus for the year	3,860,105	3,860,105
Total changes	3,860,105	3,860,105
<b>Balance at 30 June 2021</b>	<b>176,546,245</b>	<b>176,546,245</b>
Note(s)		

\* See Note 48

# Emadlangeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		32,860,501	49,163,637
Grants		57,883,756	45,163,190
Interest Received		182,346	878,354
Fines, traffic fines and forfeitures		1,072	2,200
Other receipts		3,002,165	2,848,356
		<u>93,929,840</u>	<u>98,055,737</u>
<b>Payments</b>			
Employee costs		(41,402,222)	(38,265,944)
Suppliers		(35,032,214)	(56,539,591)
Finance costs		(67,518)	(13,684)
		<u>(76,501,954)</u>	<u>(94,819,219)</u>
<b>Net cash flows from operating activities</b>	44	<b><u>17,427,886</u></b>	<b><u>3,236,518</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(16,766,898)	(13,279,346)
<b>Net cash flows from investing activities</b>		<b><u>(16,766,898)</u></b>	<b><u>(13,279,346)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		(94,489)	(158,759)
Consumer deposits		-	1,262
Unspent Grants		(135,275)	(192,990)
Long term loans		-	(158,579)
<b>Net cash flows from financing activities</b>		<b><u>(229,764)</u></b>	<b><u>(509,066)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>431,224</b>	<b>(10,551,894)</b>
Cash and cash equivalents at the beginning of the year		3,910,530	14,462,424
<b>Cash and cash equivalents at the end of the year</b>	15	<b><u>4,341,754</u></b>	<b><u>3,910,530</u></b>

\* See Note 48

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Other revenue	5,647,000	(3,952,000)	<b>1,695,000</b>	375,961	<b>(1,319,039)</b>	76%
Service charges	21,576,000	(2,635,000)	<b>18,941,000</b>	15,857,960	<b>(3,083,040)</b>	16%
Operational revenue	-	-	-	37,313	<b>37,313</b>	100%
Rental of facilities and equipment	1,478,000	(144,000)	<b>1,334,000</b>	1,105,243	<b>(228,757)</b>	17%
Interest received (trading)	-	-	-	182,346	<b>182,346</b>	100%
Licences and permits	1,751,000	(90,000)	<b>1,661,000</b>	1,483,648	<b>(177,352)</b>	11%
<b>Total revenue from exchange transactions</b>	<b>30,452,000</b>	<b>(6,821,000)</b>	<b>23,631,000</b>	<b>19,042,471</b>	<b>(4,588,529)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	31,370,000	(2,314,000)	<b>29,056,000</b>	21,786,766	<b>(7,269,234)</b>	25%
Property rates - penalties imposed	-	-	-	3,944,202	<b>3,944,202</b>	-100%

##### Transfer revenue

Government grants & subsidies	37,911,000	4,494,000	<b>42,405,000</b>	59,044,410	<b>16,639,410</b>	-39%
Fines, Penalties and Forfeits	5,126,000	(146,000)	<b>4,980,000</b>	1,072	<b>(4,978,928)</b>	99%
<b>Total revenue from non-exchange transactions</b>	<b>74,407,000</b>	<b>2,034,000</b>	<b>76,441,000</b>	<b>84,776,450</b>	<b>8,335,450</b>	

#### Total revenue

<b>104,859,000</b>	<b>(4,787,000)</b>	<b>100,072,000</b>	<b>103,818,921</b>	<b>3,746,921</b>	
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#### Expenditure

Personnel	(39,578,000)	-	<b>(39,578,000)</b>	(37,687,582)	<b>1,890,418</b>	4%
Remuneration of councillors	(3,694,000)	-	<b>(3,694,000)</b>	(3,714,640)	<b>(20,640)</b>	0.5%
Depreciation and amortisation	(8,653,000)	-	<b>(8,653,000)</b>	(9,644,878)	<b>(991,878)</b>	-11%
Impairment loss/ Reversal of impairments	(1,613,000)	-	<b>(1,613,000)</b>	-	<b>1,613,000</b>	100%
Finance costs	(7,000)	-	<b>(7,000)</b>	(1,728,484)	<b>(1,721,484)</b>	-24593%
Lease rentals on operating lease	(300,000)	203,625	<b>(96,375)</b>	(79,111)	<b>17,264</b>	-18%
Debt Impairment	(1,613,000)	-	<b>(1,613,000)</b>	(9,539,225)	<b>(7,926,225)</b>	491%
Bulk purchases	(15,438,000)	-	<b>(15,438,000)</b>	(14,679,351)	<b>758,649</b>	5%
Contracted Services	(17,707,000)	(2,394,000)	<b>(15,313,000)</b>	(13,561,677)	<b>1,751,323</b>	11%
General Expenses	(15,558,409)	(5,889,013)	<b>(10,914,403)</b>	(8,384,868)	<b>2,529,535</b>	23%

<b>Total expenditure</b>	<b>(104,161,409)</b>	<b>(8,079,388)</b>	<b>(96,919,778)</b>	<b>(99,019,816)</b>	<b>(2,100,038)</b>	
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#### Operating surplus

Fair value adjustments	-	-	-	(416,500)	<b>(416,500)</b>	100%
Actuarial gains/losses	-	-	-	(522,500)	<b>(522,500)</b>	100%

	-	-	-	<b>(939,000)</b>	<b>(939,000)</b>	
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<b>Surplus before taxation</b>	<b>697,591</b>	<b>(12,866,388)</b>	<b>(12,168,797)</b>	<b>3,860,105</b>	<b>16,028,902</b>	
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## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>697,591</b>	<b>(12,866,388)</b>	<b>(12,168,797)</b>	<b>3,860,105</b>	<b>16,028,902</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

Figures in Rand	Note(s)	2021	2020
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### 1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

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

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

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### 1.5 Biological assets that form part of an agricultural activity

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

# Emadlangeni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Biological assets that form part of an agricultural activity (continued)

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to biological assets that form part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that form part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

### 1.6 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.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property.

### 1.7 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 when:

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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## Accounting Policies

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

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-30 Years
Plant and machinery	Straight-line	2-10 Years
Furniture and fixtures	Straight-line	2-7 Years
Motor vehicles	Straight-line	2-8 Years
Computer software	Straight-line	2-8 Years
Infrastructure	Straight-line	2-30 Years
Community	Straight-line	2-45 Years

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

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

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

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

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

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

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

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



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

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

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

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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### 1.8 Intangible assets (continued)

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-6 Years

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

### 1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

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

### 1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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### 1.10 Financial instruments (continued)

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 uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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### 1.10 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 1.11 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.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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### 1.11 Statutory receivables (continued)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- 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.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

### 1.12 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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### 1.12 Leases (continued)

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### 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.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

#### Operating leases - lessor

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

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

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

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.

### 1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

### 1.14 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.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some 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.

### 1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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### 1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Provisions are not recognised for future operating surplus.

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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and



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### 1.15 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.16 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.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### 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.

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### 1.17 Revenue from exchange transactions (continued)

#### Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions 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.

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Fines

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.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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

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.

### 1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.20 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).

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

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

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

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

#### Binding arrangement

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

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

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

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

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

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

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

#### Recognition

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

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

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

### 1.21 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.

### 1.22 Fruitless and wasteful expenditure

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

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### 1.22 Fruitless and wasteful expenditure (continued)

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.

### 1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be 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 must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the financial statements

### 1.24 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.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

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## Accounting Policies

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### 1.24 Segment information (continued)

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.25 Budget information

Municipality are 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 municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2020 to 30/06/2021.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual 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.

### 1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

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### 1.26 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.28 Segment Reporting

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.

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

#### Identification of segments

The municipality is organised and reports to management and governance structures on the basis of five major functional areas: Budget and Treasury, Community Services, Planning and Economic Development, Technical Services and Corporate and other support services/units.

To identify or form reportable segments and non-reportable segment, these functional areas are grouped in terms of 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.

The identified reportable segments are as follows:

Community Services which includes community and social services, sport and recreation, public safety, health and housing services, Planning and Economic Development which includes planning and development, road transport and environmental protection services. Trading Services which includes energy sources, water management, waste water management and waste management services

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### 1.28 Segment Reporting (continued)

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The type of goods and services in these reportable segments are consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes.

### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements



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### 2. New standards and interpretations

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

##### GRAP 18: Segment Reporting:

The objective of this Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:

- (a) enable users of the financial statements to better understand the entity's past performance, to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates;
- (b) identify the resources allocated to support the major activities of the entity and assist in making decisions about the allocation of resources; and
- (c) enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

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

The municipality has not applied the following standards and interpretations, which has been issued but not yet effective:

##### Standard/ Interpretation:

##### Expected impact:

-  
GRAP 104 (amended): Financial Instruments  
GRAP 25 Employee benefits

-  
Unlikely there will be a material impact  
Unlikely there will be a material impact

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### Notes to the Annual Financial Statements

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#### 3. Biological assets that form part of an agricultural activity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game Park animals	2,860,200	-	2,860,200	3,276,700	-	3,276,700

#### Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses	Total
Game Park animals	3,276,700	(416,500)	2,860,200

#### Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Game Park animals	2,520,666	756,034	3,276,700

#### Methods and assumptions used in determining fair value

The animals in the game park are carried at fair values by comparing the available auction prices at year end.

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## Notes to the Annual Financial Statements

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### 4. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18,944,393	(5,121,214)	13,823,179	18,944,393	(4,878,076)	14,066,317

### Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	14,066,317	(243,138)	13,823,179

### Reconciliation of investment property - 2020

	Opening balance	Properties not owned by municipality	Depreciation on properties not owned by the municipality	Depreciation	Total
Investment property	16,396,299	(2,416,157)	352,121	(265,946)	14,066,317

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,094,132	999,025
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### Notes to the Annual Financial Statements

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#### 5. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	23,616,519	-	23,616,519	23,616,519	-	23,616,519
Buildings	15,254,524	(9,311,910)	5,942,614	15,254,524	(8,870,983)	6,383,541
Plant and machinery	3,226,135	(1,893,617)	1,332,518	3,015,166	(1,711,673)	1,303,493
Furniture and fixtures	3,228,191	(2,178,094)	1,050,097	2,848,304	(2,020,871)	827,433
Motor vehicles	5,324,329	(3,777,590)	1,546,739	5,324,329	(3,508,343)	1,815,986
IT equipment	1,853,470	(967,977)	885,493	1,549,175	(796,124)	753,051
Infrastructure	188,740,015	(62,435,355)	126,304,660	172,941,933	(55,105,267)	117,836,666
Community	27,090,622	(12,714,698)	14,375,924	27,090,622	(12,084,662)	15,005,960
<b>Total</b>	<b>268,333,805</b>	<b>(93,279,241)</b>	<b>175,054,564</b>	<b>251,640,572</b>	<b>(84,097,923)</b>	<b>167,542,649</b>

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### Notes to the Annual Financial Statements

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

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Donations	Additions through WIP	Transfers In	Transfers Out	Depreciation	Reassessment landfill	Total
Land	23,616,519	-	-	-	-	-	-	-	23,616,519
Buildings	6,383,541	-	-	-	-	-	(440,927)	-	5,942,614
Plant and machinery	1,303,493	210,969	-	-	-	-	(181,944)	-	1,332,518
Furniture and fixtures	827,433	366,087	13,800	-	-	-	(157,223)	-	1,050,097
Motor vehicles	1,815,986	-	-	-	-	-	(269,247)	-	1,546,739
IT equipment	753,051	304,295	-	-	-	-	(171,853)	-	885,493
Infrastructure	117,836,666	275,000	-	16,419,268	20,242,779	(20,234,379)	(7,332,488)	(902,186)	126,304,660
Community	15,005,960	-	-	-	-	-	(630,036)	-	14,375,924
	<b>167,542,649</b>	<b>1,156,351</b>	<b>13,800</b>	<b>16,419,268</b>	<b>20,242,779</b>	<b>(20,234,379)</b>	<b>(9,183,718)</b>	<b>(902,186)</b>	<b>175,054,564</b>

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

##### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions through WIP	Disposals	Transfers in	Transfers Out	Depreciation	Impairment loss	Adjustments	Total
Land	23,616,519	-	-	-	-	-	-	-	-	23,616,519
Buildings	6,851,273	-	-	-	-	-	(467,732)	-	-	6,383,541
Plant and machinery	1,443,218	54,073	-	(54,270)	-	-	(152,516)	-	12,988	1,303,493
Furniture and fixtures	874,340	122,657	-	(24,840)	-	-	(144,724)	-	-	827,433
Motor vehicles	1,884,987	186,900	-	(3)	-	-	(255,898)	-	-	1,815,986
Computer Equipment	538,811	325,024	-	(17,690)	-	-	(93,094)	-	-	753,051
Infrastructure	111,706,084	108,192	12,899,396	(258)	2,957,858	(2,957,858)	(6,401,014)	(75,625)	(400,109)	117,836,666
Community	15,351,935	-	-	-	-	-	(713,207)	(6,579)	373,811	15,005,960
	<b>162,267,167</b>	<b>796,846</b>	<b>12,899,396</b>	<b>(97,061)</b>	<b>2,957,858</b>	<b>(2,957,858)</b>	<b>(8,228,185)</b>	<b>(82,204)</b>	<b>(13,310)</b>	<b>167,542,649</b>

## Emadlangeni Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of Work-in-Progress 2021

	Roads and storm water Infrastructure	Electrical Infrastructure	Community	Total
Opening balance	11,683,203	43,152,616	4,071,918	58,907,737
Additions/capital expenditure	11,773,956	4,645,311	-	16,419,267
Other movements [specify]	(20,234,379)	-	-	(20,234,379)
	<b>3,222,780</b>	<b>47,797,927</b>	<b>4,071,918</b>	<b>55,092,625</b>

##### Reconciliation of Work-in-Progress 2020

	Roads and storm water Infrastructure	Electrical Infrastructure	Community	Total
Opening balance	11,856,384	43,152,616	4,071,918	59,080,918
Additions/capital expenditure	9,536,228	-	-	9,536,228
Other movements [specify]	(9,709,409)	-	-	(9,709,409)
	<b>11,683,203</b>	<b>43,152,616</b>	<b>4,071,918</b>	<b>58,907,737</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>5. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Buildings	321,420	955,125
Plant and Machinery	-	255,635
Motor Vehicles	520,552	15,500
Infrastructure	-	1,950,231
	<b>841,972</b>	<b>3,176,491</b>

The Work in progress amounts includes all the expenditures incurred for electrification projects in greater emadlangeni. It should be noted that the work in progress of the value of R 47 749 927 took longer than anticipated to complete. The delays were caused by the contractor Asande Projects Consulting and engineering. The municipality resolved to terminate the services of Asande Projects Consulting and engineering the matter is now subjudicare. There is currently new contractors on-site that will assist in completing these projects.

The municipality in the last audit could not submit the vouchers related to years before 2016/2017 financial year for electrification projects which is sitting under work in progress. The municipality believed this information was audited in prior audited years.

While investigating the prior year's vouchers in 2020-2021 financial year, the municipality managed to recoup some vouchers. The municipality is still investigating those outstanding vouchers.

The sport field which is in Ward 2, Bendorp is still under work in progress because of unavailability of funds to complete it, but the community residing in that area is using the sport field from 2015 till to-date.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



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### Notes to the Annual Financial Statements

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#### 6. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,542,951	(1,181,294)	361,657	1,542,951	(960,872)	582,079

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	582,079	(220,422)	361,657

#### Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Adjustments	Total
Computer software, other	109,850	(109,850)	582,079	582,079

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## Notes to the Annual Financial Statements

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### 7. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Buildings	1,190,580	-	1,190,580	1,489,999	(299,419)	1,190,580

#### Reconciliation of heritage assets 2021

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Art Collections, antiquities and exhibits	1,190,580	1,190,580

#### Reconciliation of heritage assets 2020

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Art Collections, antiquities and exhibits	1,190,580	1,190,580

### 8. Other financial assets

#### Designated at fair value

DBSA investments

This is a surety for the DBSA loan in accordance with the terms of the loan agreement the FV of the loan is R 421 080.

435,226 405,256

#### Current assets

Designated at fair value

435,226 405,256

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 9. Employee benefit obligations

#### Defined benefit plan

The plan is post employment medical benefit plan. and Long service award

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

#### Carrying value

Opening balance	(2,676,000)	(2,842,604)
Current service cost	(116,000)	(118,673)
Interest cost	(215,000)	(222,165)
Benefits paid	150,500	340,269
Actuarial gain/loss	(360,500)	166,996
	<b>(3,217,000)</b>	<b>(2,676,177)</b>
Non-current liabilities	(1,750,000)	(2,290,917)
Current liabilities	(1,467,000)	(385,260)
	<b>(3,217,000)</b>	<b>(2,676,177)</b>

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 9. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date: 30 June 2021 & 2021 respectively

Post employment medical subsidy	1.00 %	1.00 %
Discount rates used	8.81 %	8.42 %
Consumer price inflation	5.57 %	5.07 %
Health care cost inflation	7.07 %	6.57 %
Net discounted rate	1.63 %	1.74 %
Long service awards	1.00 %	1.00 %
Discount rate	9.17 %	8.18 %
CPI	5.82 %	4.92 %
Salary increase rate	6.82 %	5.92 %
Net discounted rate	2.20 %	2.13 %

#### 1. POST EMPLOYMENT MEDICAL SUBSIDY

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member

Emadlangeni Municipality does not have a formal medical subsidy policy for retired employees.

Emadlangeni Municipality is aware of five (5) continuation pensioners that are currently subsidised for medical contributions with the following subsidy requirements:

- subsidy percentages of 60% to current pensioners and their dependents; and
- subsidy percentages of 60% to deceased pensioners' spouses and their dependents.

#### ELIGIBLE EMPLOYEES

We summarise the participants eligible for post employment medical aid subsidy as at the current valuation date, 30 June 2021, as provided by Emadlangeni.

The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account..

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 9. Employee benefit obligations (continued)

#### VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### VALUATION ASSUMPTIONS

##### NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2020 the duration of liabilities was 8.81 per annum. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 8.81% per annum.

A healthcare cost inflation rate of 7.07% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 1.63% per annum. This year's valuation basis is consistent with the previous year's basis from a discount rate perspective. basis used to determine the overall expected rate of return on assets is as follows:

#### DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period.

#### CONTINUATION PERCENTAGES

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

#### 2. LONG SERVICE AWARDS

Emadlangeni offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed.

#### VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### VALUATION ASSUMPTIONS

##### NET DISCOUNT RATE

The key assumptions used in the valuation are consistent with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more specific. At the previous valuation

# Emadlangeni Local Municipality

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## Notes to the Annual Financial Statements

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### 9. Employee benefit obligations (continued)

report, 30 June 2020 the duration of liabilities was 6.37 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 22 June 2019 is 8.18% per annum, and the yield on inflation-linked bonds of a similar term was about 4.15% per annum. This implies an underlying expectation of inflation of 3.29% per annum

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.82% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.20% per annum  $([1 + 9.17\%] / [1 + 6.82\%] - 1)$ .

### DEMOGRAPHIC AND DECREMENT ASSUMPTION

The demographic and decrement assumptions were consistent in the previous and current valuation period.

### 10. Prepayments

Eskom deposits	117,435	112,810
Licenses	217,218	169,863
	<b>334,653</b>	<b>282,673</b>

### 11. Receivables from exchange transactions

Consumer debtors - Electricity	3,004,055	8,142,021
Consumer debtors - Refuse	313,360	163,329
Consumer debtors - Other	230,637	627,652
	<b>3,548,052</b>	<b>8,933,002</b>

### 12. Receivables from non-exchange transactions

Fines	-	84,657
Consumer debtors - Rates	11,562,130	6,818,797
	<b>11,562,130</b>	<b>6,903,454</b>

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 12. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

##### Transaction(s) arising from statute

Traffic fines-section 56 and 139 of the traffic management act determines the type of fines that maybe levied by the municipality to motorists that contraves these acts.

Property rates-property rates are levied in accordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

##### Determination of transaction amount

Traffic fines: The transaction amount is determined by reference to the traffic fines issues per the traffic fine books used by the traffic fines department which is in accordance with section 56 and 139 in relation to traffic fines.

Property rates: The transaction amount is levied in accordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

##### Interest or other charges levied/charged

The municipality does not levy interest on late payments on traffic fines. Interest on late payments of property rates is levied at 1.5%

##### Basis used to assess and test whether a statutory receivable is impaired

Traffic fines: The municipality is using the collection rate of prior year as a basis to performed the assessment. In 2020/2021, there were no fines issued and the receipts were R652.17

Property rates: All Statutory receivables have been tested for impairment based on whether the customer account has amounts outstanding over 31 days. In this instance the total balance outstanding are impaired based on the Council approved policies."

"Due to COVID-19 pandemic the collection rates has decreased significantly which has resulted in an increase in impairment losses for the year. The collection rate for the year including the number of debtor's days was utilised in impairing all debtors with an ageing over 31 days outstanding."

### 13. VAT receivable

VAT	6,334,731	6,249,557
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The amounts accounts for VAT due or receivable from SARS using the accrual basis of accounting however the cash basis is applied while submitting the VAT 201.

### 14. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	41,581,876	29,543,467
Consumer debtors - Electricity	7,259,203	11,282,441
Consumer debtors - Refuse	3,907,193	3,567,445
Consumer debtors - Other	1,722,610	1,263,928
	<b>54,470,882</b>	<b>45,657,281</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>14. Consumer debtors disclosure (continued)</b>		
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(30,019,746)	(22,724,670)
Consumer debtors - Electricity	(4,255,148)	(3,140,420)
Consumer debtors - Refuse	(3,593,833)	(3,404,116)
Consumer debtors - Other	(1,491,973)	(636,276)
	<b>(39,360,700)</b>	<b>(29,905,482)</b>
<b>Net balance</b>		
Consumer debtors - Rates	11,562,130	6,818,797
Consumer debtors - Electricity	3,004,055	8,142,021
Consumer debtors - Refuse	313,360	163,329
Consumer debtors - Other	230,637	627,652
	<b>15,110,182</b>	<b>15,751,799</b>
<b>Rates</b>		
Current (0 -30 days)	3,130,543	2,235,425
31 - 60 days	301,442	(7,087)
61 - 90 days	1,098,318	892,264
91 - 120 days	1,045,667	864,861
> 365 days	36,005,907	25,558,004
	<b>41,581,877</b>	<b>29,543,467</b>
<b>Electricity</b>		
Current (0 -30 days)	1,286,854	1,479,306
31 - 60 days	(10,560)	-
61 - 90 days	178,273	427,286
91 - 120 days	141,159	897
> 365 days	5,663,478	9,374,952
	<b>7,259,204</b>	<b>11,282,441</b>
<b>Refuse</b>		
Current (0 -30 days)	261,578	254,408
31 - 60 days	(7,449)	(674)
61 - 90 days	106,037	104,624
91 - 120 days	103,467	98,851
> 365 days	3,443,560	3,110,236
	<b>3,907,193</b>	<b>3,567,445</b>
<b>Other</b>		
Current (0 -30 days)	75,758	82,356
31 - 60 days	5,173	4,749
61 - 90 days	9,921	26,467
91 - 120 days	43,194	334
> 365 days	1,588,566	1,150,022
	<b>1,722,612</b>	<b>1,263,928</b>
Other debtors relates to rental of houses and municipal sites.		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	29,905,481	12,710,051
Contributions to allowance	9,539,223	17,195,430
	<b>(39,360,700)</b>	<b>(29,905,481)</b>



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### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,083	1,083
Bank balances	2,174,169	222,480
Short-term deposits	2,166,502	3,686,967
	<b>4,341,754</b>	<b>3,910,530</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard Primary Bank Account - 06 010 0001	(948)	222,480	286,147	(948)	222,480	286,131
First Primary National Bank Account	2,175,114	-	-	2,175,114	-	-
INEP	-	-	4,626,876	-	-	4,626,876
Nguni Cattle - 42 850 052 1 - 003	6,085	134,320	127,428	6,085	134,320	127,428
KZN Wildlife - 06 850 094 7 - 070	10,313	790,001	749,464	10,313	790,001	-
VAT refund account - 42 880 052 1 - 002	5,001	5,001	5,001	5,001	5,001	5,001
EPWP	-	-	405	-	-	384
FMG	-	-	1,404	-	-	1,404
Repairs 376 houses - 06 850 418 7 - 001	2,093,043	1,889,819	-	2,093,043	1,889,819	1,795,449
Housing Operating account	-	-	79,730	-	-	-
General investments - 06 850 094 7 - 030	17,965	2,508	8,256	17,965	2,509	8,265
Library grant - 06 850 094 7 - 080	-	-	2,033	-	-	-
Proceeds from auction - 06 850 094 7 - 050	4,621	4,574	1,591,992	4,621	4,574	1,591,992
MIG	-	-	11,335	-	-	-
MIG20192020	1,492	1,492	1,492	1,492	1,492	-
Consumer deposits - 06 850 094 7 - 084	9,168	188,126	182,486	9,168	188,126	182,486
Housing rentals - 06 850 094 7 - 094	5,830	252,512	239,554	5,830	252,512	239,554
INEP Retention - 06 850 094 7 - 087	1,353	1,339	567,347	1,353	1,339	-
Spatial planning - 06 850 094 7 - 090	1,283	415,891	503,035	1,283	415,891	-
EPWP	4,015	674	-	4,015	674	-
FMG	6,333	711	-	6,333	711	-
<b>Total</b>	<b>4,340,668</b>	<b>3,909,448</b>	<b>8,983,985</b>	<b>4,340,668</b>	<b>3,909,449</b>	<b>8,864,970</b>

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## Notes to the Annual Financial Statements

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### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Repair of 376 Houses	813,725	664,485
FMG Grant	7	7
INEP	484	484
Disaster relief grant(covid 19)	-	284,516
	<b>814,216</b>	<b>949,492</b>

#### Movement during the year

Balance at the beginning of the year	949,492	1,142,482
Additions during the year	149,241	-
Income recognition during the year	(284,517)	(192,990)
	<b>814,216</b>	<b>949,492</b>

These amounts are invested in a ring fenced investment until utilised. All grants are cash backed. In the current year, an amount of R284 516 was offset against equitable share due to conditions of the grant not being met.

See note 32 for reconciliation of grants from National/Provincial Government.

### 17. Other financial liabilities

#### At amortised cost

Bank loan	421,080	515,569
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The municipality acquired a loan from the Development Bank of Southern Africa (DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is 10.81% per annum payable every half yearly.

#### Non-current liabilities

At amortised cost	273,313	367,802
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#### Current liabilities

At amortised cost	147,767	147,767
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#### Financial liabilities at fair value

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### 18. Provisions

#### Reconciliation of provisions - 2021

	Opening Balance	Net movement	Total
Environmental rehabilitation	20,528,721	739,085	21,267,806

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	20,523,835	4,886	20,528,721

#### Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal site (Emadlangeni Landfill site ) located to its original state once the site has reached the end of the useful life.

### 19. Payables from exchange transactions

Trade payables	5,742,299	4,812,961
Retention Liability	4,898,756	5,437,795
Leave Pay Accrued	2,798,015	2,876,419
Direct deposits, third parties and other	1,756,671	1,218,197
Deposits received	32,320	29,968
Political party Deductions payable	71,280	54,268
Credit balances receivables from exchange transactions	512,998	185,933
	<b>15,812,339</b>	<b>14,615,541</b>

The debtors with credit balances amounting of R2 112 886 above relates to R512 998 which relates to credit balances relating to receivables from exchange transactions and R1 599 888 which relates to credit balances relating to receivables from non exchange transactions.

### 20. Payable from non-exchange

Credit non exchange debtors	1,599,888	1,203,004
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The debtors with credit balances amounting of R2 112 886 above relates to R512 998 which relates to credit balances relating to receivables from exchange transactions and R1 599 888 which relates to credit balances relating to receivables from non exchange transactions.

Included in payable from non- exchange transactions there are agency relationship transactions between the department of human settlements and the municipality.

In terms of the agreement the municipality facilitates the payments to service providers conducting construction work of township development on behalf of the Department of human settlement. The township development is conducted in the Jurisdictions of the municipality and it is deemed proper for the municipality to make progress payments to the contractor as non delivery will affect the operations of the municipality the effects of the transactions is disclosed below:

#### Township development

Total amounts received department of human settlement	13,256,175	16,899,157
Total payments made to contractors	(13,256,175)	(16,899,157)
Terms and conditions	-	-

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### 21. Consumer deposits

Electricity	168,152	168,152
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The consumer deposits represents the amounts paid by consumers in obtaining the connections for services these amounts are refundable (payable) to consumers when the consumer accounts are transferred or closed.

### 22. Revenue

Sale of goods	375,961	370,384
Service charges	15,857,960	16,125,081
Royalty income	37,313	414,922
Rental of facilities and equipment	1,105,243	1,019,508
Interest received (trading)	182,346	878,354
Licences and permits	1,483,648	939,652
Property rates	21,786,766	20,301,570
Property rates - penalties imposed	3,944,202	3,068,218
Government grants & subsidies	59,044,410	45,163,190
Fines, Penalties and Forfeits	1,072	103,890
	<b>103,818,921</b>	<b>88,384,769</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Sale of goods	375,961	370,384
Service charges	15,857,960	16,125,081
Royalty income	37,313	414,922
Rental of facilities and equipment	1,105,243	1,019,508
Interest received (trading)	182,346	878,354
Licences and permits	1,483,648	939,652
	<b>19,042,471</b>	<b>19,747,901</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

#### Taxation revenue

Property rates	21,786,766	20,301,570
Property rates - penalties imposed	3,944,202	3,068,218

#### Transfer revenue

Government grants & subsidies	59,044,410	45,163,190
Fines, Penalties and Forfeits	1,072	103,890

**84,776,450 68,636,868**

### 23. Sale of goods and rendering of services

Papers	-	129
Consumables	11,648	97,713
Sub-division and consolidation fees	27,952	11,684
Other documents	388	-
Tender documents	136,261	45,479
Building plans	13,446	21,740
Camping fees	71,737	64,440
Cemetery and burial	62,562	37,336
Clearance certificates	22,133	59,482
Entrance fees	28,110	30,291
Photocopies and faxes	1,722	2,090
	<b>375,959</b>	<b>370,384</b>

# Emadlangeni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 24. Service charges

Sale of electricity	14,098,060	14,449,098
Refuse removal	1,759,900	1,675,983
	<b>15,857,960</b>	<b>16,125,081</b>

The service charges represents revenues earned by the municipality in the current financial year from the provisions of electricity and refuse removal.

### 25. Additional note to Operational revenue.

Administrative and handling fees	14,832	170,316
Breakages and losses recovered	915	1,444
Agency fees	21,565	243,163
	<b>37,312</b>	<b>414,923</b>

### 26. Interest on investment

Short term deposits	182,346	878,354
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### 27. Rental of facilities and equipment

#### Premises

Rental of Investment properties	1,096,377	999,025
Ad hoc rentals	8,866	20,483
	<b>1,105,243</b>	<b>1,019,508</b>

### 28. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	1,072	103,890
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### 29. Licences and permits (exchange)

Game	56,047	147,917
Trading	5,403	1,415
Drivers licence certificate	945,947	462,651
Leaner licence application	284,474	125,591
Motor vehicle licence	9,294	129,165
Operators and public drivers permit	182,483	72,913
	<b>1,483,648</b>	<b>939,652</b>

### 30. Lease rentals on operating lease

#### Lease rentals on operating lease

Leased Machinery	79,111	92,138
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Operating leases represents the amounts paid to service providers in leasing out the photocopying machines that are used the municipal buildings.

# Emadlangeni Local Municipality

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<b>31. Property rates</b>		
<b>Rates received</b>		
Property rates	21,786,766	20,301,570
	21,786,766	20,301,570
Property rates - Interest	3,944,202	3,068,218
	<b>25,730,968</b>	<b>23,369,788</b>
<b>Valuations</b>		
Residential	415,911,000	416,727,000
Commercial	74,450,000	74,450,000
State	356,176,000	356,176,000
Municipal	72,858,000	72,265,000
Small holdings and farms	2,889,536,000	2,889,536,000
Land reform property	23,989,000	24,165,000
Other (PBO, Public worship, Vacant etc)	12,760,000	12,760,000
	<b>3,845,680,000</b>	<b>3,846,079,000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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<b>32. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	36,701,516	30,478,000
Finance Management Grant (FMG)	2,800,000	2,435,000
Expanded Public Works Programme	1,088,000	1,037,000
New establishment and operational -	1,768,000	1,091,000
Spatial Planning	-	379,706
Disaster Relief Grant	97,800	400,484
Government grant	479,094	-
	<b>42,934,410</b>	<b>35,821,190</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	14,310,000	9,342,000
Integrated National Electrification Programme (INEP)	1,800,000	-
	<b>16,110,000</b>	<b>9,342,000</b>
	<b>59,044,410</b>	<b>45,163,190</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Repair of 376 Houses</b>		
Balance unspent at beginning of year	664,485	664,485
Current-year receipts	149,240	-
	<b>813,725</b>	<b>664,485</b>
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	7	7
Current-year receipts	2,800,000	2,435,000
Conditions met - transferred to revenue	(2,800,000)	(2,435,000)
	<b>7</b>	<b>7</b>
<b>Integrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	484	484
Current-year receipts	1,800,000	-
Conditions met - transferred to revenue	(1,800,000)	-
	<b>484</b>	<b>484</b>
<b>Spatial Planning</b>		
Current-year receipts	-	477,506
Conditions met - transferred to revenue	-	(477,506)
	<b>-</b>	<b>-</b>
<b>Expanded Public Works Programme</b>		
Current-year receipts	1,088,000	1,037,000
Conditions met - transferred to revenue	(1,088,000)	(1,037,000)
	<b>-</b>	<b>-</b>

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

Conditions still to be met - remain liabilities (see note 16).

#### Municipal Infrastructure Grant (MIG)

Current-year receipts	14,310,000	9,342,000
Conditions met - transferred to revenue	(14,310,000)	(9,342,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

#### Disaster Relieve grant (covid 19)

Balance unspent at beginning of year	284,516	-
Current-year receipts	-	685,000
Conditions met - transferred to revenue	-	(400,484)
Conditions not met- grant offset through equitable share	(284,516)	-
	-	284,516

#### New establishment and operational -

Current-year receipts	1,035,000	1,091,000
Conditions met - transferred to revenue	(1,035,000)	(1,091,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).



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### 33. Employee related costs

Basic	28,710,851	25,999,976
Bonus	1,802,036	1,594,834
Medical aid - company contributions	656,188	660,965
UIF	235,339	188,164
Bargaining Council	515,485	514,665
Group Life Assurance	1,343	3,544
Travel, motor car, accommodation, subsistence and other allowances	344,100	253,420
Overtime payments	676,734	684,286
Acting allowances	248,906	218,389
Housing benefits and allowances	238,479	180,717
Pension contributions	3,114,167	2,971,077
Stand By	1,305,954	1,059,812
Current interest costs	(162,000)	222,165
	<b>37,687,582</b>	<b>34,552,014</b>

### Remuneration of Municipal Manager Mr LCT Nkosi

Annual Remuneration	1,036,967	1,011,077
Bonus	50,176	-
Cellphone allowance	-	48,809
Backpay	-	27,143
	<b>1,087,143</b>	<b>1,087,029</b>

Mr Nkosi was suspended on 12 September 2019.

### Remuneration of the Acting Municipal Manager Mrs GN Mavundla

Annual Remuneration	165,478	-
Backpay	11,960	-
	<b>177,438</b>	<b>-</b>

Mrs Mavundla acted in the position of municipal manager for a period of two months from November to December 2020.

### Remuneration of Acting Municipal Manager Mr SS De Klerk

Annual Remuneration	496,352	-
Cellphone allowance	9,000	-
	<b>505,352</b>	<b>-</b>

Mr De Clerk acted in the position of municipal manager for a period of six months from January to June 2021.

### Remuneration of Chief Finance Officer Ms SC Mhlophe

Annual Remuneration	777,445	1,328,103
Acting Allowance	59,214	-
Backpay	-	36,295
Bonus	37,618	117,639
Cellphone allowance	17,300	9,600
	<b>891,577</b>	<b>1,491,637</b>

Miss Mhlophe acted in the position of municipal manager for a period of four months from July 2020 to October 2020.

### Remuneration of Director Infrastructure, Planning and Development Mr N Kheswa

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Figures in Rand	2021	2020
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### 33. Employee related costs (continued)

Annual Remuneration	815,063	781,460
Cellphone allowance	9,600	9,600
	<b>824,663</b>	<b>791,060</b>

Mr Kheswa was suspended on 18 January 2019.

### Remuneration of Acting Director Infrastructure, Planning and Development Mr TI Mashiyane

Annual Remuneration	815,063	393,530
Backpay	-	49,459
Cellphone allowance	16,500	-
	<b>831,563</b>	<b>442,989</b>

Mr Mashiyane acted in the position of Director Infrastructure, Planning and Development from 18 November 2019.

### Remuneration of Director Corporate Services Mr ZJ Mkhize

Annual Remuneration	777,445	748,064
Cellphone allowance	17,300	9,600
Bonus	37,618	30,803
Backpay	-	33,062
	<b>832,363</b>	<b>821,529</b>

### 34. Remuneration of councillors

Executive Major	538,702	477,508
Deputy Executive Mayor	350,200	390,166
Speaker	347,299	390,166
Councillors	2,478,439	2,456,090
	<b>3,714,640</b>	<b>3,713,930</b>

### In-kind benefits

The Mayor and Speaker are part-time and are provided with an office and secretarial support at the cost of the Council and own vehicle for official duties and two bodyguards. The speaker resigned in May 2021.

The allowances and benefits of councillors of Emadlangeni Local Municipality for the year under review were paid in terms of Government **Gazette 42134** (Upper limits of remuneration of public office bearers).

### 35. Depreciation and amortisation

Property, plant and equipment	9,644,878	8,931,589
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### 36. Impairment of assets

#### Impairments

Property, plant and equipment	-	82,204
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During the verification of assets, assets with an indication of impairment (physical damages and others) were identified. The recoverable amount of these assets were calculated and compared to the carrying value of the assets as at 30 June 2021. Those assets who had a recoverable amount that was less than the carrying amount, an impairment expense was recorded in the records of the Municipality. For those assets who had a recoverable amount that was more than the carrying amount of the asset, no impairment was recorded.

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 37. Finance costs

Trade and other payables	33,736	48,455
Loans	53,477	97,199
Landfill sites	1,641,271	4,886
	<b>1,728,484</b>	<b>150,540</b>

### 38. Debt impairment

Debt impairment	9,539,225	17,195,430
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The debt impairment represents the movements in the provisions for doubtful debts that were assessed as irrecoverable from the municipal consumer debtors as per the municipalities policy.

### 39. Bulk purchases

Electricity - Eskom	14,679,351	13,579,852
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Bulk purchases represents the total costs of electricity purchased from eskom

#### Electricity losses

Electricity units (kWh) purchased	12,216,730	11,066,079
Electricity units (kWh) sold	(7,732,167)	(8,839,273)
<b>Total loss</b>	<b>4,484,563</b>	<b>2,226,806</b>

Comprising of:

Technical losses	4,231,773	2,213,172
Non-technical losses	252,790	13,635
<b>Total</b>	<b>4,484,563</b>	<b>2,226,807</b>

Percentage Loss:

Technical losses	94 %	99 %
Non-technical losses	6 %	1 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

Electricity losses for the period under review is 35 % (2020/2021)

These losses are attributable to electricity within the aging and archaic electricity network infrastructure and illegal connections.

### 40. Contracted services

#### Outsourced Services

Burial Services	10,023	13,722
Professional Staff	271,646	323,357
Valuer and Assessor	78,947	82,456
Traffic Street Light	-	841

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Figures in Rand	2021	2020
<b>40. Contracted services (continued)</b>		
<b>Consultants and Professional Services</b>		
Accounting And Auditing	1,363,199	1,797,594
Audit Committee	90,636	121,850
Legal advise and Litigations	3,220,130	4,707,485
<b>Contractors</b>		
Catering Services	96,814	208,320
Electrical	688,537	311,715
Internet charge	47,891	-
Maintenance of Buildings and Facilities	321,893	748,904
Maintenance of Equipment	-	19,962
Maintenance of other Assets	3,029,576	2,616,334
Medical Services	26,200	31,100
Pest Control and Fumigation	-	19,087
Transportation	21,300	77,150
Safeguard and Security	4,294,885	2,961,546
Sports and Recreation	-	29,000
	<b>13,561,677</b>	<b>14,070,423</b>
<b>41. General expenses</b>		
Advertising	8,000	-
Auditors remuneration	1,698,420	2,229,973
Bank charges	140,912	214,197
Consumables	1,418,787	3,522,270
Daily allowance	38,255	246,691
Food and beverage	41,603	93,807
Incident Cost	10,579	31,304
Entertainment	-	82,020
Insurance	1,125,502	1,977,429
Electricity	60,948	70,370
Levies	68,650	227,302
Fuel and oil	753,608	918,668
Placement fees	134,064	12,376
Postage and courier	3,109	7,711
Printing and stationery	66,764	39,836
Gifts and promotional items	-	38,800
Research and development costs	-	59,871
Learnership and internship	139,379	-
Subscriptions and membership fees	-	9,134
Telephone and fax	449,043	409,148
Own transport	28,621	4,569
Training	766,517	343,188
Travel - local	(5,989)	(2,099)
Accommodation	81,828	410,174
Telephone installation	594	1,003
Uniforms	309,323	40,868
Firearm handling fees	-	300
Seating Allowance for Traditional Leaders	72,000	72,000
Skills Development Levy	290,496	292,631
Remuneration to ward committees	663,300	674,900
Bursaries-Community	5,800	122,346
Licences	13,280	1,899
Toll gate	1,475	24,464
	<b>8,384,868</b>	<b>12,177,150</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>42. Auditors' remuneration</b>		
Fees	1,698,420	2,229,973
<b>43. Loss on disposals on Assets</b>		
Disposal of immoveable assets	-	258
Disposal of moveable assets	-	96,802
	<b>-</b>	<b>97,060</b>
<b>44. Cash generated from operations</b>		
Surplus (deficit)	3,860,105	(15,341,781)
<b>Adjustments for:</b>		
Depreciation and amortisation	9,644,878	8,931,589
Fair value adjustments	416,500	(756,034)
Impairment deficit	-	82,204
Debt impairment	9,539,225	17,195,430
Movements in retirement benefit assets and liabilities	540,823	(166,427)
Movements in provisions	739,085	4,886
Other non-cash items (leave pay & finance costs shown separately on face)	211,275	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	2,996,656	1,083,812
Consumer debtors	-	(17,195,430)
Other receivables from non-exchange transactions	(12,038,409)	7,964,570
Prepayments	(51,981)	(169,862)
Other financial asset	(29,970)	-
Payables from exchange transactions	1,598,134	555,053
VAT	-	621,889
Taxes and transfers payable (non-exchange)	-	618,347
Unspent conditional grants and receipts	-	(192,990)
Consumer deposits	1,565	1,262
	<b>17,427,886</b>	<b>3,236,518</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>45. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	17,119,844	29,583,388
<b>Total capital commitments</b>		
Already contracted for but not provided for	17,119,844	29,583,388
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operational commitments	540,974	2,010,879
<b>Total operational commitments</b>		
Already contracted for but not provided for	540,974	2,010,879
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	17,119,844	29,583,388
Authorised operational expenditure	540,974	2,010,879
	<b>17,660,818</b>	<b>31,594,267</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

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Figures in Rand

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2020

### 46. Contingencies

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence.

Name of Claimant	Municipal Attorneys	Description of case	Liability-2020/2021
Asande Projects	Mdledle Incorporated	Asande Projects was appointed on a turnkey basis for electrification projects.  The municipality terminated the contract citing poor management or workmanship. Asande went to court claiming unlawful termination	R772 800 plus interest at 7% R772 800 plus interest at 10.5% (2019/20)
Ocean Dawn	Matthew Francis	The company went to court alleging the unfair or irregular appointment of FBL Trading for a security contract.  They claim they are the ones that were supposed to have been appointed	R 7 771 029 R 7 771 029 (2019/20)
Cowcatchers	Southey Attorneys	Cowcatchers trading as Midlands pounds had a contract with the municipality to provide pound services. The municipality stopped paying the agreed amount on November 2020. Cowcatcher obtained a default judgement court order against the municipality.	R1 670 158 R1 493 305 (2019/20)
Garikayi Investments Pty (Ltd)	Phumulani Ngubane & Associates Inc	The municipality terminated the contract without reason given to Garikayi Investments (Pty) Ltd. Garikayi Investments instituted legal proceedings against the municipality	R 1 298 976 R 1 298 976 (2019/20)
PMSA Pty (Ltd)	Mazibuko and Associates	Letter of demand for services allegedly rendered towards the development of a shopping centre. PMSA attorneys indicated that they have not received further instructions to go on with the matter	R 2 041 250 R 2 041 250 (2019/20)

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### 47. Related parties

#### Relationships

Municipal Manager	Mr. LCT Nkosi
Acting Municipal Manager	Mrs Mavundla
Acting Municipal Manager	Mr. SS De Klerk
Chief Financial Officer	Miss S Mhlophe
Director Infrastructure, Planning and Development	Mr. N Kheswa
Acting Director Infrastructure, Planning and Development	Mr TI Mashiyane
Director Corporate Services	Mr ZJ Mkhize
Department of cooperative governance and traditional affairs – the municipality was under administration for the year ended 30 June 2021.	Name

The Municipality does not have any related party transactions other than those disclosed in note **33** and **34** of the financial statements

### 48. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance affected by prior-year adjustments:

#### Statement of financial position



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

#### 2021

##### Property plant and equipment: Plant and Machinery: Cost

Previously reported	2,995,166
Correction of error - Asset incorrectly expensed	20,000
	<b>3,015,166</b>

##### Property plant and equipment: Plant and Machinery: Accumulated Depreciation

Previously reported	(1,704,661)
Correction of error: Depreciation on asset incorrectly expensed	(7,012)
	<b>(1,711,673)</b>

During the current financial year, management observed that there was a property, plant and equipment (machinery) which was not accounted for in prior years. Management decided to retrospectively adjust the asset to reflect cost of R20 000,00 and accumulated depreciation of R7012. The total cost amount for property, plant and equipment (machinery) of R3 015 166,00 and total accumulated depreciation of R1 711 673,00

##### Community Assets: Accumulated Depreciation

	<b>Column heading</b>
Previously reported	(12,458,473)
Correction of error: Depreciation on completed projects	373,811
	<b>(12,084,662)</b>

##### Infrastructure: Accumulated Depreciation

	<b>Column heading</b>
Previously reported	(54,705,158)
Correction of error: Depreciation on completed projects	(400,110)
	<b>(55,105,268)</b>

In the current financial year, management identified assets which were completed in the prior years, the exercise resulted in correction of accumulated depreciation for prior years by R373 811,00. The total amount for accumulated depreciation of R12 084 662,00.

In the current financial year, management identified assets which were completed in the prior years, the exercise resulted in correction of accumulated depreciation for prior years by R400 110,00. The total amount for accumulated depreciation of R15 105 268,00.

##### Intangible Asset: Cost

Previously reported	576,087
Correction of error: Re-assessment of useful lives	966,864
	<b>1,542,951</b>

During the current financial year, intangible assets which were not fair valued in prior years, were assessed and fair valued in accordance with GRAP standards. This was done retrospectively. The adjustment was R966 864, which totalling to R 1 542 951,00.

##### Intangible Asset: Accumulated Amortisation

Previously reported	(576,087)
Correction of error: Amortisation relating to the re-assessment of useful lives	(384,785)
	<b>(960,872)</b>

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

#### Investment Property: Cost

Previously reported	21,360,550
Correction of error: Removal of properties not owned by the municipality	(2,416,157)
	<b>18,944,393</b>

#### Investment Property: Accumulated Depreciation

Previously reported	(5,230,197)
Correction of error: Adjustment for depreciation on properties not owned by the municipality	352,121
	<b>(4,878,076)</b>

Management had erroneously included properties which were not owned by the municipality on the investments property assets. In current financial years properties were removed from investment property which then reduced the accumulated depreciation by R352 121. The total impact is (R4 878 076,00.)

#### Reclassification: Receivables from non - exchange:

	Fines	Rates	Other
<b>Fines</b>			
Previously reported	-	26,768	618,154
Reclassified	-	57,889	(57,889)
Reclassified	-	-	67,387
	<b>-</b>	<b>84,657</b>	<b>627,652</b>

In the preparation of the annual financial statement, management had identified some mapping errors on receivable from exchange and non-exchange transactions. The management had to do a reclassification note as follows,

Fines were increased by R57 889 and new figure is R84 657,

Rates were decreased by R 6 886 184 and new figure is R 6 818 797;

Other debtors were decreased by R 57 889, increased by R67 387 and new figure R627 387.

### Statement of financial performance

#### 2021

Irregular Expenditure as previously reported	59,294,942	-
Correction of prior period error	19,392,990	-
<b>Restated</b>	<b>78,687,932</b>	<b>-</b>

A tender was awarded by the municipality in 2004 at which point the Municipal SCM regulations were not in place. Subsequent to the SCM regulations coming into effect, the municipality did not follow a competitive bidding process as required by the regulation and continued to incur expenditure against the old award. Expenditure incurred from the adoption of the new SCM regulations is therefore considered to be irregular to the value of R16 889 157. No utility bills or other relevant documentation was attached to the bid for the winning supplier: R1 890 431. Deviation not disclosed and not reported to council in addition to the deviation not meeting the reasons per section 36 of the regulations: R613 401Additional text

#### Depreciation

Previously reported	8,603,979
Correction of error: Intangibles restatement of useful lives	105,659
Correction of error:	221,951
	<b>8,931,589</b>

An adjustment of R327 610,00 was due correction made on assets. The new figure is totalling to R8 931 589,00.

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

PAYE and UIF	2020	Adjusted 2020
Opening balance	26,078	26,078
Current year	6,600,514	5,713,530
Amount paid prior year	(6,626,592)	(5,713,712)
	-	<b>25,896</b>

Pension and Medical Aid Deductions	2020	Adjusted 2020
Opening balance	-	11,213
Current year	723,384	6,661,516
Amount paid current year	(723,384)	(6,669,515)
	-	<b>3,214</b>

#### Paye and UIF

Management had identified error in the disclosure which excludes the closing balance, it was then corrected.

#### Pension and Medical Aid Deductions

Management had identified error in the disclosure which excludes the closing balance, it was then corrected.

#### Fruitless and Wasteful Expenditure:

The Council has condoned an amount of R89 669,76 to be written off for prior period of which was erroneously excluded from 2019/2020 fruitless and wasteful note.

#### Irregular Expenditure

The note of irregular has an amount of R16 005 210, which is disclosed as a write off for prior period. Management has amended the amount to R 193 884,20 which was omitted on calculation. The corrected amount is now R16 199 094,20.

Management made prior a year adjustment of unaccounted irregular expenditure amounting to R 19 633 920.

### 49. Unauthorised expenditure

Opening balance as previously reported	14,367,465	41,691,416
Correction of prior period error	37,920	-
<b>Opening balance as restated</b>	<b>14,405,385</b>	<b>41,691,416</b>
Add: Expenditure identified - current	11,437,157	14,367,465
Less: Approved/condoned/authorised by council	-	(41,691,416)
<b>Closing balance</b>	<b>25,842,542</b>	<b>14,367,465</b>

Correction of prior year error was due to adjustment of the final Annual Financial Statement which resulted to the movement on the budgted statement.

The expenditure in the prior year was due to over-spending on the budget line items but the overall expenditure was within the approved budget however majority of these line items are non cash items which have no monetary impact.

The unauthorised expenditure incurred in the current year was due to actual expenditure line items exceeding the budgeted expenditure figures on the following line items.

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### 49. Unauthorised expenditure (continued)

Unauthorised 2020/21	Final Budget	Actual	Unauthorised Expenditure
Personnel	3,694,000	3,714,640	(20,640)
Depreciation and Amortisation	8,653,000	9,644,807	(991,807)
Finance Costs	7,000	1,728,484	(1,721,484)
Actuarial gain/loss	-	360,500	(360,500)
Debt Impairment	1,613,000	9,539,225	(7,926,225)
Loss on biological assets	-	416,500	(416,500)
	<b>13,967,000</b>	<b>25,404,156</b>	<b>(11,437,156)</b>

### 50. Fruitless and wasteful expenditure

Opening balance as previously reported	102,916	216,075
Correction of prior period error	-	(40,799)
<b>Opening balance as restated</b>	<b>102,916</b>	<b>175,276</b>
Add: Expenditure identified - current	74,850	2,163
Add: Expenditure identified - prior period	-	15,147
Less: Amount written off	-	(89,670)
<b>Closing balance</b>	<b>177,766</b>	<b>102,916</b>

Fruitless and wasteful expenditure is caused by interest incurred on late payments. Council has not written off any amount of money.

### 51. Irregular expenditure

Opening balance as previously reported	51,674,065	59,294,942
Correction of prior period error	19,633,920	-
<b>Opening balance as restated</b>	<b>71,307,985</b>	<b>59,294,942</b>
Add: Irregular Expenditure - current	10,167,669	8,498,217
Less: Amount written off - prior period	-	(16,119,094)
<b>Closing balance</b>	<b>81,475,654</b>	<b>51,674,065</b>

The prior period correction related to the following:

A tender was awarded by the municipality in 2004 at which point the Municipal SCM regulations were not in place. Subsequent to the SCM regulations coming into effect, the municipality did not follow a competitive bidding process as required by the regulation and continued to incur expenditure against the old award. Expenditure incurred from the adoption of the new SCM regulations is therefore considered to be irregular to the value of R16 889 157. No utility bills or other relevant documentation was attached to the bid for the winning supplier: R1 890 431. Deviation not disclosed and not reported to council in addition to the deviation not meeting the reasons per section 36 of the regulations: R613 401

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### 51. Irregular expenditure (continued)

#### Deviations from supply chain management regulations

	Disciplinary steps taken/criminal proceedings	
Emergency (s36(a)(i))	377,118	603,141
Sole supplier SCM process s ( 36(1) (a) (ii) )	30,512	473,676
Impractical to follow SCM process (36(1) (a) (v) )	224,032	275,880
	<b>631,662</b>	<b>1,352,697</b>

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 financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. .

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

#### Contributions to organised local government

Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
	-	-

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

#### Audit fees

Current year	1,980,617	2,564,469
Amount paid - current year	(669,120)	(2,564,469)
	<b>1,311,497</b>	<b>-</b>

#### PAYE and UIF

Opening balance	25,896	26,078
Current year subscription / fee	6,266,719	5,713,530
Amount paid - current year	(6,266,719)	(5,713,712)
	<b>25,896</b>	<b>25,896</b>

#### Pension and Medical Aid Deductions

Opening balance	-	11,213
Current year subscription / fee	6,478,334	6,661,616
Amount paid - current year	(6,470,349)	(6,669,515)
	<b>7,985</b>	<b>3,314</b>

#### VAT

VAT receivable	6,334,731	6,249,557
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#### Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Madi ZH	1,386	32,959	34,345

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

### 53. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	421,080	515,569
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 54. Segment information

#### General information

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### 54. Segment information (continued)

#### Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

A segment is an activity of an entity:

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

The identified reportable segments are: Community and Social Services, Governance and Administration, Planning and Development, Trading services

#### Aggregated segments

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.

#### Types of goods and/or services by segment

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

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#### 54. Segment information (continued)

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

2021

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	2,248,165	61,288,282	17,295,799	-	80,832,246
Revenue from exchange transactions	1,500,776	867,143	634,244	15,857,960	18,860,123
Interest revenue	-	4,126,547	-	-	4,126,547
Income tax expense	-	-	(416,000)	-	(416,000)
<b>Total segment revenue</b>	<b>3,748,941</b>	<b>66,281,972</b>	<b>17,514,043</b>	<b>15,857,960</b>	<b>103,402,916</b>
<b>Entity's revenue</b>					<b>103,402,916</b>
<b>Expenditure</b>					
Bulk Purchases	-	-	-	14,679,351	14,679,351
Contracted services	5,011,297	7,341,869	460,551	699,265	13,512,982
Depreciation and amortisation	630,036	1,684,755	7,330,016	-	9,644,807
Employee related costs	9,171,401	14,538,825	10,877,826	3,622,031	38,210,083
Finance costs	-	6,406	-	-	6,406
Inventory consumed	459,198	668,583	601,740	442,874	2,172,395
Operating leases	-	79,111	-	-	79,111
Operational expenses	1,036,114	24,975,417	413,551	242,963	26,668,045
Remuneration of councillors	-	3,714,640	-	-	3,714,640
<b>Total segment expenditure</b>	<b>16,308,046</b>	<b>53,009,606</b>	<b>19,683,684</b>	<b>19,686,484</b>	<b>108,687,820</b>
<b>Total segmental surplus/(deficit)</b>					<b>(5,284,904)</b>



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	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>54. Segment information (continued)</b>					
<b>Assets</b>					
Current Assets	-	15,163,945	-	-	15,163,945
Non-current assets	(551,448)	154,108,628	24,886,403	14,711,669	193,155,252
<b>Total segment assets</b>	<b>(551,448)</b>	<b>169,272,573</b>	<b>24,886,403</b>	<b>14,711,669</b>	<b>208,319,197</b>
<b>Total assets as per Statement of financial Position</b>					<b>208,319,197</b>
<b>Liabilities</b>					
Current Liabilities	-	(39,598,067)	1,020,902	(169,717)	(38,746,882)
Non-current liabilities	-	-	(2,171,080)	-	(2,171,080)
<b>Total segment liabilities</b>	<b>-</b>	<b>(39,598,067)</b>	<b>(1,150,178)</b>	<b>(169,717)</b>	<b>(40,917,962)</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>(40,917,962)</b>

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

### 55. Budget differences

#### Material differences between budget and actual amounts

**Property Rates:** The variance is caused by fact that municipality anticipated that the community would build more housing because of the sites which were sold in prior years.

**Service Charges:** The variance is caused by fact that municipality anticipated that the community would build more housing because of the sites which were sold in prior years.

**Government grants and Subsidies:** The municipality received two grants were not gazetted for, which then increased grant allocation for 2020/2021. Addition additional funding was received for MIG and INEP.

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### 55. Budget differences (continued)

**Rental of facilities and equipment:** Variance was caused by inability of the community to utilise the municipality services due to Covid 19 regulations.

**Fines, penalties and forfeits:** Resignation of the Chief Protection Service has led to serious challenges within the section which resulted to poor performance.

**Liscences and Permits:** Resignation of the Chief Protection Service has led to serious challenges within the section which resulted to poor performance.

**Other Revenue:** Variance was caused by inability of the community to utilise the municipality services due to Covid 19 regulations. In addition the municipality anticipated to generate more revenue on traffic fines which did not materialise due to unforeseen circumstances.

**Impairment:** The municipality did not budget for impairment but there were movement during the course of the year.

**Finance costs:** The municipality had a non cash item which impacted on the increase in finance costs

**Lease rentals on operating lease :** The municipality had an excessive budget on this vote.

**Debt Impairment:** The municipality did not make adequate budget on this vote.

**Other Expenditure:** Due to tight cashflow, the municipality has been monitoring the expenditure which resulted to low expenditure.

**Contracted Services:** Due to tight cashflow, the municipality has been monitoring the expenditure which resulted to low expenditure

**Personnel:** The variance of 4% is due to : there were vacant posts which were budgeted for but were not filled.

**Bulk Purchases:** The variance of 5% as a result of the municipality over budgeting by an amount of R758 649 on this vote.