



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

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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.

### Councillors

Executive Mayor

Deputy Mayor

Member

Councillors

ML Buthelezi

PF Chongo

MJ Mthethwa (Speaker)

NM Dekker (MPAC Chairperson)

MR Khumalo (Whip)

VC Ndlovu (EXCO Member)

SM Khoza

N Nkosi

NA Madida

PX Qwabe

SV Sibisi

### Grading of local authority

Grade 1

### Chief Finance Officer (CFO)

Mr WS. Mpanza

### Accounting Officer

G.N Mavundla

### 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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
VAT	Value Added Tax
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
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
INEP	Integrated National Electrification Programme

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## 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.

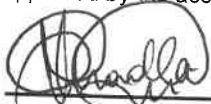
The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 2023 and, in the light of this review and the current financial position, she 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 is primarily responsible for the financial affairs of the municipality, she is supported by the municipality's external auditors.

The annual financial statements set out on page 6 to 73, which have been prepared on the going concern basis, were approved by the accounting officer 31 August 2022 and were signed on its behalf by:



Accounting Officer  
Mrs GN Mavundla

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2022.

### 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 4 meetings were held.

Name of member	Number of meetings attended
Buhle Dlamini Chairperson	4
Adv Jabulani Mhlongo	4
Nontokozi Makhubu	2

The last member attended 2 meetings in the 2022 financial year and there-after resigned.

### 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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**B. Dlamini**

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

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2022.

### 1. Review of activities

#### Main business and operations

### 2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 173 819 651 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

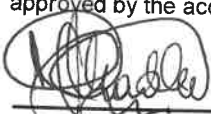
The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with the prescribed Standards of Generally 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	Changes
G. Mavundla	South African	Appointed Monday, 03 January 2022

The annual financial statements set out on page 6 to 73 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



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Accounting Officer  
Mrs GN Mavundla

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Other financial assets	8	451 111	435 226
Receivables from exchange transactions	11&14	3 036 793	3 548 052
Receivables from non-exchange transactions	12&14	8 894 718	11 562 130
VAT receivable	13	6 529 732	6 869 316
Prepayments	10	406 866	334 653
Cash and cash equivalents	15	2 956 639	4 341 754
		<b>22 275 859</b>	<b>27 091 131</b>
<b>Non-Current Assets</b>			
Biological assets that form part of an agricultural activity	3	4 268 701	2 860 200
Investment property	4	34 832 328	35 085 335
Property, plant and equipment	5	167 709 207	156 014 884
Intangible assets	6	214 717	375 457
Heritage assets	7	1 190 581	1 190 580
		<b>208 215 534</b>	<b>195 526 456</b>
<b>Total Assets</b>		<b>230 491 393</b>	<b>222 617 587</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	17	116 567	147 767
Payables from exchange transactions	19	29 345 187	20 699 839
Payables from non-exchange transactions	20	1 641 939	1 599 888
Consumer deposits	21	172 927	168 152
Employee benefit obligation	9	1 152 000	1 467 000
Unspent conditional grants and receipts	16	1 278 425	814 216
		<b>33 707 045</b>	<b>24 896 862</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	17	199 535	273 313
Employee benefit obligation	9	1 673 000	1 750 000
Provisions	18	21 092 162	21 267 806
		<b>22 964 697</b>	<b>23 291 119</b>
<b>Total Liabilities</b>		<b>56 671 742</b>	<b>48 187 981</b>
<b>Net Assets</b>		<b>173 819 651</b>	<b>174 429 606</b>
Accumulated surplus		173 819 651	174 429 606

\* See Note 47

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	23	317 144	375 961
Service charges	24	17 575 999	15 857 960
Operational revenue	25	71 881	37 313
Rental of facilities and equipment	27	1 099 119	1 105 243
Interest received - investment	26	576 249	182 346
Licences and permits	29	1 634 509	1 483 648
Gain on biological assets and agricultural produce	3	1 408 501	-
Actuarial gains	9	466 700	-
<b>Total revenue from exchange transactions</b>		<b>23 150 102</b>	<b>19 042 471</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	22 635 428	21 786 766
Property rates - penalties imposed	31	4 009 338	3 944 202
<b>Transfer revenue</b>			
Government grants & subsidies	32	50 593 791	59 044 410
Public contributions and donations	33	4 792 742	-
Fines, Penalties and Forfeits	28	226 732	1 072
<b>Total revenue from non-exchange transactions</b>		<b>82 258 031</b>	<b>84 776 450</b>
<b>Total revenue</b>	22	<b>105 408 133</b>	<b>103 818 921</b>
<b>Expenditure</b>			
Employee related costs	34	(39 762 842)	(37 410 158)
Remuneration of councillors	35	(3 924 880)	(3 714 640)
Depreciation and amortisation	36	(9 566 621)	(9 778 625)
Finance costs	37	(1 768 860)	(1 855 554)
Lease rentals on operating lease	30	(84 703)	(79 111)
Debt Impairment	38	(11 785 864)	(9 539 225)
Bulk purchases	39	(16 733 578)	(14 679 351)
Contracted services	40	(13 396 093)	(13 646 039)
Fair value adjustments		-	(416 500)
Actuarial losses	9	-	(522 500)
General Expenses	41	(8 994 646)	(8 662 092)
<b>Total expenditure</b>		<b>(106 018 087)</b>	<b>(100 303 795)</b>
<b>(Deficit) surplus for the year</b>		<b>(609 954)</b>	<b>3 515 126</b>

\* See Note 47



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Restated Balance at 01 July 2020</b>	<b>170 914 480</b>	<b>170 914 480</b>
Changes in net assets		
Restated Surplus for the year	3 515 126	3 515 126
Total changes	3 515 126	3 515 126
<b>Restated* Balance at 01 July 2021</b>	<b>174 429 605</b>	<b>174 429 605</b>
Changes in net assets		
Surplus for the year	(609 954)	(609 954)
Total changes	(609 954)	(609 954)
<b>Balance at 30 June 2022</b>	<b>173 819 651</b>	<b>173 819 651</b>

Restated opening balance and surplus 2021, refer to note 47: Prior period error

\* See Note 47

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		39 081 980	32 860 501
Grants		51 058 484	57 883 756
Interest income		576 249	182 346
Traffic fines		226 732	1 072
Other receipts		3 122 653	3 002 165
		<u>94 066 098</u>	<u>93 929 840</u>
<b>Payments</b>			
Employee costs		(42 542 068)	(41 402 222)
Suppliers		(30 521 621)	(35 032 214)
Finance costs		(531 721)	(67 518)
		<u>(73 595 410)</u>	<u>(76 501 954)</u>
<b>Net cash flows from operating activities</b>	43	<b><u>20 470 688</u></b>	<b><u>17 427 886</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(22 219 809)	(16 766 898)
Purchase of investment property	4	-	(20 498 600)
<b>Net cash flows from investing activities</b>		<b><u>(22 219 809)</u></b>	<b><u>(16 766 898)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		(104 978)	(94 489)
Consumer deposits		4 775	-
Unspent Grants		464 209	(135 275)
<b>Net cash flows from financing activities</b>		<b><u>364 006</u></b>	<b><u>(229 764)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(1 385 115)</u></b>	<b><u>431 224</u></b>
Cash and cash equivalents at the beginning of the year		4 341 754	3 910 530
<b>Cash and cash equivalents at the end of the year</b>	15	<b><u>2 956 639</u></b>	<b><u>4 341 754</u></b>

\* See Note 47

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Other revenue	5 472 100	(4 549 061)	923 039	317 144	(605 895)	66%
Service charges	21 519 224	(450 000)	21 069 224	17 575 999	(3 493 225)	17%
Operational revenue	-	-	-	71 881	71 881	100%
Rental of facilities and equipment	1 385 669	11 607	1 397 276	1 099 119	(298 157)	21%
Interest received (trading)	199 406	250 000	449 406	576 249	126 843	28%
Licences and permits	1 725 343	(350 134)	1 375 209	1 634 509	259 300	19%
<b>Total revenue from exchange transactions</b>	<b>30 301 742</b>	<b>(5 087 588)</b>	<b>25 214 154</b>	<b>21 274 901</b>	<b>(3 939 253)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	33 188 786	(2 000 000)	31 188 786	22 635 428	(8 553 358)	27%
Property rates - penalties imposed	-	-	-	4 009 338	4 009 338	-100%

##### Transfer revenue

Government grants & subsidies	38 176 000	-	38 176 000	50 593 791	12 417 791	-33%
Public contributions and donations	-	-	-	4 792 742	4 792 742	100%
Fines, Penalties and Forfeits	5 173 955	270 000	5 443 955	226 732	(5 217 223)	96%
<b>Total revenue from non-exchange transactions</b>	<b>76 538 741</b>	<b>(1 730 000)</b>	<b>74 808 741</b>	<b>82 258 031</b>	<b>7 449 290</b>	

#### Total revenue

<b>106 840 483</b>	<b>(6 817 588)</b>	<b>100 022 895</b>	<b>103 532 932</b>	<b>3 510 037</b>	
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#### Expenditure

Personnel	(39 340 518)	103 282	(39 237 236)	(39 762 842)	(525 606)	1%
Remuneration of councillors	(3 908 136)	-	(3 908 136)	(3 924 880)	(16 744)	0.4%
Depreciation and amortisation	(8 989 998)	-	(8 989 998)	(9 566 621)	(576 623)	-11%
Finance costs	(17 600)	(270 000)	(287 600)	(1 768 860)	(1 481 260)	-515%
Lease rentals on operating lease	-	-	-	(84 703)	(84 703)	-100%
Debt Impairment	(1 675 730)	-	(1 675 730)	(11 785 864)	(10 110 134)	100%
Inventory consumed	(4 246 773)	-	(4 246 773)	-	4 246 773	100%
Bulk purchases	(17 616 541)	-	(17 616 541)	(16 733 578)	882 963	5%
Contracted Services	(16 475 444)	2 143 942	(14 331 502)	(13 396 093)	935 409	7%
General Expenses	(9 225 919)	(317 262)	(9 543 181)	(8 994 646)	548 535	6%

#### Total expenditure

<b>(101 496 659)</b>	<b>1 659 962</b>	<b>(99 836 697)</b>	<b>(106 018 087)</b>	<b>(6 181 390)</b>	
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#### Operating deficit

<b>5 343 824</b>	<b>(5 157 626)</b>	<b>186 198</b>	<b>(2 485 155)</b>	<b>(2 671 353)</b>	
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Fair value adjustments

-	-	-	1 408 501	1 408 501	100%
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Actuarial gains/losses

-	-	-	466 700	466 700	100%
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-	-	-	<b>1 875 201</b>	<b>1 875 201</b>	
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#### Deficit before taxation

<b>5 343 824</b>	<b>(5 157 626)</b>	<b>186 198</b>	<b>(609 954)</b>	<b>(796 152)</b>	
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## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>5 343 824</b>	<b>(5 157 626)</b>	<b>186 198</b>	<b>(609 954)</b>	<b>(796 152)</b>

Reasons for all variances in excess of 10% is included within note 54.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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.

#### 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.

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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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.

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.

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.

## Accounting Policies

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

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

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 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.

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.

# Accounting Policies

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## 1.7 Property, plant and equipment (continued)

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.

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.



## Accounting Policies

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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 ).

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

# Accounting Policies

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## 1.9 Heritage assets (continued)

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

## 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.

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.

# Accounting Policies

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## 1.10 Financial instruments (continued)

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.

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 unitised 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.

# Accounting Policies

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## 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.

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).

### Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

## Accounting Policies

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### 1.11 Statutory receivables (continued)

- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 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.

#### 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.

# Accounting Policies

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## 1.12 Leases (continued)

### 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.

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.

# Accounting Policies

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## 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.

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.

# Accounting Policies

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## 1.15 Provisions and contingencies (continued)

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 45.

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
- 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



# Accounting Policies

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## 1.16 Commitments (continued)

- 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.

### Sale of goods

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

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

### Rendering of services

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

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

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 .

# Accounting Policies

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## 1.17 Revenue from exchange transactions (continued)

### 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.

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.

# Accounting Policies

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

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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.

### 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.

## 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).

# Accounting Policies

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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 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.

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.

# Accounting Policies

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## 1.23 Irregular expenditure

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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

## 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.

### 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 a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

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).

## Accounting Policies

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### 1.26 Related parties (continued)

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.

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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>Guideline: Guideline on Accounting for Landfill Sites</li></ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 25 (as revised): Employee Benefits</li></ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction</li></ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li></ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 104 (as revised): Financial Instruments</li></ul>	01 April 2025	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>iGRAP 21: The Effect of Past Decisions on Materiality</li></ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 2020: Improvements to the standards of GRAP 2020</li></ul>	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"><li>GRAP 1 (amended): Presentation of Financial Statements</li></ul>	01 April 2023	Unlikely there will be a material impact

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game Park animals	4 268 701	-	4 268 701	2 860 200	-	2 860 200

#### Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Game Park animals	2 860 200	1 408 501	4 268 701

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

	Opening balance	Gains or losses arising from changes in fair value	Total
Game Park animals	3 276 700	(416 500)	2 860 200

#### 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.



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	40 222 993	(5 390 665)	34 832 328	40 222 993	(5 137 658)	35 085 335

#### Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	35 085 335	(253 007)	34 832 328

#### Reconciliation of investment property - 2021

	Opening balance	Reclassification PPE to Investment Property	Depreciation	Total
Investment property	14 839 739	20 498 600	(253 004)	35 085 335

#### Restrictions and Contractual obligations

No restrictions or contractual obligations exist.

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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>4. Investment property (continued)</b>		
<b>Amounts recognised in surplus or deficit</b>		
Rental revenue from Investment property	1 117 974	1 096 377

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 796 477	-	2 796 477	2 796 477	-	2 796 477
Buildings	15 254 524	(9 752 836)	5 501 688	15 254 524	(9 311 910)	5 942 614
Plant and machinery	3 195 088	(2 059 964)	1 135 124	3 226 135	(1 893 756)	1 332 379
Furniture and fixtures	3 322 244	(2 372 778)	949 466	3 235 004	(2 179 514)	1 055 490
Motor vehicles	5 324 329	(4 046 838)	1 277 491	5 324 329	(3 777 590)	1 546 739
IT equipment	2 407 614	(1 188 355)	1 219 259	1 844 248	(966 263)	877 985
Infrastructure	206 902 304	(69 474 453)	137 427 851	191 112 587	(62 438 346)	128 674 241
Community	31 497 976	(14 096 125)	17 401 851	27 090 622	(13 301 663)	13 788 959
<b>Total</b>	<b>270 700 556</b>	<b>(102 991 349)</b>	<b>167 709 207</b>	<b>249 883 926</b>	<b>(93 869 042)</b>	<b>156 014 884</b>

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Landfill site	Depreciation	Impairment loss	Total
Land	2 796 477	-	-	-	-	2 796 477
Buildings	5 942 614	-	-	(440 926)	-	5 501 688
Plant and machinery	1 332 379	-	-	(197 255)	-	1 135 124
Furniture and fixtures	1 055 490	87 243	-	(193 267)	-	949 466
Motor vehicles	1 546 739	-	-	(269 248)	-	1 277 491
IT equipment	877 985	563 362	-	(222 088)	-	1 219 259
Infrastructure	128 674 241	17 161 850	(1 372 611)	-	(7 035 629)	137 427 851
Community	13 788 959	4 407 354	-	(794 462)	-	17 401 851
	<b>156 014 884</b>	<b>22 219 809</b>	<b>(1 372 611)</b>	<b>(2 117 246)</b>	<b>(7 035 629)</b>	<b>167 709 207</b>

## Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Reclassification n PPE to Investment Property	Depreciation prior to 2021	Depreciation	Re- assessment landfill	Total
Land	23 295 077	-	(20 498 600)	-	-	-	2 796 477
Buildings	6 383 541	-	-	-	(440 927)	-	5 942 614
Plant and machinery	1 303 493	210 969	-	-	(182 083)	-	1 332 379
Furniture and fixtures	832 828	379 886	-	-	(157 224)	-	1 055 490
Motor vehicles	1 815 986	-	-	-	(269 247)	-	1 546 739
Computer Equipment	759 339	287 049	-	-	(168 403)	-	877 985
Infrastructure	117 836 666	19 073 320	-	-	(7 333 559)	(902 186)	128 674 241
Community	15 005 959	-	-	(469 572)	(747 428)	-	13 788 959
	<b>167 232 889</b>	<b>19 951 224</b>	<b>(20 498 600)</b>	<b>(469 572)</b>	<b>(9 298 871)</b>	<b>(902 186)</b>	<b>156 014 884</b>

#### Restrictions and contractual obligations

No restrictions or contractual obligations exist.

There are no amounts of compensation from or to third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

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

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	3 222 780	48 928 064	52 150 844
Additions/capital expenditure	5 855 032	9 825 409	15 680 441
	<b>9 077 812</b>	<b>58 753 473</b>	<b>67 831 285</b>

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

	Included within Infrastructure	Included within Infrastructure (Electrical)	Total
Opening balance	11 683 203	43 152 616	54 835 819
Additions/capital expenditure	11 773 956	5 775 448	17 549 404
Other movements	(20 234 379)	(3 119 238)	(23 353 617)
	<b>3 222 780</b>	<b>45 808 826</b>	<b>49 031 606</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	176 925	321 893
Motor Vehicles	556 605	3 060 880
Machinery	71 052	-
	<b>804 582</b>	<b>3 382 773</b>

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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 560 201	(1 345 484)	214 717	1 560 201	(1 184 744)	375 457

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	375 457	(160 740)	214 717

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	582 079	17 250	(223 872)	375 457

#### Restrictions and Contractual obligations

No restrictions or contractual obligations exist.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Heritage assets

	2022			2021		
	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)	1 490 000	(299 419)	1 190 581	1 489 999	(299 419)	1 190 580

#### Reconciliation of heritage assets 2022

	Opening balance	Additions through transfer of functions / mergers	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)			
Art Collections, antiquities and exhibits	1 190 580	1	1 190 581

#### 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

#### Restrictions and contractual obligations

No restrictions or contractual obligations exist.



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>8. Other financial assets</b>		
<b>Designated at fair value</b>		
DBSA investments	451 111	435 226
This is a surety for the DBSA loan in accordance with the terms of the loan agreement the FV of the loan is R 316 102.		
<b>Current assets</b>		
Designated at fair value	451 111	435 226
<b>9. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The plan is post employment medical benefit plan and Long service award		
The amounts recognised in the statement of financial position are as follows:		
<b>Carrying value</b>		
Opening balance	(3 217 000)	(2 676 000)
Current Service cost	(152 000)	(116 000)
Interest cost	(273 000)	(215 000)
Benefits paid	338 000	150 500
Actuarial gain/(loss)	479 000	(360 500)
	<b>(2 825 000)</b>	<b>(3 217 000)</b>
<b>Non-current liabilities</b>	(1 673 000)	(1 750 000)
<b>Current liabilities</b>	(1 152 000)	(1 467 000)
	<b>(2 825 000)</b>	<b>(3 217 000)</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 9. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date: 30 June 2022 & 2021 respectively

Post employment medical subsidy	1,00 %	1,00 %
Discount rates used	11,07 %	8,81 %
Consumer price inflation	7,26 %	5,57 %
Health care cost inflation	8,76 %	7,07 %
Net discounted rate	2,12 %	1,63 %
Long service awards	1,00 %	1,00 %
Discount rate	11,35 %	9,17 %
CPI	7,32 %	5,82 %
Salary increase rate	8,32 %	6,82 %
Net discounted rate	2,80 %	2,20 %

#### 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 2022, 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..

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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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 2021 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 2022 is 11.07% per annum.

A healthcare cost inflation rate of 8.76% was assumed. This is 1.69% in excess of the expected inflation over the expected term of the liability, consistent with the previous valuation assumption..

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 2.12% 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 follow:

#### 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.

At this duration the discount rate determined by as at 22 June 2022 was 11.35% per annum.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 9. Employee benefit obligations (continued)

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 8.32% 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 2.80% per annum.

#### DEMOGRAPHIC AND DECREMENT ASSUMPTION

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

### 10. Prepayments

Eskom	147 626	117 435
Licenses	259 240	217 218
	<b>406 866</b>	<b>334 653</b>

### 11. Receivables from exchange transactions

Consumer debtors - Electricity	2 304 049	3 004 055
Consumer debtors - Refuse	709 914	313 360
Consumer debtors - Other	22 830	230 637
	<b>3 036 793</b>	<b>3 548 052</b>

### 12. Receivables from non-exchange transactions

Fines	112 202	-
Consumer debtors - Rates	8 782 516	11 562 130
	<b>8 894 718</b>	<b>11 562 130</b>

The provision for impairment for traffic fines is R1,490,677. No traffic fines were raised in the prior year. Refer to provision for impairment reconciliation below.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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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.

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.

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

Opening balance	1 395 628	1 311 624
Contribution to allowance	55 099	84 004
Amounts written off as uncollectible	39 950	-
	<b>1 490 677</b>	<b>1 395 628</b>

### 13. VAT receivable

VAT	6 529 732	6 869 316
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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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>14. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	47 378 564	41 581 876
Consumer debtors - Electricity	9 058 255	7 259 203
Consumer debtors - Refuse	4 639 398	3 907 193
Consumer debtors - Other	1 497 886	1 722 610
	<b>62 574 103</b>	<b>54 470 882</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(38 596 048)	(30 019 746)
Consumer debtors - Electricity	(6 754 206)	(4 255 148)
Consumer debtors - Refuse	(3 929 484)	(3 593 833)
Consumer debtors - Other	(1 475 056)	(1 491 973)
	<b>(50 754 794)</b>	<b>(39 360 700)</b>
<b>Net balance</b>		
Consumer debtors - Rates	8 782 516	11 562 130
Consumer debtors - Electricity	2 304 049	3 004 055
Consumer debtors - Refuse	709 914	313 360
Consumer debtors - Other	22 830	230 637
	<b>11 819 309</b>	<b>15 110 182</b>
<b>Rates</b>		
Current (0 -30 days)	3 961 605	3 130 543
31 - 60 days	(6 926)	301 442
61 - 90 days	1 630 286	1 098 318
91 - 120 days	1 466 769	1 045 667
> 365 days	40 528 221	36 005 907
	<b>47 579 955</b>	<b>41 581 877</b>
<b>Electricity</b>		
Current (0 -30 days)	978 186	1 286 854
31 - 60 days	(342 924)	(10 560)
61 - 90 days	842 768	178 273
91 - 120 days	395 545	141 159
> 365 days	6 452 790	5 663 478
	<b>8 326 365</b>	<b>7 259 204</b>
<b>Refuse</b>		
Current (0 -30 days)	303 841	261 578
31 - 60 days	(3 858)	(7 449)
61 - 90 days	126 302	106 037
91 - 120 days	118 212	103 467
> 365 days	4 299 644	3 443 560
	<b>4 844 141</b>	<b>3 907 193</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 14. Consumer debtors disclosure (continued)

#### Other

Current (0 -30 days)	109 443	75 758
31 - 60 days	(130)	5 173
61 - 90 days	29 269	9 931
91 - 120 days	21 453	43 194
> 365 days	1 658 366	1 588 554
	<b>1 818 401</b>	<b>1 722 610</b>

Other debtors relates to rental of houses and municipal sites.

#### Reconciliation of allowance for impairment

Balance at beginning of the year	39 360 700	29 905 481
Contributions to allowance	11 690 816	9 455 219
Less debt impairment written off against allowance	(296 722)	-
	<b>50 754 794</b>	<b>39 360 700</b>

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 083	1 083
Bank balances	742 827	2 174 169
Short-term deposits	2 212 729	2 166 502
	<b>2 956 639</b>	<b>4 341 754</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Primary Bank Account - 06 010 0001	-	(948)	222 480	-	(948)	222 480
First Primary National Bank Account 62864159366	742 827	2 175 114	-	742 827	2 175 114	-
INEP 06 850 0947 - 102	824	-	-	824	-	-
Nguni Cattle - 42 850 052 1 - 003	6 085	6 085	134 320	6 085	6 085	134 320
KZN Wildlife - 06 850 094 7 - 070	10 313	10 313	790 001	10 313	10 313	790 001
VAT refund account - 42 880 052 1 - 002	125 088	5 001	5 001	125 088	5 001	5 001
Repairs 376 houses - 06 850 418 7 - 001	2 034 695	2 093 043	1 889 819	2 034 695	2 093 043	1 889 819
General investments - 06 850 094 7 - 030	2 977	17 965	2 509	2 977	17 965	2 509
Proceeds from auction - 06 850 094 7 - 050	4 662	4 621	4 574	4 662	4 621	4 574
MIG 20192020 06 850 0947 - 096	3 696	1 492	1 492	3 696	1 492	1 492
Consumer deposits - 06 850 094 7 - 084	9 248	9 168	188 126	9 248	9 168	188 126
Housing rentals - 06 850 094 7 - 094	5 830	5 830	252 512	5 830	5 830	252 512
INEP Retention - 06 850 094 7 - 087	1 365	1 353	1 339	1 365	1 353	1 339
Spatial planning - 06 850 094 7 - 090	1 283	1 283	415 891	1 283	1 283	415 891
EPWP 06 850 0947 - 097	4 015	4 015	674	4 015	4 015	674
FMG 06 850 0947 - 099	2 648	6 333	711	2 648	6 333	711
<b>Total</b>	<b>2 955 556</b>	<b>4 340 668</b>	<b>3 909 449</b>	<b>2 955 556</b>	<b>4 340 668</b>	<b>3 909 449</b>

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Repair of 376 Houses	813 725	813 725
FMG Grant	-	7
INEP	-	484
Library Grant	464 700	-
	<b>1 278 425</b>	<b>814 216</b>

#### Movement during the year

Balance at the beginning of the year	814 216	949 492
Additions during the year	17 591 000	21 915 240
Income recognition during the year	(17 126 783)	(22 050 516)
	<b>1 278 433</b>	<b>814 216</b>

These amounts are invested in a ring fenced investment until utilised. All grants are cash backed. In the prior year, an amount of R186,716 was offset against equitable share due to conditions of the grant not being met.



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 16. Unspent conditional grants and receipts (continued)

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

### 17. Other financial liabilities

#### At amortised cost

Bank loan	316 102	421 080
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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	199 535	273 313
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#### Current liabilities

At amortised cost	116 567	147 767
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### 18. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Reduction due to re- measurement	Total
Environmental rehabilitation	21 267 806	(175 644)	21 092 162

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	20 528 721	739 085	21 267 806

#### 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	12 059 813	8 774 506
Retention Liability	7 795 068	6 754 049
Leave Pay Accrued	3 533 463	2 798 015
Direct deposits, third parties and other	5 572 113	1 756 671
Deposits received	36 536	32 320
Political party Deductions payable	-	71 280
Credit balances receivables from exchange transactions	348 194	512 998
	<b>29 345 187</b>	<b>20 699 839</b>

The debtors with credit balances amounting to R1 990 133 is split between R348 194 relating to receivables from exchange transactions and R1 641 939 which relates to receivables from non exchange transactions.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 20. Payable from non-exchange

Credit non exchange debtors	1 641 939	1 599 888
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The debtors with credit balances amounting to R1 990 133 is split between R348 194 relating to receivables from exchange transactions and R1 641 939 which relates to receivables from non exchange transactions.

### 21. Consumer deposits

Electricity	172 927	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	317 144	375 961
Service charges	17 575 999	15 857 960
Operational Revenue	71 881	37 313
Rental of facilities and equipment	1 099 119	1 105 243
Interest received -investment	576 249	182 346
Licences and permits	1 634 509	1 483 648
Property rates	22 635 428	21 786 766
Property rates - penalties imposed	4 009 338	3 944 202
Government grants and subsidies	50 593 791	59 044 410
Public contributions and donations	4 792 742	-
Fines, Penalties and Forfeits	226 732	1 072
	<b>103 532 932</b>	<b>103 818 921</b>

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

Sale of goods	317 144	375 961
Service charges	17 575 999	15 857 960
Operational revenue	71 881	37 313
Rental of facilities and equipment	1 099 119	1 105 243
Interest received -investment	576 249	182 346
Licences and permits	1 634 509	1 483 648
	<b>21 274 901</b>	<b>19 042 471</b>

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

<b>Taxation revenue</b>		
Property rates	22 635 428	21 786 766
Property rates - penalties imposed	4 009 338	3 944 202
<b>Transfer revenue</b>		
Government grants & subsidies	50 593 791	59 044 410
Public contributions and donations	4 792 742	-
Fines, Penalties and Forfeits	226 732	1 072
	<b>82 258 031</b>	<b>84 776 450</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Sale of goods and rendering of services</b>		
Consumables	89 372	11 648
Sub-division and consolidation fees	13 226	27 952
Other documents	81 261	388
Tender documents	9 135	136 261
Building plans	23 939	13 446
Camping fees	55 269	71 737
Cemetery and burial	33 654	62 562
Clearance certificates	8 491	22 133
Entrance fees	1 131	28 110
Photocopies and faxes	1 666	1 722
	<b>317 144</b>	<b>375 959</b>
<b>24. Service charges</b>		
Sale of electricity	15 744 933	14 098 060
Refuse removal	1 831 066	1 759 900
	<b>17 575 999</b>	<b>15 857 960</b>
The service charges represents revenues earned by the municipality in the current financial year from the provisions of electricity and refuse removal.		
<b>25. Operational revenue.</b>		
Administrative and handling fees	1 134	14 832
Breakages and losses recovered	1 412	916
Agency fees	69 335	21 565
	<b>71 881</b>	<b>37 313</b>
<b>26. Interest on investment</b>		
Short term deposits	576 249	182 346
<b>27. Rental of facilities and equipment</b>		
<b>Premises</b>		
Rental of Investment properties	1 089 344	1 096 377
Ad hoc rentals	9 775	8 866
	<b>1 099 119</b>	<b>1 105 243</b>
<b>28. Fines, Penalties and Forfeits</b>		
Fines, Penalties and Forfeits	226 732	1 072
<b>29. Licences and permits (exchange)</b>		
Game	33 700	56 047
Trading	6 009	5 403
Drivers licence certificate	905 494	945 947
Leaner licence application	270 348	284 474
Motor vehicle licence	299 375	9 294
Operators and public drivers permit	119 583	182 483
	<b>1 634 509</b>	<b>1 483 648</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 30. Lease rentals on operating lease

#### Lease rentals on operating lease

Leased Machinery	84 703	79 111
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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.

### 31. Property rates

Property rates	22 635 428	21 786 766
	22 635 428	21 786 766
Property rates - Penalty on late payments	4 009 338	3 944 202
	<b>26 644 766</b>	<b>25 730 968</b>

#### Valuations

Residential	365 613 000	415 911 000
Commercial	74 450 000	74 450 000
State	327 288 000	356 176 000
Municipal	72 265 000	72 858 000
Small holdings and farms	2 865 677 000	2 889 536 000
Land reform property	23 914 000	23 989 000
Other (PBO, Public worship, Vacant etc)	119 408 000	12 760 000
	<b>3 848 615 000</b>	<b>3 845 680 000</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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	33 467 000	36 701 516
Finance Management Grant (FMG)	2 850 007	2 800 000
Expanded Public Works Programme	-	1 088 000
New Establishment/ Library	1 394 300	1 768 000
Disaster Relief Grant	-	97 800
Government grant	-	479 094
	<b>37 711 307</b>	<b>42 934 410</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	4 807 000	14 310 000
Integrated National Electrification Programme (INEP)	8 075 484	1 800 000
	<b>12 882 484</b>	<b>16 110 000</b>
	<b>50 593 791</b>	<b>59 044 410</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	813 725	664 485
Current-year receipts	-	149 240
	<b>813 725</b>	<b>813 725</b>
Conditions still to be met - remain liabilities (see note 16).		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	7	7
Current-year receipts	2 850 000	2 800 000
Conditions met - transferred to revenue	(2 850 007)	(2 800 000)
	<b>-</b>	<b>7</b>
<b>Integrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	484	484
Current-year receipts	8 075 000	1 800 000
Conditions met - transferred to revenue	(8 075 484)	(1 800 000)
	<b>-</b>	<b>484</b>
<b>Expanded Public Works Programme</b>		
Current-year receipts	-	1 088 000
Conditions met - transferred to revenue	-	(1 088 000)
	<b>-</b>	<b>-</b>
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	4 807 000	14 310 000
Conditions met - transferred to revenue	(4 807 000)	(14 310 000)
	<b>-</b>	<b>-</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>32. Government grants and subsidies (continued)</b>		
<b>Disaster Relief grant (covid 19)</b>		
Balance unspent at beginning of year	-	284 516
Conditions met - transferred to revenue	-	(97 800)
Conditions not met - grant offset through equitable share	-	(186 716)
	-	-
<b>New establishment and operational -</b>		
Current-year receipts	-	1 768 000
Conditions met - transferred to revenue	-	(1 768 000)
	-	-
<b>Library Grant</b>		
Current-year receipts	1 859 000	-
Conditions met - transferred to revenue	(1 394 300)	-
	<b>464 700</b>	-
Conditions still to be met - remain liabilities (see note 16).		
<b>33. Public contributions and donations</b>		
Department of Arts and Culture Library Donation	4 792 742	-

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>34. Employee related costs</b>		
Basic	29 077 086	28 333 851
Bonus	2 094 455	1 802 036
Medical aid - company contributions	680 836	656 188
UIF	217 423	188 914
Bargaining Council	13 916	13 910
Leave pay provision charge	1 202 682	222 576
Group Life Assurance	795	1 343
Travel, motor car, accommodation, subsistence and other allowances	509 821	517 100
Overtime payments	651 417	676 734
Acting allowances	107 195	123 906
Housing benefits and allowances	212 636	238 479
Pension contributions	3 096 027	3 114 167
Stand By	1 625 553	1 305 954
Current interest costs	273 000	215 000
	<b>39 762 842</b>	<b>37 410 158</b>

### Remuneration of Municipal Manager Mr LCT Nkosi

Annual Remuneration	950 553	1 036 967
Annual Remuneration	85 020	50 176
	<b>1 035 573</b>	<b>1 087 143</b>

Mr Nkosi was suspended on 12 September 2019. His contract ended in May 2022. His final salary was paid in May 2022.

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

Annual Remuneration	481 402	165 478
Cellphone Allowance	4 500	11 960
	<b>485 902</b>	<b>177 438</b>

Mrs Mavundla acted in the position of municipal manager from January 2022 to current. In the prior period, she acted for a period of two months from November to December 2020.

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

Annual Remuneration	540 207	496 358
Cellphone allowance	10 500	9 000
	<b>550 707</b>	<b>505 358</b>

Mr De Clerk acted in the position of municipal manager from July 2021 to January 2022. Prior to the 2022 year, he acted for a period of six months from January to June 2021.

### Remuneration of Chief Finance Officer Ms SC Mhlophe

Annual Remuneration	777 445	777 445
Acting Allowance	-	59 214
Annual Remuneration	37 618	37 618
Cellphone Allowance	15 900	17 300
	<b>830 963</b>	<b>891 577</b>

Miss Mhlophe was suspended in the 2022 financial year and acted in the position of municipal manager for a period of four months from July 2020 to October 2020 in the 2021 year.

### Remuneration of Acting Chief Financial Officer WS Mpanza

# Emadlangeni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>34. Employee related costs (continued)</b>		
Annual Remuneration	246 319	-
Cell phone Allowance	3 900	-
	<b>250 219</b>	<b>-</b>

Mr WS Mpanza began acting as CFO from March 2022.

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

Annual Remuneration	815 063	815 063
Cellphone allowance	9 600	9 600
	<b>824 663</b>	<b>824 663</b>

Mr Kheswa was suspended on 18 January 2019

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

Annual Remuneration	407 532	815 063
Cell phone Allowance	9 000	16 500
Leave payout	38 887	-
	<b>455 419</b>	<b>832 363</b>

Mr Mashiyane acted in the position of Director Infrastructure, Planning and Development from 18 November 2019 to 31 December 2021.

### Remuneration of Acting Infrastructure Director - PPS Zamisa

Annual Remuneration	203 766	-
Cell phone Allowance	2 400	-
Backpay	26 187	-
	<b>232 353</b>	<b>-</b>

Mr Zamisa acted from April 2022.

### Remuneration Director Corporate Services - ZJ Mkhize

Annual Remuneration	583 084	777 445
Cell phone Allowance	13 500	17 300
Annual Remuneration	37 618	37 618
	<b>634 201</b>	<b>832 363</b>

Mr Mkhize was terminated in March 2022.

### Remuneration Director Corporate Services - Mrs Zungu

Annual Remuneration	523 308	-
Acting Allowance	21 393	-
	<b>544 701</b>	<b>-</b>

Mrs Zungu is a Manager in the Disaster Management unit and she then acted in the position of Director Corporate Services from April to June 2022.



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 35. Remuneration of councillors

Executive Mayor	607 295	538 702
Deputy Executive Mayor	377 198	350 200
Executive committee	333 171	-
Speaker	428 134	347 299
Councillors	2 179 082	2 478 439
	<b>3 924 880</b>	<b>3 714 640</b>

### In-kind benefits

The Mayor and Speaker are employed full-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 allowances and benefits of councillors of Emadlangeni Local Municipality for the year under review were paid in terms of Government **Gazette 46470** upper limits of remuneration of public office bearers).

### 36. Depreciation and amortisation

Property, plant and equipment	9 566 621	9 778 625
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### 37. Finance costs

Trade and other payables	529 105	160 806
Loans	42 788	53 477
Landfill sites	1 196 976	1 641 271
	<b>1 768 869</b>	<b>1 855 554</b>

### 38. Debt impairment

Debt impairment	11 785 864	9 539 225
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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	16 733 578	14 679 351
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Bulk purchases represents the total costs of electricity purchased from Eskom

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>39. Bulk purchases (continued)</b>		
<b>Electricity losses</b>		
Electricity units (kWh) purchased	11 801 017	11 066 079
Electricity units (kWh) sold	(7 469 727)	(8 839 273)
<b>Total loss</b>	<b>4 331 290</b>	<b>2 226 806</b>
Comprising of:		
Technical losses	3 980 815	2 213 172
Non-technical losses	350 475	13 635
<b>Total</b>	<b>4 331 290</b>	<b>2 226 807</b>
Percentage Loss:		
Technical losses	92 %	99 %
Non-technical losses	8 %	1 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>
<b>Total Electricity losses as a percentage of Purchases</b>	<b>2022</b>	<b>2021</b>
	37%	20%

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

## 40. Contracted services

### Outsourced Services

Burial Services	7 500	10 023
Professional Staff	384 451	323 820
Valuer and Assessor	77 368	78 947
Traffic Street Light	135 528	-

### Consultants and Professional Services

Accounting And Auditing	1 548 162	1 363 199
Audit Committee	79 726	90 636
Legal advise and Litigations	2 971 252	3 221 014

### Contractors

Catering Services	22 250	96 814
Electrical	653 013	688 537
Internet charge	166 706	47 891
Maintenance of Buildings and Facilities	176 925	321 893
Maintenance of Equipment	4 577	-
Maintenance of other Assets	2 597 365	3 060 880
Medical Services	-	26 200
Transportation	96 800	21 300
Safeguard and Security	4 474 470	4 294 885
	<b>13 396 093</b>	<b>13 646 039</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. General expenses</b>		
Accommodation	77 025	81 828
Advertising	-	8 000
Auditors remuneration	1 035 427	1 698 220
Bank charges	320 650	140 912
Consumables	2 008 858	1 418 787
Daily allowance	28 450	38 255
Food and beverage	7 016	41 603
Electricity	32 457	60 948
Entertainment	22 861	-
Incident Cost	-	10 579
Insurance	1 065 615	902 926
Levies	60 407	68 650
Motor vehicle licence and registrations	77 965	-
Fuel and oil	886 290	753 608
Placement fees	8 523	134 064
Postage and courier	2 745	3 109
Printing and stationery	47 306	66 764
Gifts and promotional items	108 842	-
Research and development costs	25 670	-
Learnership and internship	-	139 379
Subscriptions and membership fees	508 000	500 000
Telephone and fax	445 778	449 043
Own transport	87 343	28 621
Training	455 000	766 517
Travel - local	241 053	(5 989)
Telephone installation	-	594
Uniforms	414 935	309 323
Seating Allowance for Traditional Leaders	66 000	72 000
Skills Development Levy	357 186	290 496
Remuneration to ward committees	505 973	663 300
Bursaries-Community	90 352	5 800
Licences	265	13 280
Toll gate	6 654	1 475
	<b>8 994 646</b>	<b>8 662 092</b>
<b>42. Auditors' remuneration</b>		
Fees	1 035 427	1 698 220

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>43. Cash generated from operations</b>		
(Deficit) surplus	(609 954)	3 860 105
<b>Adjustments for:</b>		
Depreciation and amortisation	9 566 621	9 644 878
Actuarial gain/ loss	(466 700)	-
Fair value adjustments biological assets	(1 408 501)	-
Fair value adjustments	-	416 500
Debt impairment	11 785 864	9 539 225
Leave pay provision	857 382	211 275
Movements in retirement benefit assets and liabilities	(392 000)	540 823
Movements in provisions	-	739 085
Finance costs non-cash	1 196 967	-
<b>Changes in working capital:</b>		
Receivables from exchange and non-exchange transactions	(8 218 505)	(9 041 753)
Prepayments	(72 213)	(51 981)
Other financial liability	(104 978)	-
Other financial asset	(15 885)	(29 970)
Payables from exchange transactions	8 687 399	1 598 134
VAT	(339 584)	-
Consumer deposits	4 775	1 565
	<b>20 470 688</b>	<b>17 427 886</b>
<b>44. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	20 488 388	15 858 842
<b>Total capital commitments</b>		
Already contracted for but not provided for	20 488 388	15 858 842
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Expenditure	3 942 327	1 108 814
<b>Total operational commitments</b>		
Already contracted for but not provided for	3 942 327	1 108 814
<b>Total commitments</b>		
Authorised capital expenditure	20 488 388	15 858 842
Authorised operational expenditure	3 942 327	1 108 814
	<b>24 430 715</b>	<b>16 967 656</b>

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

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 45. 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	Contingent Liability
Phumlani Ngubane & Associates	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. There is a court order against the municipality to pay the claim. Negotiations are ongoing to reduce interest and payment plan.	R772 800 plus interest at 7%
Ocean Dawn	Matthew Francis	The company went to court alleging the unfair or irregular appointment of another security company in their stead. They claim they are the ones that were supposed to have been appointed and their claim is to get an appointment letter and proceed with work as per their submitted bid. To cut down increasing legal costs and irregular expenditure incurred, the has Council directed that negotiations of possible out of court settlements be investigated as the matter has dragged for a long time.	R 7 936 143
Garikayi Investments Pty (Ltd)	Phumulani Ngubane & Associates Inc	The company claims the municipality terminated the contract without providing valid reasons. Garikayi Investments instituted legal proceedings against the municipality, the municipality is defending the matter.	R 1 298 976
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. The municipality is defending the case.	R 2 041 250

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 45. Contingencies (continued)

Mr. LCT Nkosi & Mr. ZJ Mkhize	Municipality is defending the case	Unfair dismissal claim by ex-Municipal Manager and Director Corporate services whose contracts was terminated as at 31 May 2022 and 31 March 2022 respectively	R496 636 & R679 219 respectively
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Utrecht Townlands Community: This is an application by Utrecht townlands community made to the land claims court for the restitution of the land that once belonged to them and is situated within the jurisdiction of eMadlangeni municipality. The case is not necessarily a claim against eMadlangeni municipality, as the municipality is amongst the respondents in the matter. Mazibuko & Associates is representing the municipality. The financial impact if any is unknown.

Evictions matters- there are number of eviction matters, where the municipality is cited as one of the respondents, in addition to those being evicted. Phumlani Ngubani Incorporated is representing the municipality in those matters. The financial impact if any is unknown.

### 46. Related parties

Relationships	
Municipal Manager	Mr. LCT Nkosi
Acting Municipal Manager	Mrs Mavundla
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
Acting CFO	Mr. WS Mpanza
Acting Director Infrastructure, Planning and Development	Mr Zamisa
Acting Director Corporate Services	Ms N. Zungu
Acting Municipal Manager	Mr.S.S De Klerk.
Acting Director Corporate Services	Mrs. N Zungu

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

### 47. 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

##### Accumulated Surplus

Previously reported	172 686 140
Pound fees previously not raised for 2020 financial year	(65 217)
Pound fees not previously raised as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	(1 076 227)
Finance charges as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	(202 147)
Removal of land not owned previously recorded	(321 442)
Investment property previously not recorded	773 422
Decrease due to differences between the Trial Balance and Asset Register	(5 522)
Decrease due to Infrastructure project capitalised with incorrect amount	(569)
Assets incorrectly expensed in prior years	14 841
Depreciation on assets incorrectly expensed in prior years	(191)
Adjustments for retentions paid and not raised	(419 036)
Depreciation on assets transferred from WIP to completed assets	(469 572)
	<b>170 914 480</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Prior-year adjustments (continued)</b>		
<b>Payables from Exchange transactions- Trade Payables</b>		
Previously reported	5 742 299	
Creditors for Cowcatchers previously not raised for: Pound fees for the 2020 FY	75 000	
Creditors for Cowcatchers previously not raised for: Pound fees for the 2021 FY	60 000	
Creditors for Cowcatchers previously not raised for: Pound fees as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	1 231 516	
Creditors for Cowcatchers previously not raised for: Legal fees as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	1 017	
Creditors for Cowcatchers previously not raised for: Finance charges as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	202 147	
Creditors for Cowcatchers previously not raised for: Creditor for Cowcatchers for pound fees and Interest per court order dated 03/11/2020 ordering pound fee payment	126 870	
Creditor for ICT expenses for May and June 2021 not captured	36 000	
Project Invoices not raised in 2020/21	885 626	
Project Invoices not raised in 2020/21	414 031	
	<b>8 774 506</b>	
<b>VAT</b>		
Previously reported	6 334 731	
VAT on Creditors for Cowcatchers previously not raised for: Pound fees for the 2020 FY	9 783	
AT on Creditors for Cowcatchers previously not raised for: Pound fees for the 2021 FY	7 826	
VAT on Creditors for Cowcatchers previously not raised for: Pound fees as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	155 289	
VAT on Creditors for Cowcatchers previously not raised for: Finance charges as per court order dated 03/11/2020 ordering pound fee payment	133	
VAT on Creditors for Cowcatchers previously not raised for: ICT expenses for May and June 2021 not captured	4 696	
VAT on Creditors for Cowcatchers previously not raised for: Project invoices not raised in 2020/21	169 521	
Vat on Retentions journals	187 337	
	<b>6 869 316</b>	
<b>Property plant and Equipment: Cost</b>		
Previously reported	268 333 805	
Land not owned previously erroneously recorded	(321 442)	
Decrease in Infrastructure cost due to differences between the Trial Balance and Asset Register	(5 522)	
Decrease in Infrastructure cost due to project capitalised with incorrect amount	(958)	
Decrease in Computer equipment due to EAMS licence incorrectly capitalised as hardware	(17 250)	
Increase in work in progress due to project invoices not raised in 2020/21	770 109	
Increase in work in progress due to project invoices not raised in 2020/21	360 027	
Increase assets incorrectly expensed in prior years	14 841	
Assets not previously raised	1 248 916	
Correction of error: Investment property incorrectly recognised as PPE	(20 498 600)	
	<b>249 883 926</b>	

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Prior-year adjustments (continued)</b>		
<b>Property, plant and equipment: Accumulated depreciation</b>		
Previously reported		(93 279 241)
Increase in Infrastructure accumulated depreciation due to differences between the Trial Balance and Asset Register		(3 677)
Decrease in Infrastructure accumulated depreciation due to project capitalised with incorrect amount	526	
Decrease in Computer equipment accumulated depreciation due to EAMS licence incorrectly capitalised as hardware	3 450	
Decrease in accumulated depreciation due to depreciation incorrectly calculated	20	
Depreciation on assets not previously recognised	(3 159)	
Depreciation on assets transferred from WIP to completed assets	(586 961)	
	<b>(93 869 042)</b>	
<b>Investment Property: Cost</b>		
Previously reported	18 944 393	
Correction of error: Investment property previously not recorded	780 000	
Investment property incorrectly recognised as PPE	20 498 600	
	<b>40 222 993</b>	
<b>Investment property: Accumulated depreciation</b>		
Previously reported	(5 121 214)	
Correction of error: Accumulated depreciation on investment property previously not recorded	(6 578)	
Correction of error: Depreciation on investment property previously not recorded	(9 867)	
	<b>(5 137 659)</b>	
<b>Intangible Assets: Cost</b>		
Previously reported	1 542 951	
Correction of error: EAMS licence incorrectly capitalised as hardware	17 250	
	<b>1 560 201</b>	
<b>Intangible assets: Accumulated amortisation</b>		
Previously reported	(1 181 294)	
Correction of error: Amortisation relating to EAMS licence	(3 450)	
	<b>(1 184 744)</b>	
<b>Retentions</b>		
Previously reported	4 898 756	
Adjustments for retentions paid and not raised	419 036	
Additions to retentions	1 436 254	
	<b>6 754 046</b>	
<b>Depreciation &amp; Amortisation</b>		
Previously reported	9 644 878	
Increase in depreciation due to differences between the Trial Balance and Asset Register	3 677	
Infrastructure project capitalised with incorrect amount	(137)	
Depreciation on Investment property previously not recorded	9 867	
Correction of depreciation incorrectly calculated	(21)	
Depreciation on assets newly identified	2 968	
Depreciation on assets transferred from WIP to completed assets	117 393	
	<b>9 778 625</b>	



# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Prior-year adjustments (continued)</b>		
<b>Statement of financial performance</b>		
<b>Contracted Expenses</b>		
Previously reported	13 561 677	
Pound fees previously not raised for 2021 financial year	52 174	
Legal fees as per court order dated 03/11/2020 ordering pound fee payment (2016 to 2019)	884	
ICT expenses for May and June 2021 not captured	31 304	
	<b>13 646 039</b>	
<b>General Expenses</b>		
Previously reported	8 384 868	
Reclassification: Amount captured as audit fee instead of finance cost	(200)	
Reclassification: SALGA subscription fees from Employee related costs	500 000	
Reclassification: Leave pay provision to employee related costs	(222 576)	
	<b>8 662 092</b>	
<b>Finance Costs</b>		
Previously reported	1 728 484	
Court order dated 03/11/2020 relating to Cowcatchers creditor ordering Interest	126 870	
Reclassification: Amount captured as audit fee instead of finance cost	200	
	<b>1 855 554</b>	
<b>Employee related costs</b>		
Previously reported	37 687 582	
Reclassification: SALGA subscription fees to General Expenses	(500 000)	
Reclassification: Leave pay provision from General expenses	222 576	
	<b>37 410 158</b>	
<b>Surplus for the year</b>		
Previously reported	3 860 105	
Employee related costs	277 424	
Depreciation and amortisation	(133 747)	
Finance costs	(127 070)	
Contracted services	(84 362)	
General Expenses	(277 224)	
	<b>3 515 126</b>	

### Reclassifications

The following reclassifications adjustment occurred:

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021	
<b>47. Prior-year adjustments (continued)</b>			
<b>Employee related costs: Basic</b>			
Previously reported		28 710 851	
To current interest cost		(377 000)	
		<b>28 333 851</b>	
<b>Employee related costs: UIF</b>			
Previously reported		235 339	
To Transport , motor and other allowances		(48 000)	
To Bargaining council		(238)	
From Bargaining council		1 813	
		<b>188 914</b>	
<b>Employee related costs: Bargaining council</b>			
Previously reported		515 485	
From UIF		238	
To UIF		(1 813)	
		<b>513 910</b>	
<b>Employee related costs: Travel, motor &amp; other allowances</b>			
Previously reported		344 100	
From UIF		48 000	
From Acting allowance		125 000	
		<b>517 100</b>	
<b>Employee related costs: Acting Allowance</b>			
Previously reported		248 906	
To travel, motor & other allowances		(125 000)	
		<b>123 906</b>	
<b>Employee related costs: Current interest cost</b>			
Previously reported		(162 000)	
From Basic		377 000	
		<b>215 000</b>	
<b>Commitments</b>			
	Capital	Operational	Total
Previously reported	17 119 844	540 974	17 660 818
Correction: Audit adjustments	(1 261 002)	-	(1 261 002)
Correction: Adjustment for contract values and actual expenditure	-	567 840	567 840
	<b>15 858 842</b>	<b>1 108 814</b>	<b>16 967 656</b>

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>48. Unauthorised expenditure</b>		
Opening balance as previously reported	25 842 542	14 367 465
Correction of prior period error	-	37 920
<b>Opening balance as restated</b>	<b>25 842 542</b>	<b>14 405 385</b>
Add: Expenditure identified - current	12 795 070	11 437 157
<b>Closing balance</b>	<b>38 637 612</b>	<b>25 842 542</b>

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

Unauthorised 2021/22	Final Budget	Actual	Unauthorised Expenditure
Personnel	39 237 236	39 762 842	525 606
Depreciation and Amortisation	8 989 998	9 566 621	576 623
Remuneration of councillors	3 908 136	3 924 880	16 744
Finance Costs	287 600	1 768 860	1 481 260
Debt Impairment	1 675 730	11 785 864	10 110 134
Lease on operating rentals	-	84 703	84 703
	<b>54 098 700</b>	<b>66 893 770</b>	<b>12 795 070</b>

## 49. Fruitless and wasteful expenditure

Opening balance as previously reported	164 351	48 184
Correction of prior period error	-	72 622
<b>Opening balance as restated</b>	<b>164 351</b>	<b>120 806</b>
Add: Expenditure identified - current	950 102	43 545
<b>Closing balance</b>	<b>1 114 453</b>	<b>164 351</b>

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

## 50. Irregular expenditure

Opening balance as previously reported	81 589 534	51 787 945
Correction of prior period error	-	19 633 920
<b>Opening balance as restated</b>	<b>81 589 534</b>	<b>71 421 865</b>
Add: Irregular Expenditure - current	13 769 718	10 167 669
<b>Closing balance</b>	<b>95 359 252</b>	<b>81 589 534</b>

The current year irregular expenditure relates to SCM processes not being followed as well as expired contracts exceeding the 15% threshold stipulated in MFMA Circular 62.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 50. Irregular expenditure (continued)

#### Deviations from supply chain management regulations

	Disciplinary steps taken/criminal proceedings	
Competitive bidding not invited	-	377 118
Three written quotations not invited	1 514 181	30 512
Declaration of interest not submitted	-	224 032
Awards to close family member of [state details]	-	-
	<b>1 514 181</b>	<b>631 662</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. .

### 51. 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)
	-	-

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Audit fees

Opening balance	1 311 497	-
Current year fee	1 732 615	1 980 617
Amount reversed - current year	(512 217)	(669 120)
Amount paid - current year	(1 735 143)	-
	<b>796 752</b>	<b>1 311 497</b>

#### PAYE and UIF

Opening balance	25 896	25 896
Current year subscription / fee	6 589 927	6 266 719
Amount paid - current year	(6 081 602)	(6 266 719)
	<b>534 221</b>	<b>25 896</b>

#### Pension and Medical Aid Deductions

Opening balance	11 198	3 213
Current year subscription / fee	6 965 045	6 478 334
Amount paid - current year	(6 965 045)	(6 470 349)
	<b>11 198</b>	<b>11 198</b>

#### VAT

VAT receivable	6 529 732	6 869 316
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#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Madi ZH	1 885	35 761	37 646

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

Long-term liabilities raised	316 102	421 080
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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.

### 53. Segment information

#### General information

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 53. 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.

# Emadlangeni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 53. Segment information (continued)

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

2022

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>Revenue</b>					
Revenue from exchange transactions	1 658 845	1 289 038	640 894	17 576 574	21 165 351
Revenue from non- exchange transactions	6 413 774	62 961 774	12 882 484	-	82 258 032
Interest revenue	-	576 249	-	-	576 249
Gains and Losses	-	-	1 408 501	-	1 408 501
<b>Total segment revenue</b>	<b>8 072 619</b>	<b>64 827 061</b>	<b>14 931 879</b>	<b>17 576 574</b>	<b>105 408 133</b>
<b>Entity's revenue</b>					<b>105 408 133</b>
<b>Expenditure</b>					
Bulk Purchases	-	-	-	16 733 578	16 733 578
Contracted services	5 091 059	7 133 765	547 261	624 008	13 396 093
Depreciation and amortisation	796 270	1 408 869	4 893 236	2 468 245	9 566 620
Employee related costs	10 282 872	15 493 340	10 172 560	3 814 069	39 762 841
Finance costs	-	1 768 860	-	-	1 768 860
Inventory consumed	600 261	(1 592 589)	272 621	719 706	(1)
Operating leases	-	84 703	-	-	84 703
Operational expenses	1 137 656	18 989 930	569 502	83 425	20 780 513
Remuneration of councillors	-	3 924 880	-	-	3 924 880
<b>Total segment expenditure</b>	<b>17 908 118</b>	<b>47 211 758</b>	<b>16 455 180</b>	<b>24 443 031</b>	<b>106 018 087</b>
<b>Total segmental surplus/(deficit)</b>					<b>(609 954)</b>

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Figures in Rand

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
<b>53. Segment information (continued)</b>					
<b>Assets</b>					
Current Assets	-	22 275 859	-	-	22 275 859
Non-current assets	(955 082)	156 435 742	28 740 736	23 994 138	208 215 534
<b>Total segment assets</b>	<b>(955 082)</b>	<b>178 711 601</b>	<b>28 740 736</b>	<b>23 994 138</b>	<b>230 491 393</b>
<b>Total assets as per Statement of financial Position</b>					<b>230 491 393</b>
<b>Liabilities</b>					
Current Liabilities	-	(34 555 021)	1 020 902	(172 926)	(33 707 045)
Non-current liabilities	-	(22 964 697)	-	-	(22 964 697)
<b>Total segment liabilities</b>	<b>-</b>	<b>(57 519 718)</b>	<b>1 020 902</b>	<b>(172 926)</b>	<b>(56 671 742)</b>
<b>Total liabilities as per Statement of financial Position</b>					<b>(56 671 742)</b>

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

### 54. Budget differences

#### Material differences between budget and actual amounts

Reasons for all variances in excess of 10% has been provided below.

**Sale of goods:** Lower than budgeted. Consumeables from game park, tender fees, Grave, Clearance fees, Library photocopy actuals were lower than budgeted.

**Operational Revenue:** Not budgeted for. Comprises Building plans, consolidation and subdivisions and sale of sites etc. .

**Rental of facilities and equipment:** Higher than budgeted. COVID 19 regulations impacted rental of facilities

**Interest received:** Greater than budgeted. Positive bank and Investment balances during the year.



# Emadlangeni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 54. Budget differences (continued)

**Actuarial Gain:** Not budgeted for. Relates to the valuation gain on post employee benefits.

**Gain on biological assets:** Not budgeted for. Relates to the valuation of biological assets which is measured at fair value.

**Property rates:** Lower than budgeted. Municipality anticipated that the community would build more housing because of the sites which were sold in prior years.

**Property rates penalties:** Not budgeted for. Some debtors took advantage of the debt relief programme run by the municipality.

**Public contributions and donations:** Not budgeted for. Library grant from Arts and Culture.

**Fines penalties and forfeits:** Greater than budgeted. More traffic fines raised due to more roadblocks and spot checks of vehicles by traffic department.

**Government grants and subsidies:** Greater than budgeted. Based on DORA allocation

**Depreciation & Amortisation:** Greater than budgeted. Depreciation on additions.

**Finance costs:** Greater than budgeted. Creditors were paid late resulting in increase in finance costs.

**Lease on operating rentals:** Not budgeted for. .

**Debt Impairment:** Not budgeted for. Relates to the provision for doubtful debts in line with GRAP 104.

**Contracted Expenses:** Lower than budgeted. Municipality was trying to curb expenditure/ contain some non-essential costs.