



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

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity

Local Municipality MP 312 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. The main type of services rendered by the municipality includes the provision of electricity, water, refuse collection, purifying and disposal of waste water, the construction and maintenance of roads and provision of parks, sports and recreation facilities.

Mayoral committee

Executive Mayor

L M Mabuza

Speaker

M S Nkosi

Chief Whip

C P Maseko

Members of Mayoral Committee

B H Maseko - MMC Financial services

V J Mhlapho - MMC Development planning

N H Mokwana - Environmental and waste

S F Msibi - MMC Corporate services

K B Maphosa - MMC Community services

M B Hlumbane - MMC Technical services

MPAC Chairperson

C L Maraba

Councillors

M Bhamjee

A J J Brits

N F E Coetzer

S S Buthelezi

C J Conradie

L Dzondzi

P K Faduk

G D Gates

MD Mamakoa

TK Masilo

R E Cronje

M E Khoza

A B Khumalo

G S Koko

S H Kriel

B S Lekhuleni

B T Lukhele

D M Mabena

M T Maila

N E Maphanga

S C Maseko

T E Maseko

T A Maserumule

J J Masilela

G B Masilela

D D Mathaba

R S Mathebula

J S Mathebula

S T Mathelele

K M Mbethe

K M Mdau

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

	R S Mekoa Z P P Mngube W N Moela M E Morokolo D P Mpfi S A Mthimunya A J Mtsweni Y A Ndizana M C Nematatane X A Nkosi D M Phahlamoraswi M Scheepers S M Schlachter M M Sekgala T C Shabalala K Silaule J L Sindane V M Soko L Steyn N R Thobela B P Thwala L Thwala S T Tjati N S Tlapy L M Tolo M A Tswaledi W A Van Dyk L Viviers Z M Vorster
Grading of local authority	5
Chief Financial Officer(CFO)	K S Mahlangu
Accounting Officer	H S Mayisela
Registered office	Civic centre Mandela street Emalahleni 1035
Postal address	P O Box 3 Emalahleni 1035
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Central email contact details	admin@emalahleni.gov.za

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Audit and performance committee members

F Mudau

P Ntuli - Term ended 29 Feb 2024

M Chamane - Term ended 29 Feb 2024

S J Masite

L Thubakgale

L. Monama - Active from 1 Mar 2024

M. Mathabathe - Active from 1 Mar 2024

Emalahleni Local Municipality

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
AGSA	Auditor - General South Africa
PPE	Property, plant and equipment
MIG	Municipal Infrastructure Grant

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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 reporting period 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 were 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 he 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 ended 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 to these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved on August 31, 2024 and were signed on its behalf by:

Accounting Officer

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	11	59,214,207	69,346,046
Receivables from exchange transactions	12	819,378	898,017
Receivables from non-exchange transactions	13	166,317,202	126,118,656
VAT receivable	14	1,028,106,749	958,231,451
Consumer debtors	15	600,023,493	634,897,745
Cash and cash equivalents	16	45,534,900	38,603,278
		1,900,015,929	1,828,095,193
Non-Current Assets			
Biological assets	3	3,597,684	4,507,585
Investment property	4	1,148,045,592	1,149,527,299
Property, plant and equipment	5	5,610,003,931	5,447,492,334
Intangible assets	6	4,953,776	6,634,999
Heritage Assets	7	400,000	400,000
Other financial assets	8	1,297,358	1,138,397
		6,768,298,341	6,609,700,614
Total Assets		8,668,314,270	8,437,795,807
Liabilities			
Current Liabilities			
Finance lease obligation	17	1,099,955	1,865,494
Payables from exchange transactions	9	10,117,056,500	8,973,110,213
Consumer deposits	10	132,711,694	132,463,135
Unspent Conditional Grants	18	408,997	-
Provisions	20	89,560,941	89,002,972
		10,340,838,087	9,196,441,814
Non-Current Liabilities			
Finance lease obligation	17	277,075	2,126,512
Provisions	20	777,831,505	545,874,581
		778,108,580	548,001,093
Total Liabilities		11,118,946,667	9,744,442,907
Net Liabilities		(2,450,632,397)	(1,306,647,100)
Accumulated surplus/ (deficit)		(2,450,632,396)	(1,306,647,099)
Total Net Liabilities		(2,450,632,396)	(1,306,647,099)

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* See Note 67 & 56

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Sales of goods and rendering of services	22	18,538,567	15,855,208
Service charges	23	2,142,186,702	1,728,706,685
Rental of facilities and equipment	24	14,603,937	10,722,560
Licences and permits	26	3,076,112	3,358,073
Operational Revenue	27	20,752,685	14,875,358
Fees earned	30	1,039,876	1,249,095
Commissions received	31	42,748,877	50,151,062
Interest received revenue and investments	32	345,112,042	293,764,350
Fair value adjustments	50	-	1,890,008
Actuarial gains	35	20,158,367	47,829,000
Inventories reversal	47	4,348,806	-
Dividends received	32	26,571	73,438
Total revenue from exchange transactions		2,612,592,542	2,168,474,837
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	766,812,028	700,377,650
Interest- Taxation revenue	29	73,620,463	62,858,133
Transfer revenue			
Government grants & subsidies	36	789,393,137	716,493,012
Operational Revenue	37	552,379,333	-
Public contributions and donations	51	10,250,269	49,039,484
Fines	25	141,896,653	252,801,199
Total revenue from non-exchange transactions		2,334,351,883	1,781,569,478
Total revenue	21	4,946,944,425	3,950,044,315
Expenditure			
Employee related costs	38	(1,046,664,583)	(1,002,213,581)
Remuneration of councillors	39	(34,194,031)	(32,180,373)
Depreciation and amortisation	40	(280,572,888)	(261,059,625)
Impairments loss	41	(47,077,825)	(18,909,503)
Finance costs	42	(441,477,393)	(583,645,167)
Lease rentals on operating lease	28	(21,369,765)	(33,216,671)
Debt Impairment	52	(1,528,945,853)	(1,330,220,433)
Bulk purchases	45	(1,844,167,416)	(1,561,337,932)
Contracted services	46	(644,030,193)	(474,807,287)
Transfers and Subsidies	34	(8,485,950)	(8,395,277)
Fair value adjustments	50	(909,902)	-
Inventories losses/write-downs	47	-	(5,931,036)
Loss on disposal of assets	5	(1,942,050)	(5,460,456)
General Expenses	44	(191,091,873)	(217,518,897)
Total expenditure		(6,090,929,722)	(5,534,896,238)
Deficit for the year		(1,143,985,297)	(1,584,851,923)

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* See Note 67 & 56

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	304,222,494	304,222,494
Adjustments		
Correction of errors 56	(26,017,670)	(26,017,670)
Balance at 01 July 2022 as restated*	278,204,824	278,204,824
Changes in net assets		
Deficit for the year	(1,584,851,923)	(1,584,851,923)
Total changes	(1,584,851,923)	(1,584,851,923)
Opening balance as previously reported	(1,278,925,559)	(1,278,925,559)
Adjustments		
Correction of errors 56	(27,721,540)	(27,721,540)
Restated* Balance at 01 July 2023 as restated*	(1,306,647,099)	(1,306,647,099)
Changes in net assets		
Deficit for the year	(1,143,985,297)	(1,143,985,297)
Total changes	(1,143,985,297)	(1,143,985,297)
Balance at 30 June 2024	(2,450,632,396)	(2,450,632,396)
Note(s)		

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* See Note 67 & 56

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Taxation (Property rates and fines received)		527,340,835	640,131,221
Sale of goods and services		916,350,953	798,093,097
Government grants & subsidies		789,393,137	716,493,012
Interest income		440,329,226	400,466,075
Dividends or similar distributions received		26,571	73,438
Other receipts		82,246,985	80,338,738
		<u>2,755,687,707</u>	<u>2,635,595,581</u>
Payments			
Cash paid to Employees		(1,063,671,752)	(1,043,306,168)
Cash paid to Suppliers		(1,380,908,550)	(1,286,373,307)
Finance Costs		(3,893)	(1,391,224)
Grants paid		(8,485,950)	(8,395,277)
		<u>(2,453,070,145)</u>	<u>(2,339,465,976)</u>
Net cash flows from operating activities	48	<u>302,617,562</u>	<u>296,129,605</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(295,621,933)	(250,272,600)
Proceeds from sale of property, plant and equipment	5	2,566,130	-
Purchase of other intangible assets	6	(15,160)	-
Dividends received		-	-
		<u>(293,070,963)</u>	<u>(250,272,600)</u>
Net cash flows from investing activities		<u>(293,070,963)</u>	<u>(250,272,600)</u>
Cash flows from financing activities			
Finance lease repayments		(2,614,976)	(2,746,078)
Repayment of long term liabilities		-	(14,607,061)
		<u>(2,614,976)</u>	<u>(17,353,139)</u>
Net cash flows from financing activities		<u>(2,614,976)</u>	<u>(17,353,139)</u>
Net increase/(decrease) in cash and cash equivalents		<u>6,931,623</u>	<u>28,503,866</u>
Cash and cash equivalents at the beginning of the year		38,603,278	10,099,413
Cash and cash equivalents at the end of the year	16	<u>45,534,901</u>	<u>38,603,279</u>

The accounting policies on pages 11 to 39 and the notes on pages 39 to 98 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2024

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sales of goods and rendering of services	19,087,000	(2,415,836)	16,671,164	18,538,567	1,867,403	note 65
Service charges	2,735,619,133	(239,734,895)	2,495,884,238	2,142,186,702	(353,697,536)	Note 65
Rental of facilities and equipment	19,000,280	(1,537,910)	17,462,370	14,603,937	(2,858,433)	Note 65
Licences and permits	431,300	(7,206)	424,094	3,076,112	2,652,018	Note 65
Operational revenue	65,843,947	1,674,373	67,518,320	20,752,685	(46,765,635)	Note 65
Fees earned	-	-	-	1,039,876	1,039,876	Note 65
Commissions received	2,961,000	(86,817)	2,874,183	42,748,877	39,874,694	Note 65
Interest received - investment	311,164,650	57,399,636	368,564,286	345,112,042	(23,452,244)	
Dividends	200,000	-	200,000	26,571	(173,429)	Note 65
Total revenue from exchange transactions	3,154,307,310	(184,708,655)	2,969,598,655	2,588,085,369	(381,513,286)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	874,676,334	(81,491,795)	793,184,539	766,812,028	(26,372,511)	
Interest taxation revenue	66,483,582	17,436,213	83,919,795	73,620,463	(10,299,332)	Note 65
Transfer revenue						
Government grants & subsidies	792,554,133	(2,752,000)	789,802,133	789,393,137	(408,996)	
Operational revenue	-	-	-	552,379,333	552,379,333	Note 65
Public contributions and donations	-	-	-	10,250,269	10,250,269	Note 65
Fines	29,353,103	776,670	30,129,773	141,896,653	111,766,880	Note 65
Total revenue from non-exchange transactions	1,763,067,152	(66,030,912)	1,697,036,240	2,334,351,883	637,315,643	
Total revenue	4,917,374,462	(250,739,567)	4,666,634,895	4,922,437,252	255,802,357	
Expenditure						
Employee related cost	(1,063,988,862)	-	(1,063,988,862)	(1,046,664,583)	17,324,279	
Remuneration of councillors	(34,140,848)	-	(34,140,848)	(34,194,031)	(53,183)	
Depreciation and amortisation	(297,385,086)	-	(297,385,086)	(280,572,888)	16,812,198	
Impairment loss	-	-	-	(47,077,825)	(47,077,825)	Note 65
Finance costs	(99,331,091)	(43,240,777)	(142,571,868)	(441,477,393)	(298,905,525)	Note 65
Lease rentals on operating lease	-	-	-	(21,369,765)	(21,369,765)	Note 65
Debt Impairment	(879,007,799)	-	(879,007,799)	(1,528,945,853)	(649,938,054)	Note 65
Bulk purchases	(1,650,385,412)	5,000,000	(1,645,385,412)	(1,844,167,416)	(198,782,004)	Note 65
Contracted Services	(459,321,000)	(217,226,850)	(676,547,850)	(644,030,193)	32,517,657	
Transfers and Subsidies	(5,900,000)	(21,850,920)	(27,750,920)	(8,485,950)	19,264,970	Note 65
General Expenses	(420,029,261)	(6,823,875)	(426,853,136)	(191,091,873)	235,761,263	Note 65
Total expenditure	(4,909,489,359)	(284,142,422)	(5,193,631,781)	(6,088,077,770)	(894,445,989)	
Operating deficit	7,885,103	(534,881,989)	(526,996,886)	(1,165,640,518)	(638,643,632)	
Fair value adjustments	-	-	-	(909,902)	(909,902)	Note 65
Actuarial gains/losses	-	-	-	20,158,367	20,158,367	Note 62

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Inventories losses/write-downs	-	-	-	4,348,806	4,348,806	Note 65
Loss on non-current assets held for sale or disposal groups	-	-	-	(1,942,050)	(1,942,050)	Note 65
	-	-	-	21,655,221	21,655,221	
Deficit before taxation	7,885,103	(534,881,989)	(526,996,886)	(1,143,985,297)	(616,988,411)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	7,885,103	(534,881,989)	(526,996,886)	(1,143,985,297)	(616,988,411)	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2024	2023
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1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period, except for the changes set out in note 67 Changes in accounting policy.

1.2 Presentation currency

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

1.3 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 the foreseeable future.

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.

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Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024



1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment and other assets.

The municipality's management determines the estimated useful lives and related depreciation charges for all assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Biological assets

The municipality recognises biological assets when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

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

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

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 are depreciated on the straight-line basis over their expected useful lives.

Subsequent measurement

Subsequent to initial measurement investment property is measured at cost model. The investment property is measured at cost less accumulated depreciation and accumulated impairment. The investment property is depreciated over a period of 10 - 50 years.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

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.

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1.7 Property, plant and equipment (continued)

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.

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value

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

Infrastructure		
- Pedestrian malls	Straight-line	3-80 years
- Roads and paving	Straight-line	3-80 years
- Electricity	Straight-line	3-80 years
- Water	Straight-line	5-100 years
- Sewer	Straight-line	10-100 years
Community Assets		
- Buildings	Straight-line	5-80 years
- Recreational facilities	Straight-line	5-80 years
- Security	Straight-line	5-80 years
- Halls	Straight-line	5-80 years
- Libraries	Straight-line	5-80 years
- Parks and gardens	Straight-line	5-80 years
Finance Leased Assets		
- Office equipment	Straight-line	3-15 years
Other Assets		
- Specialist vehicles	Straight-line	4-20 years
- Motor cycles	Straight-line	3-20 years
- Trucks/Bakkies	Straight-line	4-20 years
- Busses	Straight-line	4-20 years
- Fire engines	Straight-line	3-10 years
- Computer hardware & software	Straight-line	3-15 years
- Office machines	Straight-line	3-15 years
- Air conditioners	Straight-line	3-15 years
- Furniture & fittings	Straight-line	3-15 years

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1.7 Property, plant and equipment (continued)

- Household refuse bin	Straight-line	5-15 years
- Bulk containers	Straight-line	10-55 years
- Landfill sites	Straight-line	10-55 years
- Quarries	Straight-line	10-55 years
- Emergency equipment	Straight-line	10-55 years
- Fencing	Straight-line	3-5 years
-Library books	Straight-line	15-25 Years

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (b) changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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1.9 Intangible assets

An asset is identifiable if it is either:

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.

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

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 model.

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

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, internally generated	Straight-line	5 years
Computer software, other	Straight-line	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

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.

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1.10 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.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

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1.11 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.

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.

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

Derecognition of a financial liability:

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived).

Derecognition of a financial asset:

The municipality derecognises financial assets (or part of financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the municipality has transferred all of the significant risks and rewards of ownership.

A financial asset is:

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

A financial 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 assets

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1.11 Financial instruments (continued)

Classification

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

Class	Category
Investments	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non- exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Loans	Financial liability measured at amortised cost

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1.11 Financial instruments (continued)

Initial recognition

The municipality recognises a financial asset or liability in its statement of financial position when the municipality becomes a party to the contractual provisions of instrument.

The municipality recognises financial assets using trade date accounting

Initial measurement of financial assets and financial liabilities

The municipality recognises a financial asset and financial liability initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial asset or financial liability.

Subsequent measurement of financial assets and liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories

Financial instruments at fair value

Financial instruments at amortised cost

Financial instruments at cost

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by

adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

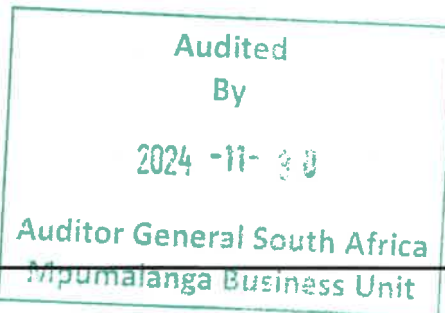
Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.11 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived; the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 municipality:

-derecognise the asset; and

-recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

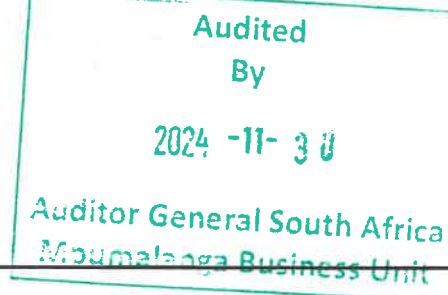
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

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1.12 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.

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.
- 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.

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1.12 Statutory receivables (continued)

In estimating the future cash flows, a 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.

1.13 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 - 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 - 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.

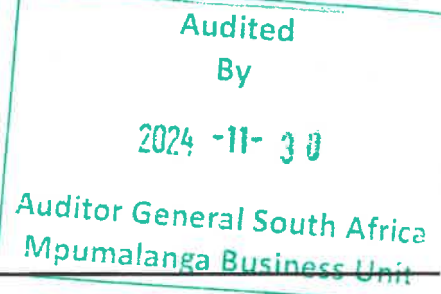
1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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1.14 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 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.

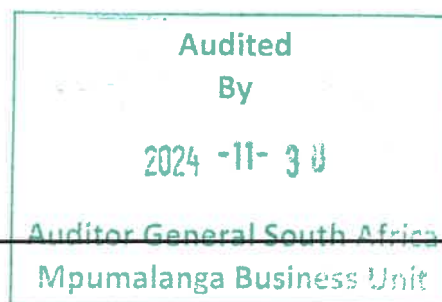
Useful life is either:

- 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.

Emalahleni Local Municipality

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1.15 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Emalahleni Local Municipality

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1.15 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

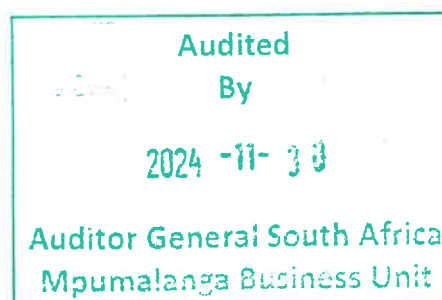
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



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1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

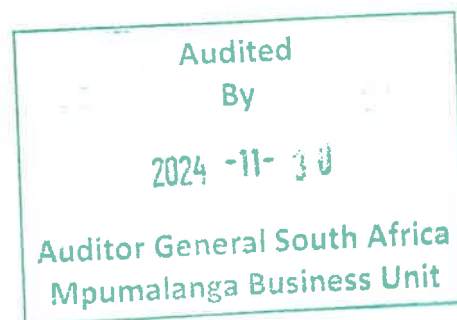
In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.



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1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, long-service awards and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.



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1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

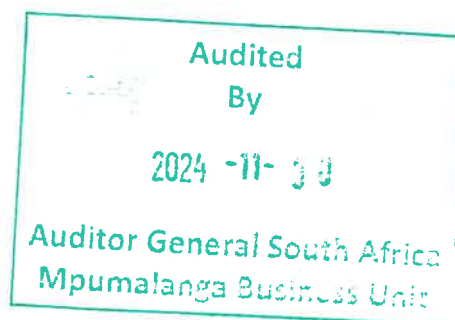
The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

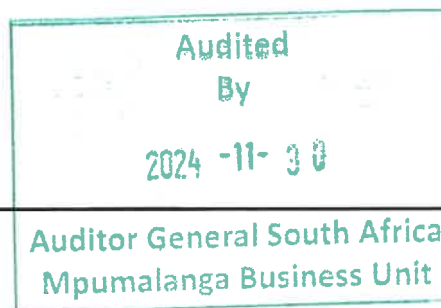
The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.



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1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.17 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.

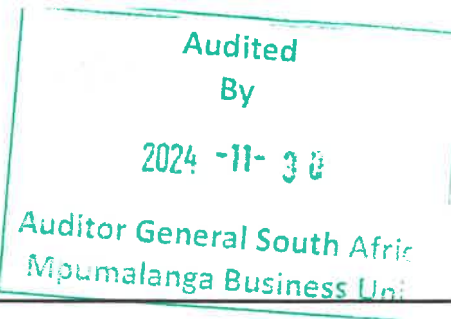
Provisions are not recognised for future operating deficit.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.17 Provisions and contingencies (continued)

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 54.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 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.

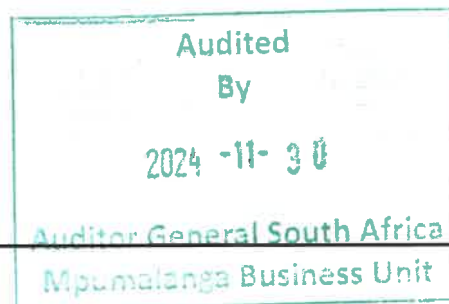
An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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.

Emalahleni Local Municipality

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1.19 Revenue from exchange transactions (continued)

Measurement

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

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 surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest and/ or 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.

1.20 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

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.

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1.20 Revenue from non-exchange transactions (continued)

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

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

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.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

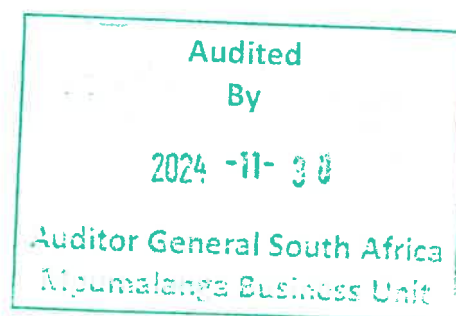
The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.



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1.20 Revenue from non-exchange transactions (continued)

Fines

Fines are economic benefits or service potential received or receivable to the Municipality from an individual or another Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or another Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summonses- section 56 of the Criminal Procedures Act, 51 of 1977).

Initial recognition and measurement

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition of an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

Government grants and donations

Government Grants can be in the form of subsidy to acquire or construct fixed assets (capital), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality..

Gifts and donations, including goods in-kind

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

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 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.

1.23 Comparative figures

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

1.24 Fruitless and wasteful expenditure

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

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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1.24 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. the expenditure is classified in accordance with nature of the expense , and where recovered , it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Unauthorised expenditure.

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense , and where recovered , it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure is expenditure 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).

1.27 Offsetting

Assets , liabilities , revenue and expenses have not been offset except when offsetting is required or permitted by standard of GRAP.

1.28 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the 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 2023/07/01 to 2024/06/30.

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.

The municipality considers any variance amount above 10%.

1.29 Segment reporting

A segment is an activity of an entity:

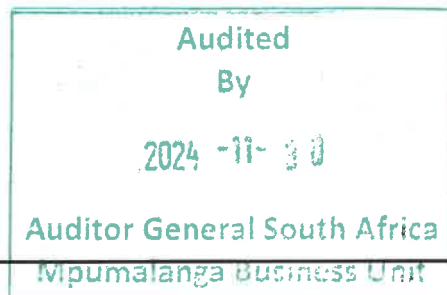
- . that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- .whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in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

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.

Emalahleni Local Municipality

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Accounting Policies



1.30 Events after reporting date

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

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

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

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

1.31 Related parties

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

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

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

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

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

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

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

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.

1.32 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

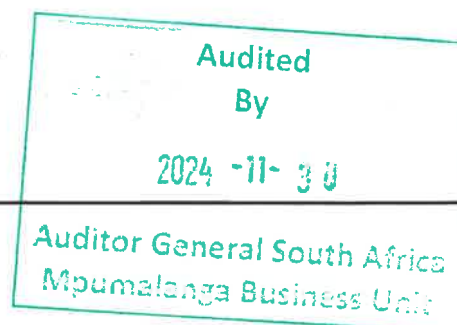
Agricultural activity is the management by a municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies



1.32 Living and non-living resources (continued)

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

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 development and, where applicable, the amount attributed to the 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.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that a municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by a municipality, or the number of production or similar units expected to be obtained from the asset by a municipality.

1.33 Prior period errors

The municipality accounts prior period error by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable. The correction of a prior period error is excluded from surplus or deficit for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.

1.34 Accounting by principals and agents

Identification

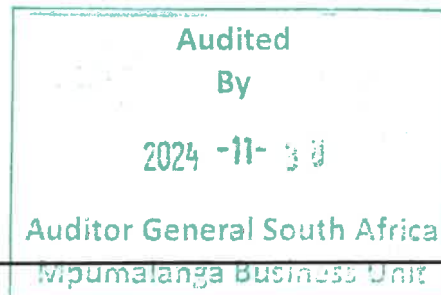
An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

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.

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies



1.34 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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2. New Standards and Interpretations

2.1 Standards and Interpretations Effective and Adopted in the Current Year

In the current year, the municipality has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Emalahleni Local Municipality

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Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Standard/ Interpretation:

Effective date:

Years beginning on or after

Expected impact:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

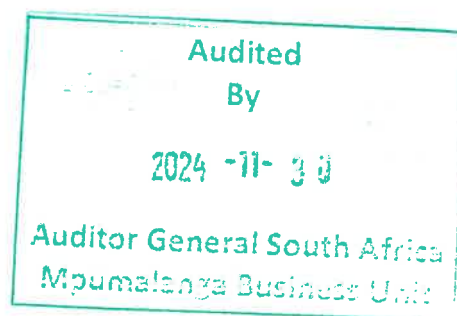
Standard/ Interpretation:

Effective date:

Years beginning on or after

Expected impact:

- | Standard/ Interpretation: | Effective date:
Years beginning on or after | Expected impact: |
|--|--|--|
| • Guideline: Guideline on Accounting for Landfill Sites | 01 April 2023 | Impact is currently being assessed |
| • GRAP 103 (as revised): Heritage Assets | 01 April 2099 | Unlikely there will be a material impact |
| • GRAP 25 (as revised): Employee Benefits | 01 April 2023 | Impact is currently being assessed |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | 01 April 2023 | Impact is currently being assessed |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | 01 April 2099 | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Impact is currently being assessed |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Impact is currently being assessed |



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

Notes to the Annual Financial Statements

Figures in Rand

3. Biological assets

	2024		2023			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game in nature reserve	3,597,684	-	3,597,684	4,507,585	-	4,507,585

Reconciliation of biological assets - June 2024

Game in nature reserve

Opening balance	Fair valueadjust ment	Total
4,507,585	(909,901)	3,597,684

Reconciliation of biological assets - June 2023

Game in nature reserve

Opening balance	Fair valueadjust ment	Total
2,691,549	1,816,036	4,507,585

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Notes to the Annual Financial Statements

Figures in Rand

4. Investment property

2024		2023	
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
1,207,166,830	(59,121,238)	1,148,045,592	1,207,166,830
			(57,639,531)
			1,149,527,299

Investment property

Reconciliation of investment property - June 2024

Opening balance	Impairments	Depreciation	Total
1,149,527,299	(94,181)	(1,387,526)	1,148,045,592

Investment property

Reconciliation of investment property - June 2023

Opening balance	Other changes, movements	Depreciation	Total
899,880,794	251,031,483	(1,384,978)	1,149,527,299

Investment property

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

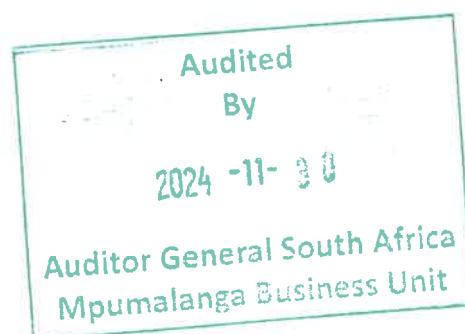
Figures in Rand	2024	2023
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4. Investment property (continued)

Pledged as Security

None of the investment property owned by the municipality has been pledged as a security during the 2023/24 financial year

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.



Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2024		2023	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
			Accumulated depreciation and impairment	Carrying value
Land	282,900,402	-	282,900,402	282,900,402
Other PPE	35,885,506	(27,128,730)	8,756,776	34,111,400
Furniture and fixtures	58,042,613	(40,200,204)	17,842,409	49,370,788
Motor vehicles	151,105,559	(105,360,763)	45,744,796	150,103,789
Buildings,	1,399,523,968	(944,300,684)	455,223,284	1,393,275,847
Electricity mains	2,321,485,287	(1,140,359,541)	1,181,125,746	2,195,364,873
Water infrastructure assets	2,128,163,930	(819,470,119)	1,308,693,811	2,028,558,210
Sewerage	2,089,048,976	(1,039,645,199)	1,049,403,777	2,035,521,087
Roads	3,450,704,145	(2,470,003,058)	980,701,087	3,449,421,739
Emergency equipment	2,143,043	(2,123,383)	19,660	2,143,043
Tip sites	350,949,147	(73,630,211)	277,318,936	173,069,360
Leased Assets	7,778,117	(6,310,234)	1,467,883	7,119,260
Library books	2,365,511	(1,560,147)	805,364	2,365,511
Total	12,280,096,204	(6,670,092,273)	5,610,003,931	11,803,325,309
			(6,355,832,975)	5,447,492,334

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Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2024

	Opening balance	Additions	Additions through transfer Work in progress	Disposals	Transfers	WIP Transfer out	Cost adjustments	Depreciation	Impairment loss	Total
Land	282,900,402	-	-	-	-	-	-	-	-	282,900,402
Other Property, plant and equipment	9,136,405	1,734,013	-	(132,007)	220,000	-	-	(2,064,458)	(137,177)	8,756,776
Furniture and fixtures	13,185,070	3,946,200	-	(76,440)	4,874,666	-	-	(4,029,383)	(57,704)	17,942,409
Motor vehicles	55,027,242	-	-	(1,729,481)	3,641,000	-	-	(11,124,081)	(69,884)	45,744,796
Buildings	487,240,011	6,765,728	6,057,523	-	-	(6,575,127)	-	(31,762,283)	(6,502,568)	455,223,284
Electricity mains	1,127,464,888	134,797,622	62,871,267	-	-	(71,548,476)	-	(55,953,610)	(16,505,945)	1,181,125,746
Water infrastructure	1,260,370,116	70,256,567	81,451,114	-	-	(52,101,961)	-	(40,995,047)	(10,286,978)	1,308,693,811
Sewer	1,035,205,479	9,413,085	44,114,804	-	-	-	-	(29,346,731)	(9,982,860)	1,049,403,777
Roads	1,065,285,151	1,282,404	-	-	-	-	-	(84,945,284)	(921,184)	980,701,087
Emergency equipment	27,334	-	-	-	-	-	-	(7,674)	-	19,660
Tip sites	107,603,215	9,178,852	2,893,886	-	-	(9,386,804)	184,372,704	(14,823,573)	(2,519,344)	277,318,936
Leased Assets	3,163,482	667,204	-	(4,124)	-	-	-	(2,358,679)	-	1,467,883
Library books	883,539	-	-	-	-	-	-	(78,175)	-	805,364
Undefined Difference	-	-	-	-	-	-	-	-	1	-
	5,447,492,334	238,041,675	197,388,594	(1,942,052)	8,735,666	139,612,368	184,372,704	277,488,978	(46,983,644)	5,610,003,931

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2023

	Opening balance	Additions	Additions through Work in progress	Disposals	WIP Transfer out	Transfers	Cost adjustment	Other changes, movements	Depreciation	Impairment loss	Total
Land	533,931,886	-	-	-	-	-	-	-251,031,484	-	-	282,900,402
Other Property, plant and equipment	10,280,596	1,055,703	-	(44,079)	-	-	-	-	(1,950,472)	(205,343)	9,136,405
Furniture and fixtures	12,522,132	1,535,242	-	(42,728)	-	2,321,980	59,085	-	(3,089,518)	(121,123)	13,185,070
Motor vehicles	63,706,653	3,349,453	-	(909,102)	-	947,826	-	-	(12,006,878)	(60,710)	55,027,242
Buildings..	487,216,530	36,353,094	13,219,410	-	(14,504,962)	-	-	(337)	(31,089,962)	(3,953,762)	487,240,011
Electricity mains	1,089,887,179	65,778,056	42,948,141	(4,451,756)	-	-	-	24,759	(52,152,927)	(14,568,564)	1,127,464,888
Water infrastructure assets	1,240,857,704	7,579,784	51,317,981	-	-	-	-	(2,083)	(39,383,270)	-	1,260,370,116
Sewer	999,990,153	9,047,600	54,800,995	-	-	-	-	-	(28,633,269)	-	1,035,205,479
Roads	1,124,506,622	61,222,109	5,326,538	-	(41,892,198)	-	-	-	(83,877,920)	-	1,065,285,151
Emergency equipment	35,381	-	-	-	-	-	-	-	(8,047)	-	27,334
Tip sites	33,070,245	2,063,678	6,492,916	-	-	-	-	-	(2,826,255)	-	107,603,215
Leased Assets	5,464,988	-	-	(12,790)	-	-	68,802,631	-	(2,288,716)	-	3,163,482
Library books	964,028	-	-	-	-	-	-	-	(80,489)	-	883,539
	5,602,434,097	187,984,719	174,105,981	(5,460,455)	(56,397,160)	3,269,806	68,861,716	251,009,145	257,387,723	(18,909,502)	5,447,492,334

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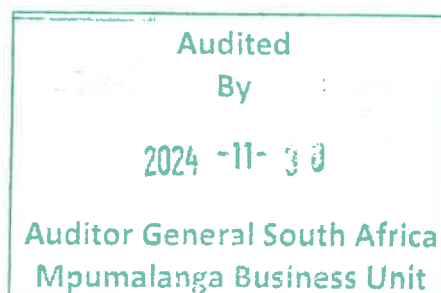
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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
5. Property, plant and equipment (continued)		
work in progress projects taking long to complete		
During the 2023/24 financial year the following work on progress projects were designated as taking long to complete due to budget constraints.		
MIG- internal Sewers for Empumelelweni	37,684,444	-
Upgrading of Naauwpoort Sewerage treatment works	13,285,330	-
Filter sand replacement for manganese treatment	14,632,486	-
Design and construction of Klarinet and Siyanqoba bulk water supply	8,634,390	-
Paved roads & stormwater Hlalanikahle road 1 & 2	5,097,881	-
Paved roads in Klarinet	1,362,288	-
MIG - upgrading & refurb Vwtp Klipspruit	14,959,360	-
Electrification of 350 units at Siyanqoba township	5,472,205	-
Siyanqoba Bulk Phase 4	23,085,049	-
Klarinet bulk water phase 1	7,551,545	-
Refurbishment and automation of Witbank Water Treatment Works	18,546,393	-
Doornpoort pump station and pumping main	21,405,432	-
upgrading of ferrobank sewerage treatment works	36,400,976	-
Scada system	7,574,565	-
UPGRADING OF KLIPSPRUIT WASTE WATER TREATMENT WORKS	136,870,290	-
Klarinet and Siyanqoba bulk water supply phase 2	24,624,390	-
Emalahleni water infrastructure rehabilitation for COVID 19 (1.1 & 1.3)	943,000	-
Construction of internal roads in Empumelelweni ward 23	674,395	-
Construction of Empumelelweni pump station	2,334,345	-
Upgrading of Nauwpoort waste water treatment works	2,685,090	-
Paved road & storm water Kwaguqa ext 11 road 1 & 2	407,521	-
Installation of Protective Structures	961,340	-
EMPUMELELWENI BULK OUTFALL SEWERLINE AND PUMP STATION	32,247,723	-
siyanqoba bulk	23,071,569	-
Reservoir B high water supply zone water reticulation	34,518,456	-
	475,030,463	-

THE FOLLOWING PROJECTS WERE DELAYED DUE TO GRANT ALLOCATION BEING INSUFFICIENT: Filter Sand Replacement For Manganese Treatment,Paved Roads & Stormwater,Hlalanikahle Road 1 & 2,Paved Roads In Klarinet, Electrification Of 350 Units At Siyanqoba Township, Scada System, Emalahleni Water Infrastructure Rehabilitation For Covid 19 (1.1 & 1.3), Doornpoort Pump Station And Pumping Main, Construction Of Internal Roads In, Empumelelweni Ward 23, Installation Of Protective Structures, Reservoir B High Water Supply Zone Water Reticulation Network. Upgrading Of Naauwpoort Sewerage Treatment Works.

THE FOLLOWING PROJECTS ARE MULTI-YEAR PROJECT Empumelelweni Bulk Outfall Sewerline And Pump Station, Design And Construction Of Klarinet And, Siyanqoba Bulk Water Supply, Upgrading Of Klipspruit Waste Water Treatment Works, Mig - Upgrading &, Refurb Wwtp Klipspruit, Klarinet Bulk Water Phase 1, Refurbishment And Automation Of Witbank Water Treatment Works, Klarinet And Siyanqoba Bulk Water Water Supply Phase 2, Siyanqoba Bulk Phase 4, Upgrading Of Nauwpoort Waste Water Treatment Works, Siyanqoba Bulk THE FOLLOWING PROJECTS WERE DELAYED DUE CONTRACTUAL DISPUTES AND COMMUNITY RESISTANCE Mig- Internal Sewers For Empumelelweni, Upgrading Of Ferrobank Sewerage Treatment Works, Construction Of Empumelelweni Pump Station, Paved Road & Storm Water Kwaguqa Ext 11 Road 1 & 2



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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress- June 2024

	Opening balance	Additions	Transfers	Closing balance
Buildings	1,478,944	6,057,523	(6,575,127)	961,340
Electricity	84,130,480	62,871,267	(71,548,476)	75,453,271
Roads and stormwater	7,542,086	-	-	7,542,086
Sanitation	230,018,410	44,114,804	-	274,133,214
Water	175,320,812	81,451,114	(52,101,961)	204,669,965
Tip sites	6,492,917	2,685,933	(9,178,850)	-
	504,983,649	197,180,641	(139,404,414)	562,759,876

Reconciliation of Work-in-Progress June 2023

	Opening balance	Additions	Transfers	Closing balance
Buildings	2,764,496	13,219,410	(14,504,962)	1,478,944
Electricity	41,182,339	42,948,141	-	84,130,480
Roads and stormwater	44,107,746	5,326,538	(41,892,198)	7,542,086
Sanitation	175,217,416	54,800,994	-	230,018,410
Water	124,002,829	51,317,983	-	175,320,812
Tip sites	-	6,492,917	-	6,492,917
	387,274,826	174,105,983	(56,397,160)	504,983,649

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

Contracted services - Buildings	1,421,823	4,103,538
Contracted services - Equipment	308,772,038	213,792,772
Contracted services - Sewer	34,141,776	15,893,321
	344,335,637	233,789,631

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

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6. Intangible assets

2024			2023		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
20,665,768	(15,711,992)	4,953,776	20,650,608	(14,015,609)	6,634,999

Computer software, other

Reconciliation of Intangible Assets - June 2024

Opening balance	Additions	Amortisation	Total
6,634,999	15,160	(1,696,383)	4,953,776

Computer software, other

Reconciliation of intangible assets -June 2023

Opening balance	Amortisation	Total
8,921,923	(2,286,924)	6,634,999

Computer software, other

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7. Heritage Assets

		2024		2023	
		Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
				Accumulated impairment losses	Carrying value
Sculptures		400,000	-	400,000	-
					400,000

Reconciliation of Heritage Assets- June 2024

		Opening balance 400,000	Total 400,000
Sculptures			

Reconciliation of heritage assets June 2023

		Opening balance 400,000	Total 400,000
Sculptures			

8. Other financial assets

Designated at fair value

Listed shares-Old Mutual

Listed shares - Quilter

Listed shares - Nedbank

504,112	493,126
320,939	224,227
472,307	421,044

1,297,358 **1,138,397**

Non-current assets

Designated at fair value

1,297,358 **1,138,397**

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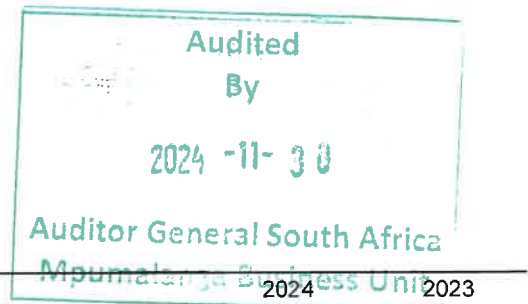
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9. Payables from exchange transactions

Trade payables	9,853,999,005	8,700,410,818
Payments received in advanced - contract in process	92,908,421	110,447,072
Retentions	60,671,145	53,279,896
Other Creditors	81,692,914	76,169,610
Unallocated Deposits	27,785,015	32,802,817
	10,117,056,500	8,973,110,213

10. Consumer Deposits

Electricity	63,399,644	63,621,873
Water	55,192,702	54,413,647
Housing rental	14,119,348	14,427,615
	132,711,694	132,463,135

11. Inventories

Water stock	1,775,517	1,411,855
Purification material	3,164,458	23,323,886
Consumable stores	52,353,715	42,687,160
Face value documents	1,920,517	1,923,145
	59,214,207	69,346,046

12. Receivables from exchange transactions

Other Receivables	759,378	838,017
Recoverable projects	60,000	60,000
	819,378	898,017

13. Receivables from non-exchange transactions

Traffic fines	189,829,697	389,691,637
Less: impairment (Traffic fines)	(162,554,961)	(339,091,160)
Consumer debtors - Rates	1,264,059,516	996,239,806
Less: impairment (Rates)	(1,125,017,050)	(920,721,627)
	166,317,202	126,118,656

Rates - Net balance

31-60 days	33,589,619	18,382,747
61-90 days	33,474,390	18,319,685
91-120 days	34,278,200	18,759,590
121-365 days	25,401,756	13,901,737
>365 days	11,245,577	6,154,419
	137,989,542	75,518,178

Reconciliation of provision for impairment for statutory receivables

Balance at beginning of year	1,205,830,706	1,135,997,978
Contribution to allowance for impairment	204,295,423	69,832,728
	1,410,126,129	1,205,830,706

Emalahleni Local Municipality

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13. Separate financial statements (continued)

Statutory receivables general information

Statutory Receivables Statutory Receivables

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates and discounts against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt.

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

The average collection rate was used to assess and test whether a statutory receivable is impaired. The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to collectable debt.

Discount rate applied to the estimated future cash flows

8.25% was used to discount the future cashflows, however the impact was minimal therefore the impairment was not adjusted.

14. VAT Receivable

VAT	1,028,106,749	958,231,451
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Value added tax is based on the VAT Act 89 of 1991.

15. Consumer Debtors

Gross balances

Electricity	1,990,664,377	1,452,176,963
Water	2,356,862,809	2,009,661,058
Sewerage	829,947,881	701,759,884
Refuse	648,168,914	515,140,974
Sundry Debtors	1,770,839,398	1,763,808,191
	7,596,483,379	6,442,547,070

Less: Allowance for impairment

Electricity	(1,681,902,976)	(1,194,208,765)
Water	(2,183,619,312)	(1,840,598,876)
Sewerage	(783,332,956)	(662,022,882)
Refuse	(584,310,096)	(466,541,398)
Sundry Debtors	(1,763,294,546)	(1,644,277,410)
	(6,996,459,886)	(5,807,649,331)

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15. Consumer Debtors (continued)

Net balance

Electricity	308,761,401	257,968,202
Water	173,243,497	169,062,184
Sewerage	46,614,925	39,737,002
Refuse	63,858,818	48,599,576
Sundry Debtors	7,544,852	119,530,781
	600,023,493	634,897,745

Electricity

Current (0 -30 days)	21,428,131	17,943,491
31 - 60 days	32,142,204	26,915,242
61 - 90 days	42,856,271	35,886,989
91 - 120 days	25,713,762	21,532,193
121 - 365 days	39,266,217	32,298,290
> 365 days	147,354,816	123,391,993
	308,761,401	257,968,198

Water

Current (0 -30 days)	5,994,205	5,849,532
31 - 60 days	4,399,433	4,293,251
61 - 90 days	4,979,400	4,859,220
91 - 120 days	4,641,505	4,529,480
121 - 365 days	4,121,803	4,022,321
> 365 days	149,107,151	145,508,380
	173,243,497	169,062,184

Sewerage

Current (0 -30 days)	2,219,758	1,892,238
31 - 60 days	4,439,516	3,784,476
61 - 90 days	6,659,275	5,676,715
91 - 120 days	8,879,033	7,568,953
121 - 365 days	11,098,791	9,461,191
> 365 days	13,318,549	11,353,429
	46,614,922	39,737,002

Refuse

Current (0 -30 days)	2,359,405	1,795,619
31 - 60 days	1,646,304	1,252,915
61 - 90 days	1,538,765	1,171,073
91 - 120 days	1,447,628	1,101,713
121 - 365 days	1,492,593	1,135,934
> 365 days	55,374,123	42,142,322
	63,858,818	48,599,576

Other (specify)

Current (0 -30 days)	369,089	5,847,361
31 - 60 days	1,107,266	17,542,082
61 - 90 days	738,178	11,694,721
91 - 120 days	1,107,266	17,542,081
121 - 365 days	1,107,266	17,542,082
> 365 days	3,115,787	49,362,454
	7,544,852	119,530,781

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15. Consumer Debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(5,807,649,327)	(4,621,444,940)
Contributions to allowance	(1,188,810,559)	(1,186,204,387)
	(6,996,459,886)	(5,807,649,327)

Consumer debtors past due but not impaired

There were no consumer debtors that would otherwise be past due or impaired whose terms have been renegotiated.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	2,793	17,654
Bank balances	18,348,590	21,529,974
Collateral investments	299,338	277,857
Market accounts	1,369,262	307,617
Call accounts	25,514,917	16,470,176
	45,534,900	38,603,278

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA BANK - Main account - 136-000-0091	15,701,233	17,554,290	8,251,828	17,113,935	20,268,657	(18,459,776)
ABSA BANK - Licensing - 408-089-0928	67,408	1,763,337	6,560,474	81,179	1,777,022	5,575,334
ABSA BANK - Traffic fines - 408-089-0910	1,209,248	(459,934)	1,855,393	1,153,477	(515,705)	1,801,561
ABSA BANK- Market -136-000-0067	199,734	307,617	31,528	1,369,262	307,617	1,005,395
ABSA BANK - MIG call - 408-088-5959	17,049,536	7,516,464	2,159,787	17,049,536	7,516,464	2,159,787
ABSA BANK - DOE call - 408-088-6078	144,873	8,309,990	11,843,426	144,873	8,309,990	11,843,426
ABSA BANK - SALARIES call - 408- 686 - 9555	321,383	151,123	-	321,383	151,123	-
ABSA BANK - Call - 408-137-2218	1,020,721	490,599	5,882,836	1,020,721	490,599	5,882,836
ABSA BANK - EEDSM call- 937 - 791-5989	6,747,165	1,007	-	6,747,165	1,000	-
ABSA BANK-DISASTER RELIEF FUND-4100278280	67,858	-	-	74,175	-	-
ABSA BANK- ELECTRICITY DEBT RELIEF ACCOUNT- 9382278748	101,000	-	-	101,000	-	-
ABSA BANK - WSIG call- 937- 791-6919	56,064	1,007	-	56,064	1,000	-
NEDBANK BANK - Collateral	229,622	-	9,803	229,622	213,960	9,803
FNB BANK - Collateral	69,716	-	252,667	69,716	63,897	252,667
Petty cash	2,793	17,694	-	2,793	17,654	28,389
Total	42,988,354	35,653,194	36,847,742	45,534,901	38,603,278	10,099,422

Emalahleni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
17. Finance lease obligation		
Minimum lease payments due		
- within one year	1,116,185	2,490,164
- in second to fifth year inclusive	277,075	2,282,236
	1,393,260	4,772,400
less: future finance charges	(16,230)	(155,724)
Present value of minimum lease payments	1,377,030	4,616,676
Present value of minimum lease payments due		
- within one year	1,099,955	2,490,164
- in second to fifth year inclusive	277,075	2,282,236
	1,377,030	4,772,400
Non-current liabilities	277,075	2,126,512
Current liabilities	1,099,955	1,865,494
	1,377,030	3,992,006

18. Unspent Conditional Grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Education and Training SETA	408,997	-
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See note 36 for reconciliation of grants from National/Provincial Government.

19. Other financial liabilities

At amortised cost

Other financial liability 1	508	-
Terms and conditions		
Other financial liability 2	(508)	-
Terms and conditions		
	-	-
Total other financial liabilities	-	-

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20. Provisions

Reconciliation of Provisions - June 2024

	Opening Balance	Additions	Interest	Total
Landfill sites	293,136,581	184,372,704	30,955,220	508,464,505
Employee benefit cost	252,738,107	16,628,893	-	269,367,000
Provision for staff leave	89,002,865	558,076	-	89,560,941
	634,877,553	201,559,673	30,955,220	867,392,446

Reconciliation of provisions - June 2023

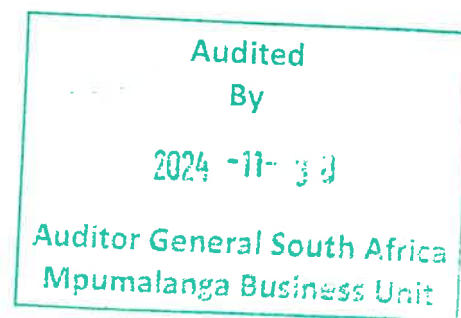
	Opening Balance	Additions	Reversed during the year	Interest	Total
Landfill sites	202,376,142	68,802,631	-	21,957,808	293,136,581
Employee benefit cost	261,022,107	-	(8,284,000)	-	252,738,107
Provision for staff leave	89,631,087	-	(628,222)	-	89,002,865
	553,029,336	68,802,631	(8,912,222)	21,957,808	634,877,553
Non-current liabilities				777,831,505	545,874,581
Current liabilities				89,560,941	89,002,972
				867,392,446	634,877,553

Landfill sites provision

The liability arose as a result of the obligation to rehabilitate the municipal landfill sites at the end of its useful life. The outflow is expected to occur at the end of the useful life of the land fill sites. No uncertainties were identified that may indicate a materially difference in the timing of the outflows. No major assumptions were made other than the matters that resulted in the change in estimate of the remaining useful lives of some of the land fill sites. Furthermore, no reimbursements are expected.

2024	Leeuwpoot	Ga-Nala	Phola
Net Present Value	289 167 623.85	143 249 859.28	76 046 992.60
2023	Leeuwpoot	Ga-Nala	Phola
Net Present Value	110 446 239	103 913 827	78 776 485

Post employment medical aid benefits



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20. Provisions (continued)

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme. All existing continuation members (pensioners) will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R 5546.38 (per month per employee) for the period from 1 July 2024 to 30 June 2025.

The amounts recognised in the statement of financial position and performance is as follows:

Accrued Liability as 30 June 2023	R252 738 000
Current Service Cost	R10 180 000
Interest Cost	R33 411 000
Benefit paid	-R6 803 633
Actuarial Loss/(Gain)	-R20 158 367
Accrued Liability as at 30 June 2024	R269 367 000

The post-employment benefit plan is wholly unfunded. Contributions to the medical aid are Defined benefit plan.

Assumptions for actuarial valuation

Assumptions for actuarial valuation Assumptions made from the actuarial valuation as at 30 June 2024 were as follows:

	2024	2023
Discount rate	13,80%	14.14%
Consumer inflation	8,17%%	8.17%
Medical inflation	9,67 %	10.09%
Net Effective Discount rate	3,77%	3.68%
Maximum subsidy inflation rate	75% of inflation	75% of inflation
Average retirement Age (years)	63	63
Normal retirement age (years)	65	65

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

2024	-20% Mortality rate	Valuation assumption	+20% Mortality rate
Total accrued Liability	R287 170 000	R269 367 000	R253 976 000
Interest Cost	R36 002 000	R33 543 000	R31 764 000
Service Cost	R10 735 000	R10 037 000	R9 423 000
2023	-20% Mortality rate	Valuation assumption	+20% Mortality rate
Total accrued Liability	R269 342 000	R252 738 000	R238 342 000
Interest Cost	R35 645 000	R33 411 000	R31 473 000

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20. Provisions (continued)

Service Cost	R10 880 000	R10 180 000	R9 563 000
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Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

2024

	-1% Mortality rate	Valuation assumption	+1% Medical aid inflation
Total accrued Liability	R254 034 000	R269 367 000	R280 177 000
Interest Cost	R31 759 000	R33 543 000	R35 114 000
Service Cost	R9 324 000	R10 037 000	R10 491 000

2023

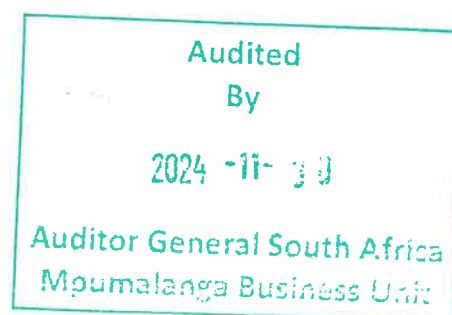
	-1% Mortality rate	Valuation assumption	+1% Medical aid inflation
Total accrued Liability	R238 725 000	R252 738 000	R262 724 000
Interest Cost	R31 514 000	R33 411 000	R34 758 000
Service Cost	R9 498 000	R10 180 000	R10 627 000

Provision for staff leave and long service award

Provision for employee entitlement to annual leave represents the present obligation the municipality has as a result of employees' services provided up to the reporting date. The provision is calculate using salary rates effective at the reporting date and 250 working days. Employees are entitled to 24 days in case of a 5-day worker and 27 days in case of a 6-day worker in terms of the basic condition of employment Act chapter 3. Employees are allowed to accumulate up to 48 days and leave in excess of 48 hours will be forfeited in terms of the collective agreement. Employees are not allowed to encash their leave however leave is paid out upon termination of employment.

In terms of the basic condition of employment Act chapter 3, where an employee has been in employ and served Emalahleni Local municipality for a period of 5 years or more, such employee will be entitled to additional leave days as follows and employees will be allowed to encash the leave days as long service awards up to a maximum period of 12 months from the day of entitlement:

- 5 years' service-5 working days
- 10 years' service-10 working days
- 15 years' service-20 working days
- 20 years' service -30 working days
- 30-45 years' service-30 working days



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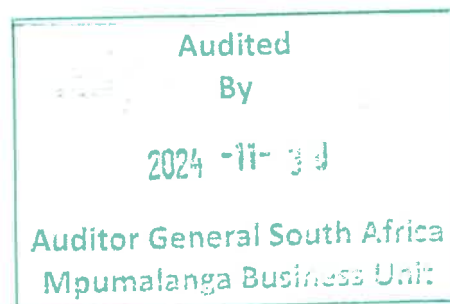
Figures in Rand	2024	2023
21. Revenue		
Sale of goods	18,538,567	15,855,208
Service charges	2,142,186,702	1,728,706,685
Rental of facilities and equipment	14,603,937	10,722,560
Licences and permits	3,076,112	3,358,073
Miscellaneous other revenue	20,752,685	14,875,358
Fees earned	1,039,876	1,249,095
Commissions received	42,748,877	50,151,062
Interest received - investment	345,112,042	293,764,350
Dividends or similar distributions received	26,571	73,438
Property rates	766,812,028	700,377,650
Interest, Dividends and Rent on Land	73,620,463	62,858,133
Government grants & subsidies	789,393,137	716,493,012
Levies	552,379,333	-
Public contributions and donations	10,250,269	49,039,484
Fines, Penalties and Forfeits	141,896,653	252,801,199
	4,922,437,252	3,900,325,307

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

Sale of goods	18,538,567	15,855,208
Service charges	2,142,186,702	1,728,706,685
Rental of facilities and equipment	14,603,937	10,722,560
Licences and permits	3,076,112	3,358,073
Miscellaneous other revenue	20,752,685	14,875,358
Fees earned	1,039,876	1,249,095
Commissions received	42,748,877	50,151,062
Interest received - investment	345,112,042	293,764,350
Dividends or similar distributions received	26,571	73,438
	2,588,085,369	2,118,755,829

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

Taxation revenue		
Property rates	766,812,028	700,377,650
Interest and Rent on Land	73,620,463	62,858,133
Transfer revenue		
Government grants & subsidies	789,393,137	716,493,012
Levies	552,379,333	-
Public contributions and donations	10,250,269	49,039,484
Fines, Penalties and Forfeits	141,896,653	252,801,199
	2,334,351,883	1,781,569,478



Emalahleni Local Municipality

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Figures in Rand	2024	2023
22. Sales of goods and rendering of services		
Sales of goods and rendering of services		
Sale of Scrap	2,566,131	-
Valuation Rolls	3,106	4,381
Photo copies; Faxes and Telephone charges	57,322	57,857
Fire Services	220,517	382,782
Entrance Fees	1,538,464	1,321,287
Clearance Certificates	908,374	1,062,745
Cemetery and Burial	1,275,425	1,566,176
Building Plan Approval	4,957,210	5,152,146
Advertisements	6,238,706	5,437,504
Amendment Fees	773,312	870,330
	18,538,567	15,855,208
23. Service Charges		
Sale of electricity	1,401,421,275	1,045,994,585
Sale of water	413,944,130	391,876,911
Refuse removal	171,185,246	145,152,082
Sewerage and sanitation charges	155,636,051	145,683,107
	2,142,186,702	1,728,706,685
24. Rental of Facilities and Equipment		
Facilities and equipment		
Rental of facilities	14,603,937	10,722,560
25. Fines		
Building Fines	4,173,752	2,762,459
Law Enforcement Fines	83,175	-
Overdue Books Fines	1,189	103
Pound Fees Fines	9,710	7,045
Municipal Traffic Fines	137,628,827	250,031,592
	141,896,653	252,801,199
26. Licences and Permits		
Health Certificates	9,600	12,645
Flammable liquid licences	353,093	359,547
Hawkers association	283,742	168,790
Licences and Permits (Drivers Licence Certificate)	2,429,677	2,817,091
	3,076,112	3,358,073

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Emalahleni Local Municipality

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Figures in Rand	2024	2023
27. Operational Revenue		
Comission	9,674,114	-
Staff and Councillors Recoveries	42,453	55,916
Request for Information:Plan Printing and Duplicates	2,226,987	2,361,532
Merchandising; Jobbing and Contracts	-	4,315,864
Insurance Refund	4,617,633	2,945,769
Incidental Cash Surpluses	-	10,054
Discounts and Early Settlements	77	12,164
Sale of property	-	53,500
Breakages and Losses Recovered	914	87
Collection Charges	8,603	5,961
Administrative Handling Fees	4,181,904	5,114,511
	20,752,685	14,875,358
28. Lease Rentals on Operating Lease		
Plant and equipment		
Contractual amounts	21,369,765	33,216,671
29. Interest from Non-Exchange Receivables		
Interest - Taxation revenue	73,620,463	62,858,133
30. Fees Earned		
Fees earned	1,039,876	1,249,095
31. Commission Received		
Collection commission	42,748,877	50,151,062

The municipality entered into an agreement with the Mpumalanga Department of Roads and Transport in May 2006 and the duration of the contract was set to continue indefinitely or unless the agreement is terminated or there is a breach by the municipality. Under this agreement the municipality is liable to provide the following services:

Vehicle registration

Issue Learners licences

Issue Drivers licences

Motor vehicle testing

For the service provided by the municipality one-half of the Principal, the municipality receives a 20% commission and transfer over to the principal the 80% collected for the above services. The municipality is responsible to insure the department against any loss of monies collected and also in transits for deposit at the bank and also theft by the municipal employees,agents,contractors and sub-contractors. The agreement with the Mpumalanga Department of Roads and Transport came to an end on the 30 April 2024.

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Figures in Rand	2024	2023
32. Interest received revenue and investments		
Dividend revenue		
Listed financial assets - Local	26,571	73,438
Interest revenue		
Investments	8,570,075	4,576,262
Interest charged on Consumer debtors and property rentals	336,541,967	289,188,088
	345,112,042	293,764,350
	345,138,613	293,837,788

33. Property Rates

Rates received

Property rates	766,812,028	700,377,650
----------------	-------------	-------------

Valuations

Residential	40,250,775,600	39,828,400,200
Commercial	8,838,488,900	8,742,057,500
State	982,163,800	949,543,800
Municipal	2,251,092,250	2,251,152,250
Other	8,572,008,620	8,612,147,620
	60,894,529,170	60,383,301,370

The last general valuation came into effect on 1 July 2018. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

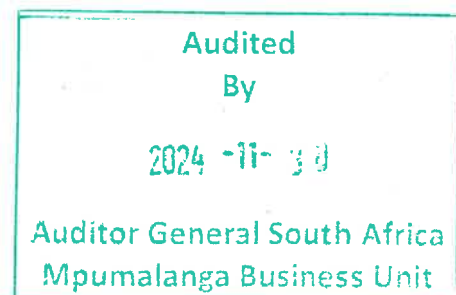
34. Transfer and Subsidies

Other subsidies

Grants and subsidies paid to Indigents	8,485,950	8,395,277
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35. Actuarial Gains

Actuarial gains	20,158,367	47,829,000
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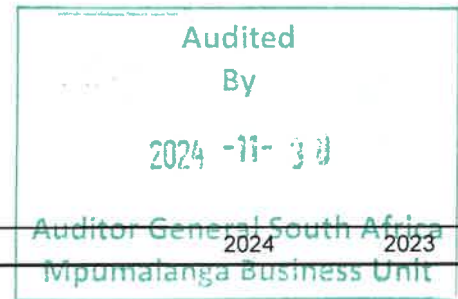


Emalahleni Local Municipality

Annual Financial Statements for the year-ended 30 June 2024

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36. Government Grants & Subsidies

Operating grants

Equitable share	558,930,000	493,518,578
Municipal infrastructure Grant	218,029	5,670,908
Expanded Public Works Programme	5,338,000	6,151,000
National Treasury(Fin.Man.Grant)	3,000,000	3,000,000
Municipal Disaster Relief Grant	13,000,000	-
Education and Training SETA	1,292,137	2,048,433
	581,778,166	510,388,919

Capital grants

Provincial Treasury Grant	-	5,000,000
Municipal Infrastructure Grant	134,159,971	132,004,093
Integrated National Electrical Programme	53,455,000	49,100,000
Energy Efficiency	5,000,000	5,000,000
Water Services Infrastructure Grant	15,000,000	15,000,000
	207,614,971	206,104,093
	789,393,137	716,493,012

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community member. All registered indigents receive a monthly subsidy of R 0 - (2023: R268), which is funded from the grant.

Extended Public Works Programme

Current-year receipts	5,338,000	6,151,000
Conditions met - transferred to revenue	(5,338,000)	(6,151,000)
	-	-

This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements including the provision of roads, sewerage, water and fencing.

Municipal Infrastructure Grant

Current-year receipts	134,378,000	137,675,000
Conditions met - transferred to revenue	(134,378,000)	(137,675,000)
	-	-

This grant was used to provide specific capital finance for basic municipal infrastructure backlogs for poor to micro enterprise and social institutions poor communities.

Financial Management Grant

Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-

This grant was used to promote and support reforms in financial management by building capacity to implement the local government municipal finance management act.

Municipal Revenue Enhancement

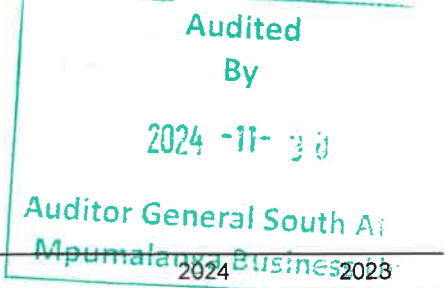
Balance unspent at beginning of year	-	9,804
Conditions met - transferred to revenue	-	(9,804)

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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36. Government Grants & Subsidies (continued)

-	-
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This grant was used to install services to new settlements.

Provincial Treasury

Balance unspent at beginning of year	-	5,000,000
Conditions met - transferred to revenue	-	(5,000,000)
	-	-

Municipal Disaster Relief Grant

Current-year receipts	13,000,000	-
Conditions met - transferred to revenue	(13,000,000)	-
	-	-

The municipal disaster grant was introduced in the 2011 MTREF. This grant is administered by the National Disaster Management Centre in the Department of Cooperative Governance as an unallocated grant to local government. The centre is able to disburse disaster-response funds immediately - without the need for the transfers to be gazetted first.

Energy Efficiency Demand-Side Management Grant

Current-year receipts	5,000,000	5,000,000
Conditions met - transferred to revenue	(5,000,000)	(5,000,000)
	-	-

Integrated National Electrical Programme

Current-year receipts	53,455,000	49,100,000
Conditions met - transferred to revenue	(53,455,000)	(49,100,000)
	-	-

This grant was used to address the electrification backlog of permanently occupied residential dwellings and installation of bulk infrastructure and the rehabilitation and refurbishment of electricity infrastructure to improve quality of service delivery.

Water Services Infrastructure Grant

Current-year receipts	15,000,000	15,000,000
Conditions met - transferred to revenue	(15,000,000)	(15,000,000)
	-	-

This grant was used to facilitate the planning and implementation of various water, sanitation projects to accelerate the backlog reduction and enhance the sustainability of services.

Education and Training SETA

Current-year receipts	1,701,133	2,048,433
Conditions met - transferred to revenue	(1,292,136)	(2,048,433)
	408,997	-

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand	2024	2023
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36. Government Grants & Subsidies (continued)

This grant was used to support skills development, training and capacity building.

37. Operational Revenue

Debt waived	552,379,333	-
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The municipality applied for the Eskom debt relief programme on 18 August 2023 as per MFMA circular 124 that was issued in 31 March 2024 by National Treasury and Approval was granted on 29 September 2023. The Municipal Relief Debt will be written off by Eskom over a three-year period – one third of the Municipal Relief Debt for every 12 consecutive months the municipality complies with the conditions. The write-off by Eskom is contingent upon the municipality continuously meeting the conditions specified in the Circular, as well as an annual written communication from the National Treasury confirming compliance with the conditions. In December 2023 Eskom wrote off total interest of R457 131 095 which included interest from the opening balance and interest charged from July 2023 to December 2023. Additional interest was written off in March 2024 Amounting to R60 429 987. Thungela operation write off Invoice in March 2024 amounting to R34 782 608.70.

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38. Employee Related Costs

Basic	534,156,513	519,448,686
Bonus	43,503,324	40,677,930
Medical aid - company contributions	65,903,073	62,683,819
UIF	3,035,077	3,111,251
Leave pay provision charge	15,601,003	8,871,258
Overtime payments	99,678,915	91,496,832
Long-service awards	219,657	29,699
Standby	78,893,837	72,834,043
Car allowance	59,235,796	57,400,366
Housing benefits and allowances	3,913,727	3,194,107
Current service costs	10,180,000	13,337,000
Pension	117,306,983	112,576,907
Group life insurance	2,099,932	2,035,232
Acting allowances	2,938,688	4,918,231
Night shift allowance	7,321,001	6,919,741
Telephone	2,677,057	2,678,479
	1,046,664,583	1,002,213,581

Remuneration of Municipal Manager : H S Mayisela

Annual Remuneration	625,616	956,633
Car Allowance	48,000	40,000
Contributions to UIF, Medical and Pension Funds	396,737	762,549
Travel allowance	463,944	330,583
Other	-	1,641,374
	1,534,297	3,731,139

Appointed from 01 July 2018 to 8 November 2022, re-appointed from 01 February 2023 to date.

Remuneration of Executive Director Finance: K S Mahlangu

Annual Remuneration	532,748	-
Car Allowance	28,000	-
Contributions to UIF, Medical and Pension Funds	192,134	-
Other	2,339	-
	755,221	-

Appointed from 01 December 2023 to date

Remuneration of Executive Director Technical Services: T M Lelaka

Annual Remuneration	-	1,062,164
Car Allowance	-	168,000
Contributions to UIF, Medical and Pension Funds	-	368,579
Cellphone Allowance	-	36,000
Other	-	345,767
	-	1,980,510

Appointed from 01 July 2018 to 30 June 2023

Remuneration of Acting Executive Director Corporate Services: L Ntuli

Annual Remuneration	503,062	-
Car Allowance	238,809	-
Contributions to UIF, Medical and Pension Funds	154,958	-

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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38. Employee Related Costs (continued)

Cellphone Allowance	18,000	-
Other	62,478	-
	977,307	-

Appointed from 01 December 2023 to date

Remuneration of Executive Director Community Services: S Matlejoane

Annual Remuneration	822,887	843,635
Car Allowance	110,000	-
Contributions to UIF, Medical and Pension Funds	273,581	247,436
Cellphone Allowance	36,000	33,000
Other	15,885	151,797
	1,258,353	1,275,868

Appointed from 01 August 2023 to date

Remuneration of Acting Executive Director Corporate Services: G Swan

Annual Remuneration	-	477,288
Car Allowance	-	233,364
Performance Bonuses	-	68,184
Contributions to UIF, Medical and Pension Funds	-	150,838
Cellphone Allowance	-	17,000
Other	-	69,358
	-	1,016,032

Acting from 18 January 2021 to 31 January 2023

Remuneration of Acting Executive Director Environmental Services: E N Makua

Annual Remuneration	862,392	818,208
Car Allowance	394,103	388,207
Performance Bonuses	71,866	68,184
Contributions to UIF, Medical and Pension Funds	272,428	258,561
Cellphone Allowance	34,862	24,000
Other	32,240	42,177
	1,667,891	1,599,337

Acting from 01 August 2022 to 30 June 2023

Remuneration of Acting Executive Director Financial Services: L M Africa

Annual Remuneration	-	385,390
Car Allowance	-	129,792
Performance Bonuses	-	77,078
Contributions to UIF, Medical and Pension Funds	-	118,405
Cellphone Allowance	-	14,000
Other	-	40,970
	-	765,635

Acting from 01 April 2022 to 31 January 2023

Remuneration of Acting Executive Director Development Planning: TH Buthelezi

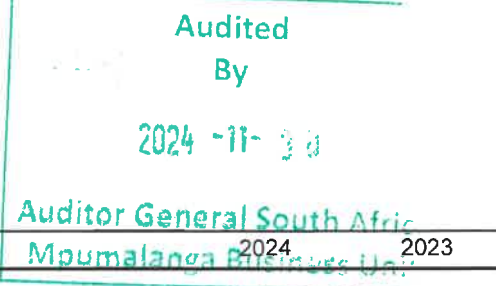
Annual Remuneration	862,392	799,651
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Emalahleni Local Municipality

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38. Employee Related Costs (continued)

Car Allowance	394,103	388,207
Performance Bonuses	71,866	66,497
Contributions to UIF, Medical and Pension Funds	250,305	232,763
Cellphone Allowance	24,000	34,000
Other	12,797	66,757
	1,615,463	1,587,875

Acting from 01 July 2022 to 30 June 2023

Remuneration of Acting Executive Director Corporate Services: M K M Kubyana

Annual Remuneration	359,330	340,920
Car Allowance	166,144	164,706
Bonuses	71,866	-
Contributions to UIF, Medical and Pension Funds	103,616	79,271
Cellphone Allowance	14,000	15,000
Other	41,200	69,313
	756,156	669,210

Acting from 01 February 2023 to 30 November 2023

Remuneration of Acting Executive Director Corporate Services: H Matau

Annual Remuneration	-	272,736
Car Allowance	-	133,569
Contributions to UIF, Medical and Pension Funds	-	78,737
Cellphone Allowance	-	8,000
Other	-	12,954
	-	505,996

Acting August 2022, December 2022 and January 2023

Remuneration of Acting Executive Director Financial Services: M V Ndhlovu

Annual Remuneration	359,330	340,920
Car Allowance	173,454	171,683
Performance Bonuses	-	68,184
Contributions to UIF, Medical and Pension Funds	113,511	107,741
Cellphone Allowance	14,000	15,000
Other	45,845	65,716
	706,140	769,244

Acting from 01 February 2023 to 30 November 2023

Remuneration of Acting Executive Director Community Services: S P Ndlovu

Annual Remuneration	-	204,552
Car Allowance	-	77,221
Performance Bonuses	-	68,184
Contributions to UIF, Medical and Pension Funds	-	64,645
Cellphone Allowance	-	6,000
Other	-	70,523
	-	491,125

Acting July 2022 and March 2023

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38. Employee Related Costs (continued)

Remuneration of Acting Executive Director Community Services: L Ntuli

Annual Remuneration	-	136,368
Heading		
Car Allowance	-	66,909
Contributions to UIF, Medical and Pension Funds	-	43,097
Cellphone Allowance	-	4,000
Other	-	4,663
	-	255,037

39. Remuneration of Councillors

Executive Mayor	1,073,596	1,052,937
Speaker	884,686	847,930
Mayoral Committee Members	5,071,280	4,813,784
Chief Whip	858,877	812,326
Councillors' pension contribution	2,892,747	2,660,999
Councillors	23,412,845	21,992,397
	34,194,031	32,180,373

In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor and the Speaker each have two full-time bodyguards.

Additional Information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

40. Depreciation and Amortisation

Property, plant and equipment	277,488,979	257,387,723
Investment property	1,387,526	1,384,978
Intangible assets	1,696,383	2,286,924
	280,572,888	261,059,625

41. Impairment Loss

Impairments

Property, plant and equipment	47,077,825	18,909,503
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42. Finance Costs

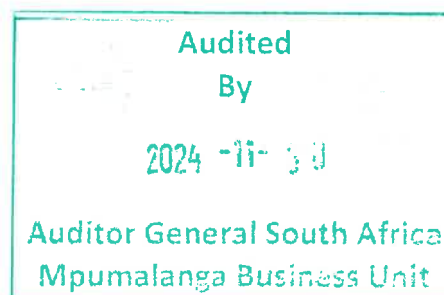
Employee benefits - interest cost	26,607,367	26,208,000
Long term liabilities	-	1,093,894
Interest on overdue accounts	383,910,913	534,088,135
Finance leases	3,893	297,330
Landfill sites	30,955,220	21,957,808
	441,477,393	583,645,167

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Figures in Rand	2024	2023
43. Auditors' Remuneration		
Fees	10,676,560	11,239,529
44. General Expenses		
Advertising	814,493	760,192
Fleet	144,038	77,645
Auditors remuneration	10,676,560	11,239,529
Bank charges	5,284,183	7,018,972
Cleaning	557,318	-
Computer expenses	4,980,321	384,750
Discount allowed - Consumer debtors	11,788,924	20,955,390
Entertainment	219,336	358,218
Burial cost	321,341	85,799
Animal Costs	317,682	37,200
Hire Charges	1,202,423	140,187
Insurance excess	874,546	423,115
Maintenance of Buildings	12,310,858	306,734
Levies	8,669,367	8,372,336
Motor vehicle expenses	14,263,547	10,899,081
Fuel and oil	24,795,981	25,297,559
Placement fees	23,985	51,377
Postage and courier	1,125	1,349,005
Printing and stationery	4,164,525	4,361,217
Promotions	120,094	62,157
Subscriptions and membership fees	11,701,216	10,468,225
Telephone and fax	112,260	4,316,895
Transport and freight	55,297	46,622
Training	3,189,126	2,172,054
Travel - local	1,298,234	1,400,263
Gardening Services	1,148,763	338,739
Materials	55,998,227	100,887,499
Staff welfare	439,209	426,687
Legal costs	9,979,071	905,915
Catering	220,932	74,453
Bargaining Council	174,250	171,526
Workmens Compensation Fund	5,244,641	4,129,556
	191,091,873	217,518,897
45. Bulk Purchases		
Electricity - Eskom	1,673,341,001	1,427,804,974
Water	170,826,415	133,532,958
	1,844,167,416	1,561,337,932



Emalahleni Local Municipality

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Figures in Rand	2024	2023
45. Bulk Purchases (continued)		
Electricity losses		
Units purchased	940,634,226	902,978,156
Sales	(406,137,165)	(312,835,791)
Total loss	534,497,061	590,142,365
Losses in units	534,497,061	590,142,365
Prepaid sales	(106,072,509)	(111,146,681)
Internal consumption	(35,108,665)	(31,664,565)
Inherent losses@12% of financial purchases	(112,876,107)	(108,357,379)
Total	280,439,780	338,973,740
Percentage loss	30 %	37 %
Loss in rand value	558,075,162	790,459,017
Water losses		
Opening stock	148,460	138,940
Purchase	44,820,352	42,746,769
Less: Sales	(20,474,712)	(23,902,906)
Less: Own consumption	(2,866,680)	(3,041,040)
Closing stock at 30 June 2023	(186,700)	(148,460)
Total	21,440,720	15,793,303
Unit cost	10	10
Losses in Rand value	205,676,764	151,606,166
Total	205,676,774	151,606,176
Percentage Loss:	48 %	37 %

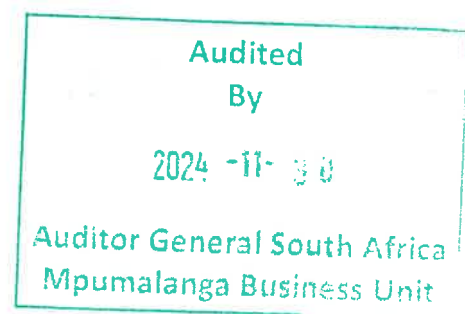
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46. Contracted Services		
Outsourced Services		
Animal Care	278,649	147,500
Business and Advisory	11,102,223	4,392,100
Materials	53,026,691	14,941,950
Rentals	(373,996)	(9,322)
Software Licences	12,311,095	16,213,573
Insurance	15,009,202	31,015,583
Protective clothing	10,222,670	1,975,019
Meter Management	10,799,820	11,553,967
Commission paid	18,500,700	20,159,120
Telephone and fax	10,088,436	10,228,466
Electrical	4,939,614	2,613,486
Researcher	1,486,150	2,259,579
Security Services	35,383,924	25,084,404
Sewerage Services	-	51,971
Traffic Fines Management	7,676,151	6,601,172
Water Tankers	45,345,616	46,389,238
Consultants and Professional Services		
Project Management	23,790,475	17,763,918
Legal Cost	40,107,136	33,900,147
Contractors		
Maintenance of Buildings and Facilities	1,421,823	4,103,538
Maintenance of Equipment	42,919,746	38,079,436
Maintenance of Unspecified Assets	265,852,292	171,449,121
Sewerage Services	34,141,776	15,893,321
	644,030,193	474,807,287
47. Inventory losses/write down		
Inventories losses/write-downs	4,348,806	(5,931,036)



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48. Cash Generated from (used in) Operations

Deficit	(1,143,985,297)	(1,584,851,923)
Adjustments for:		
Depreciation and amortisation	280,572,888	261,059,625
Actuarial Gains	(20,158,367)	(47,829,000)
Fair value adjustments	909,902	(1,890,007)
Finance costs-Eskom overdue	362,087,328	534,088,135
Finance costs-Employee benefit interest cost	26,607,367	26,208,000
Finance cost-DWS overdue	21,823,585	-
Finance cost-Landfill site rehabilitation cost	30,955,220	21,957,808
Impairment Property plant and equipment	47,077,825	18,909,503
Debt impairment-Consumer debtors	1,170,841,157	1,027,231,104
Debt impairment-Interest on outstanding consumer debtors	17,969,398	-
Debt impairment-Property rates	205,283,779	69,832,728
Debt impairment-Interest on outstanding property rates	(988,356)	53,982,081
Debt impairment-Traffic fines	(176,536,200)	179,174,520
Bad debts written-off-Traffic fines	312,376,071	-
Interest on outstanding consumer debtors	-	(32,102,141)
Donations received Property plant and equipment	(10,250,269)	(49,024,998)
Other income non cash	(7,853,383)	1,945,563
Creditor written off	(552,379,333)	-
Loss on disposal of assets	1,942,050	5,460,456
Inventories reversals	(4,348,806)	5,931,036
Movement in employee benefit provision	16,628,893	(8,283,893)
Movement in provision for staff leave	557,969	(628,222)
Changes in working capital:		
Decrease/(Increase) in inventory	14,480,645	(28,714,254)
Receivables from exchange transactions	78,639	(17,410)
Decrease/(Increase) in consumer debtors	(1,174,499,018)	(954,599,445)
Decrease/(Increase) other receivables from non-traffic fines	(112,514,130)	(226,293,564)
Decrease/(Increase) in consumer debtors interest receivable	20,559,919	76,013,294
Decrease/(Increase) in property rates interest receivable	1,036,802	(67,561)
Decrease/(Increase) in retentions	7,391,249	3,049,906
Decrease/(Increase) in payables from Exchange Transactions	1,322,560,144	1,101,724,769
Decrease/(Increase) in VAT receivable	(69,875,298)	(73,892,419)
Decrease/(Increase) in property rates	(268,853,716)	(86,754,064)
Decrease/(Increase) in unspent Conditional Grants	408,997	(5,010,055)
Decrease/(Increase) in consumer deposits	248,559	1,389,384
Decrease/(Increase) in payments received in advance	(17,538,651)	8,130,649
	302,617,562	296,129,605

49. Operating Deficit

Operating Deficit for the year is stated after accounting for the following:

Operating lease charges

Plant and equipment

- Contractual amounts

	21,369,765	33,216,671
Impairment on property, plant and equipment	47,077,825	18,909,503
Gain on sale of non-current assets held for sale and net assets of disposal groups	1,942,050	5,460,456
Amortisation on intangible assets	1,696,383	2,286,924
Depreciation on property, plant and equipment	277,488,979	257,387,723
Depreciation on investment property	1,387,526	1,384,978
Employee costs	1,080,858,614	1,034,393,954

Emalahleni Local Municipality

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50. Fair value Adjustments		
Investments	(909,902)	1,890,008
51. Public Contributions and Donations		
Public contributions and donations	10,250,269	49,039,484
52. Debt Impairment		
Debt impairment	1,393,105,982	1,097,063,832
Bad debts written off	312,376,071	179,174,520
Debt impairment - traffic fines	(176,536,200)	53,982,081
	1,528,945,853	1,330,220,433
53. Commitments		
Capital Commitments		
Already contracted for but not provided for		
• Property, plant and equipment	380,791,997	432,790,651
Total capital commitments		
Already contracted for but not provided for	380,791,997	432,790,651
Operational Commitments		
Already contracted for but not provided for		
• Operational expenditure	238,916,271	304,885,926
Total operational commitments		
Already contracted for but not provided for	238,916,271	304,885,926
Total commitments		
Total commitments		
Authorised capital expenditure	380,791,997	432,790,651
Authorised operational expenditure	238,916,271	304,885,926
	619,708,268	737,676,577

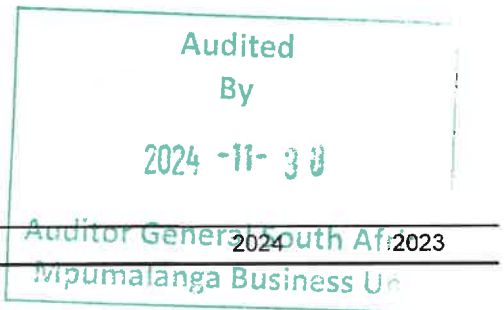
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54. Contingencies

Contingent assets

Contingent assets	Description of the case	Status of the case	2024	2023
Riveo Pty Ltd	The Municipality (Defendant) filed a counter claim against Riveo (Pty) Ltd (Plaintiff) for damages suffered by the defendant due to the negligent driving of the plaintiff	case still pending	18,173	18,173

Contingent liabilities

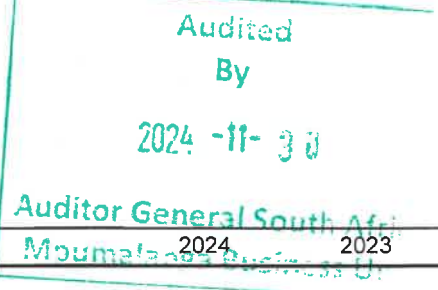
Contingent liabilities	Description of the case	Status of the case	2024	2023
Martha Mthombeni Klaas	The Red Ants (Service Provider to the Municipality) demolished the Applicant's property. As a result, she is suing the Municipality for the damages	Matter has been finalised	-	30,000
De Wet Kruger	Kruger has instituted a claim against ELM for damages in the amount of R500 000,00 resulting from an allegedly unlawful arrest and detention. The Municipality has defended the matter and delivered a Notice to Remove Cause of Complaint due to the vague and embarrassing Particulars of Claim.	The municipality has delivered a notice of exception due to vague and embarrassing averments contained in the particulars of claim.	500,000	500,000
Rand Water	Randwater instituted a claim against the Municipality for payment in terms of the works concluded on sewage systems upgrades. The Municipality defended the Action and raised various exceptions to Rand Water's defective particulars of claim - after the Second Exception was taken, Rand Water amended its Particulars to allow the Municipality to plead. the Municipality is in the process of finalising the Plea.	The municipality entered into a notice of intention to defend. Further raised various exception to the Plaintiff's claim	23,946,813	23,946,813
Khabokhedi waste management	Claim for contractual damages as result of cancelation of contract by the municipality	Awaiting for Plaintiff to take further steps, case management already completed. Matter is pending	5,142,546	5,142,546
Martha Patronella Howard	Motor vehicle colision as a result of the plaintiff motor vehicle colliding into a pothole at mathew phosa	Mandate terminated, matter referred to ELM insurance. Matter still pending	71,946	71,946
Riveo Pty Ltd	claim for damages arising from motor vehicle collision between the plaintiff's vehicle and the municipality's vehicle.	Matter still pending	28,886	28,886
Benjamin Coetzee	summons instituted for damages to the Coetzee falling not a hole situated on minucipal property.	Matter still pending	3,000,000	3,000,000

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54. Contingencies (continued)

Thabiso Molapo	Molapo is suing the municipality as a result of electric shock and burns	Matter being handled by Clyde and Co Inc, on behalf of the insurer- Guardrisk. Parties are exchanging pleadings. Matter still pending	-	2,200,000
Wiseman Mahlangu	The plaintiff has instited a claim for damages against the municipality		6,000,000	6,000,000
DJC Beleggings	A damage claim was instituted against the municipality demanding payment for unlawful demolition of structures on property		733,142	733,142
Monica Lesgaba	Claim fordamages	Matter is still pending	950,000	950,000
Samuel Julio Matchere	Claim fordamages	Notice to defend filed and matter still pending	1,190,000	1,190,000
Quetique	breach of contract of supply of fuel	The matter is still pending in court	644,985	644,985
Jaco Geldenhuys	Claim for unlawful arrest and detention	The Municipality has delivered its Plea. No steps have been taken by the Plaintiff	550,000	-
Julio Anne Matsinhe	Unlawful detention by members of the lawenforcement	Awaiting forPlaintiff to takefurther steps,pleadin gs closedand round tableto beheld. Matter still pending	-	200,000
Samishka Beeka	Rescission of matter	Matter stillpending	-	13,101
Parsons Transport holdings	Rescission of matter	Application forrescission ofjudgment launched. Judgmentrescin ded, matterstil l to be setdown byPlaintiff	-	80,772
Antony Nnadozi	Nnadozi has instituted a claim for damages the matter was in the amount of R 200 000.00 for an alleged settled in unlawful assault. the municipality has delivered a notice of exception due to the vague and embarrassing averments contained in the particulars of claim		-	200,000

42,758,318 44,932,191

Emalahleni Local Municipality

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55. Related parties		
Relationships		
Accounting officer and other executive directors	Remuneration of the accounting officer and other directors has been included in note 39	
Councillors	Refer to general information page for councillors names Remuneration of councillors has been included in note 39 Councillors with outstanding consumer accounts for more than 90 days as at 30 June 2024, refer to note 61	
Close family member of key management	None	
Joint venture of key management	None	
Associate of close family member of key management	None	
Members of key management	No other payments were made outside the contractual employment payments of management. Refer to note 37 for remuneration	

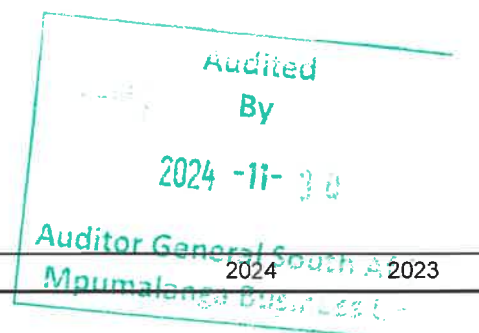
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56. Prior period errors.

Statement of Financial Position.

Payables from exchange transactions

During the 2023/24 financial year, management identified a misclassification of vote number between Other creditors and Accumulated Surplus. The vote number 32010003603-Current Liabilities: Trade and Other Payables was incorrectly classified under Accumulated Surplus, including a prior year figure amounting R 4 326 624. This resulted in a prior year error. The correction has been made to reclassify it under Other creditors. Derecognition of overtime and standby worked in June 2021 and 2022 which was paid in July 2021 and 2022.

Property plant and equipment

During the preparation of the Annual Financial Statements (AFS) for the 2023/24 financial year, management discovered an omission of a donation from the previous year. Consequently, journal entry, was recorded to acknowledge the donation. Additionally, insurance refunds related to the prior year were processed, and depreciation entries for both were recorded.

Management further identified new infrastructure assets on the floor and adjusted the 2022/23 financial year through journals. It was also discovered by management that the leased assets(Printing Machines) leased for a period of three(3) years during the reassessment of the useful lives in 2022/23, they were assessed whereas they were not supposed to be reassessed as their period is only limited contractually to three(3) years. Some assets acquired through repairs and maintenance were also omitted in the financial year 2022/23 that also got recorded through journals.

Lastly, completion certificates for some of the projects that were still under Work in Progress were received which led to the journals being processed to update those completed projects and depreciate them accordingly. One project on the WIP register was previously erroneously categorised under Water assets instead of Electricity assets which management identified and corrected the register.

Property Plant and equipment was adjusted by R 4 986 774

Finance lease obligation

While preparing the Annual Financial Statements for 2024, management discovered that finance lease payments for leased tablets had not been accounted for since the 2020/21, 2021/22, and 2022/23 financial years. Consequently, prior year journal entries numbered 2247, 2248, and 2249, totalling R 624,671, were processed to acknowledge the finance lease payments for the tablets.

Statement of Financial Performance

Service charges

During the preparation of the Annual Financial Statements (AFS) for the 2023/24 financial year, management discovered a transaction on accumulated surplus vote number amounting to R 27 261 272.00 which relates to a revenue, the journal number: 2330 is processed to correct the accumulated surplus and revenue.

Fines and Fees earned

During the preparation of the Annual financial statements for the current year 2024, management discovered that pound fees R7 045, which are penalties and fines revenue, were mistakenly classified under fees earned. We have corrected this misclassification by reclassifying these amounts to their proper category (fines). This adjustment is now reflected in the comparative figures in these financial statements.

Depreciation

While preparing the Annual Financial Statements (AFS) for the 2023/24 financial year, management identified a previously omitted donation, assets acquired through repairs and maintenance, completed projects previously disclosed under WIP whereas they are completed and new identified assets on the floor(Infrastructure) assets. As a result, journal entries were made to record the error emanating from donation, repair and maintenance, Work in Progress and newly identified assets. Additionally, depreciation for all the omitted assets as recorded was recorded to correct the understated depreciation from the opening balance of the comparative financial year(2022/23) to the comparative year(2022/23).

Depreciation was adjusted by R 2 463 509

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56. New Standards and Interpretations (continued)

Contracted services

During the preparation of the Annual Financial Statements (AFS) for the 2023/24 current financial year, management identified misclassifications between employee-related costs (bonus R 44,260 and leave R 628,222) and contracted services (business advisory and legal). There was an amount of R 310,135.76 misclassified under General Expenses (Gardening Services) and R 258,497 remapped to General Expenses (Training). These misclassifications have been corrected in the current year's financial statements to accurately reflect these items in their appropriate categories. Furthermore, an allocation of finance lease payments for leased tablets that was overlooked from 2020/21 to 2022/23 has now been accounted for; journal no. 2247 amounting to R 111,305 was processed to recognize the finance lease payments for the tablets. There was a transaction on accumulated surplus vote number amounting to R 2 479 500.95 which relates to a revenue, the journal number: 2333 is processed to correct the accumulated surplus and revenue.

Employee related costs

During the preparation of the Annual Financial Statements (AFS) for the 2023/24 current financial year, management identified misclassifications among Employee-related costs (Overtime -R305 762, Leave pay R 628 222, and Bonus R 44 260), General expenditure (Materials R305 762), and Contracted services (Business and advisory R 44 260, and Legal costs R 628 222). These misclassifications have been corrected in the current year's financial statements to accurately reflect these items in their appropriate categories (line items).

Remuneration of councillors

While preparing the Annual Financial Statements (AFS) for the 2023/24 financial year, management discovered that finance lease payments for leased tablets had not been accounted for since the 2021/22 and 2022/23 financial years. Consequently, prior year journal entries numbered 2248 and 2249, totaling R 513,366, were processed to acknowledge the finance lease payments for the tablets.

General expenditure

During the preparation of the Annual Financial Statements (AFS) for the 2023/24 current financial year, management identified misclassifications between employee-related costs (overtime R305,762) and general expenditure (materials R305,762). An amount of R310,135.76, initially classified under General expenses (Gardening services), and R258,497, which was allocated to General expenses (Training), were found to be misclassified. Furthermore, a vote number intended for accumulated surplus was mistakenly used for stock items rather than the general expenditure vote, totaling R36,258. These errors have been rectified in the current year's financial statements, ensuring these amounts are now correctly categorized under the appropriate line items.

Sundry income, operational income, Education and Training SETA and sales of goods and rendering of services

In the preparation of the 2024 financial statements, it was found that the previous year's statements had misclassified certain items: operational income of R 14,865,529 (which includes insurance refunds from the prior year, with journal no. 2218 totaling R 34,770.00), Education and Training SETA at R 2,048,433, and sales of goods and services at R 15,855,208, all previously recorded under sundry income. This error has been rectified in the current year's statements, ensuring these amounts are now correctly listed under their respective categories. It is essential that these line items are presented separately to avoid the aggregation seen in the sundry income category.

Public contributions and donations

During the preparation of the Annual Financial Statements (AFS) for the 2023/24 current financial year, management discovered that a donation made in the previous year, 2023, had not been accounted for. As a result, journal entry number 2219, amounting to R 14,486.00, was made to recognize the donation.

Cashflow statement

While preparing the Annual Financial Statements for the 2023/24 financial year, management identified errors from the previous year that required adjustments in the cash flows from operating, investing and financing activities. Additionally, the total column for cash flows from investing activities incorrectly included the dividends received amount of R73,438, as there was no separate line item for dividends received, and it was also listed under operating activities. This error in Caseware has been corrected in the current financial year, ensuring accurate figures are now reported.

Segment reporting

In the preparation of the Annual Financial Statements for the 2023/24 financial year, management discovered errors from the prior year in the statements of financial position and performance, necessitating adjustments to the segment reporting. Reclassification adjustments were made on the debt impairment, impairment loss, irrecoverable debts written off and depreciation and amortisation to align the disclosure to the amounts presented on the face of the annual financial

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56. New Standards and Interpretations (continued)

statements. Other adjustments were as a result of prior adjustments on the line items for statement of financial performance and position.

Irregular expenditure

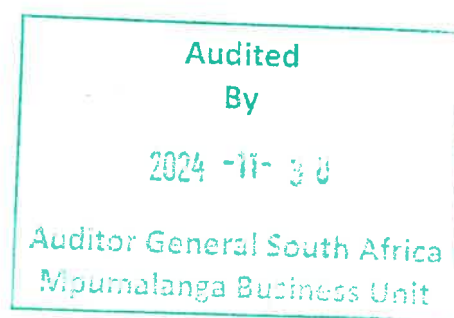
In previous years, the municipality faced qualifications on irregular expenditure due to issues with its completeness. To address this, management reviewed all records from the 2014 to 2023 financial years to ensure the completeness and accuracy of the amounts previously reported. As a result, the opening balance was restated. Additionally, write-offs processed in prior years were not reflected in the closing balance for 2023, leading to adjustments being made accordingly.

Contingent Liabilities

During the 2023/24 Financial year management has identified that there are certain cases that were previously disclosed, however did not meet the definition of contingent liability as at 30 June 2023, due to cases being closed before 30 June 2023 and some were remote as a result a prior year adjustment was made.

The correction of the error(s) results in adjustments as follows:

Statement of financial position 2023	As previously reported	Correction of error	Reclassification	Restated
Inventories	69,346,046	-	-	69,346,046
Receivables from exchange transactions	898,017	-	-	898,017
Receivables from non-exchange transactions	126,118,656	-	-	126,118,656
VAT receivable	958,231,450	-	-	958,231,450
Consumer debtors	634,897,745	-	-	634,897,745
Cash and cash equivalents	38,603,278	-	-	38,603,278
Biological assets	4,507,585	-	-	4,507,585
Investment property	1,149,527,299	-	-	1,149,527,299
Property, plant and equipment	5,442,505,560	4,986,776	-	5,447,492,336
Intangible assets	6,634,999	-	-	6,634,999
Heritage Assets	400,000	-	-	400,000
Other financial assets	1,138,397	-	-	1,138,397
Finance lease obligation	(2,490,164)	624,670	-	(1,865,494)
Payables from exchange transactions	(8,995,220,308)	22,110,095	-	(8,973,110,213)
Consumer deposits	(132,463,135)	-	-	(132,463,135)
Provisions	(89,002,972)	-	-	(89,002,972)
Finance lease obligation	(2,126,512)	-	-	(2,126,512)
Provisions	(545,874,581)	-	-	(545,874,581)
Accumulated deficit	1,334,368,640	(27,721,541)	-	1,306,647,099
	-	-	-	-

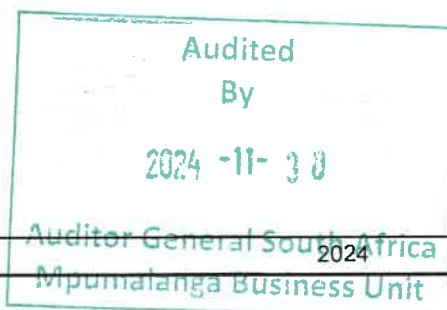


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56. New Standards and Interpretations (continued)

Statement of financial Performance 2023

	As previously reported	Correction of error	Reclassification n	Restated
Sale of goods and rendering of services	-	-	15,855,208	15,855,208
Service charges	1,701,445,413	27,261,272	-	1,728,706,685
Rental of facilities and equipment	10,722,560	-	-	10,722,560
Licences and permits	3,358,073	-	-	3,358,073
Operational Revenue	-	44,599	14,830,759	14,875,358
Fees earned	1,256,140	-	(7,045)	1,249,095
Commissions received	50,151,062	-	-	50,151,062
Sundry income	32,734,400	-	(32,734,400)	-
Interest received revenue and investments	293,764,350	-	-	293,764,350
Fair value adjustments	1,890,008	-	-	1,890,008
Actuarial gains	47,829,000	-	-	47,829,000
Dividends received	73,438	-	-	73,438
Property rates	700,377,650	-	-	700,377,650
Interest- Taxation revenue	62,858,133	-	-	62,858,133
Government grants & subsidies	714,444,579	-	2,048,433	716,493,012
Public contributions and donations	49,024,998	14,486	-	49,039,484
Fines	252,794,154	-	7,045	252,801,199
Employee related costs	(1,029,628,545)	26,436,720	978,244	(1,002,213,581)
Remuneration of councillors	(32,693,739)	513,366	-	(32,180,373)
Depreciation and amortisation	(258,596,116)	(2,463,509)	-	(261,059,625)
Impairments loss	(18,909,503)	-	-	(18,909,503)
Finance costs	(583,645,167)	-	-	(583,645,167)
Lease rentals on operating lease	(33,216,671)	-	-	(33,216,671)
Debt Impairment	(1,330,220,433)	-	-	(1,330,220,433)
Bulk purchases	(1,561,337,932)	-	-	(1,561,337,932)
Contracted services	(475,979,184)	1,896,018	(724,121)	(474,807,287)
Transfers and Subsidies	(8,395,277)	-	-	(8,395,277)
Inventories losses/write-downs	(5,931,036)	-	-	(5,931,036)
Loss on disposal of assets	(5,460,456)	-	-	(5,460,456)
General Expenses	(217,301,032)	36,258	(254,123)	(217,518,897)
Deficit for the year	(1,638,591,133)	53,739,210	-	(1,584,851,923)

Cash Flow Statement 2023

	As previously reported	Correction of error	Reclassification ns	Restated
Taxation(Property rates and fines received)	640,124,175	7,046	-	640,131,221
Sale of goods and rendering services	853,108,107	(55,015,010)	-	798,093,097
Other income	-	80,338,738	-	80,338,738
Government grants & subsidies	714,444,579	2,048,433	-	716,493,012
Interest income	400,466,075	-	-	400,466,075
Dividends received	73,438	-	-	73,438
Cash paid to Employees	(1,071,234,633)	1,491,745	-	(1,069,742,888)
Cash paid to Suppliers	(1,265,217,243)	1,016,440	-	(1,264,200,803)
Finance Costs	(1,391,224)	-	-	(1,391,224)
Grants paid	(8,395,277)	-	-	(8,395,277)
Purchase of property, plant and equipment	(216,819,101)	(33,453,499)	-	(250,272,600)
Dividends received	73,438	(73,438)	-	-
Finance lease repayments	(2,121,408)	(624,670)	-	(2,746,078)
Repayment of long term liabilities	(14,607,061)	-	-	(14,607,061)
Net increase/(decrease) in cash and cash equivalents	28,503,865	(4,264,215)	-	24,239,650

	As previously reported	Correction of error	Reclassification n	Total
Net increase/(decrease) in cash and cash equivalents	28,503,865	-	-	28,503,865
Cash and cash equivalents at the beginning of the year	10,099,413	-	-	10,099,413
Cash and cash equivalents at the end of the year	38,603,278	-	-	38,603,278

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56. New Standards and Interpretations (continued)

Segment Reporting 2023

	As previously reported	Correction of error	Reclassification	Total
Revenue from non-exchange transactions	1,779,499,514	14,486	2,055,478	1,781,569,478
Revenue from exchange transactions	2,143,224,444	27,305,871	(2,055,478)	2,168,474,837
Employee related costs	(1,029,628,545)	26,436,720	978,246	(1,002,213,579)
Remuneration of councillors	(32,693,739)	513,366	-	(32,180,373)
Depreciation and Amortisation	(277,505,619)	(2,463,509)	18,909,503	(261,059,625)
Impairments loss	-	-	(18,909,503)	(18,909,503)
Finance costs	(583,645,167)	-	-	(583,645,167)
Lease rentals on operating lease	(33,216,671)	-	-	(33,216,671)
Irrecoverable debts written off	(179,174,520)	-	179,174,520	-
Impairment loss	(1,151,045,913)	-	1,151,045,913	-
Debt Impairment	-	-	(1,330,220,433)	(1,330,220,433)
Bulk purchases	(1,561,337,932)	-	-	(1,561,337,932)
Contracted services	(475,979,184)	1,896,018	(724,122)	(474,807,288)
Transfers and Subsidies	(8,395,277)	-	-	(8,395,277)
Inventories losses/write-downs	(5,931,036)	-	-	(5,931,036)
Loss on disposal of assets	(5,460,456)	-	-	(5,460,456)
General Expenses	(217,301,032)	36,258	(254,124)	(217,518,898)
	(1,638,591,133)	53,739,210	-	(1,584,851,923)

	As previously reported	Correction of error	Reclassification	Total
Non-current assets	6,604,713,840	4,986,773	-	6,609,700,613
Current assets	1,828,095,192	-	-	1,828,095,192
Current Liabilities	(9,219,176,579)	22,734,765	-	(9,196,441,814)
Non-Current Liabilities	(548,001,093)	-	-	(548,001,093)
Accumulated deficit	1,334,368,640	(27,721,538)	-	1,306,647,102
	-	-	-	-

Irregular Expenditure

	As previously reported	Correction of error	Reclassification	Total
Irregular Expenditure	- 812,597,254	1,403,846,704	-	- 2,216,443,958

Sub-heading

Contingent Liabilities

	As previously reported	Correction of error	Reclassification	Total
LC Coetzee	1,050,000	(1,050,000)	-	-
Ramlall	35,475	(35,475)	-	-
MM Letsoalo	13,632	(13,632)	-	-
W Wepner	11,866	(11,866)	-	-
HR Peterson	3,348,100	(3,348,100)	-	-
	4,459,073	(4,459,073)	-	-

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57. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	9,914,670,150	-	-	-
At June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	8,753,690,714	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

None of the financial assets have been pledged as security. The credit control and debt collection policy is utilised to manage the credit risk. The municipality makes an allowance for credit losses which represents the best estimate of expected future losses. Where applicable legal action is taken to recover the debt from counter parties, the credit quality of financial assets neither past due or impaired is considered to be good. Only accredited banking institutions in terms of the Banks Act are utilised by the municipality to ensure that it limits credit risk. Credit risk is concentrated in trade payables from exchange transactions.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2024	2023
Receivables from exchange transactions	819,378	898,017
Receivables from non-exchange transactions	166,317,202	126,118,656
Cash and cash equivalents	45,534,900	38,603,278
Consumer debtors	600,023,493	634,897,745

There were no changes from previous year in respect of objectives, policies and processes for managing risks and the methods used to measure the risks.

58. Going concern

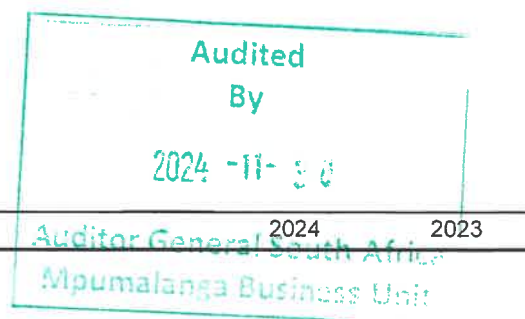
We draw attention to the fact that at 30 June 2024, the municipality had a deficit of R (1,143,985,297) compared to a deficit of (R1 584 851 923) in the prior year and that the municipality's current liabilities exceed current assets by R8 404 999 034 (2022-23:R7 368 346 621),futhermore total liabilities exceed its assets by R (2,450,632,396) compared to the accumulated deficit of R-1 306 647 099 for the prior year. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

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58. Going concern (continued)

However, the Annual financial statements have been prepared based on 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. This is strengthened by the fact that the municipality in terms of legislation has the power to levy rates which guarantees continued generation of revenue. In addition, grant funding has been approved in the MTEF. The municipality is implementing various initiatives to improve the current situation.

Mitigating Actions

In order to mitigate the effects of these prevailing conditions the municipality has developed the following: Financial Recovery Plan which has seven strategies developed to address governance issues, organisational structure, HR Management, service delivery, improved financial sustainability, budget restructuring and improved cashflow management. Budget Funding Plan which is mainly aimed at reducing distribution losses, improving debtors collection and ensuring operating expenditure is in line with operating revenue. Further to that there are other revenue raising strategies and debt collection initiatives which are implemented and monitored on a weekly basis by the Revenue Enhancement Committee

Significant Judgements / Assumptions

In arriving at this conclusion of going concern, the following judgements / assumptions were made:

- the municipality will continue to generate positive operating cash flows;
- the municipality will not rely on short-term borrowings to finance long-term assets in the near future;
- the municipality will not rely on long-term funding to finance operational expenses;
- the municipality will not experience significant deterioration in the value of assets used to generate revenue and/or cash flows;
- the municipality will continue to experience increases in revenue generated;
- there is no intention by the National Treasury to enforce surrendering of surpluses;
- there is no likelihood of government ceasing or reducing funding to the municipality;
- the municipality will continue to be able to levy fees, rates, taxes, tariffs and charges in the foreseeable future;
- there is no intention to liquidate the municipality, to cease operations or any potential and announced restructurings;
- the municipality will continue to be able to substantively fulfill its mandate and remain a going concern;
- there are no plans to discontinue significant operations of the municipality;
- there are no foreseeable labour difficulties;
- there will be no decline in demand for the municipality's goods or services; and
- there are no anticipated changes in legislation or government policy which will have an adverse effect on the municipality.

59. Unauthorised expenditure

Opening balance as previously reported	921,199,942	909,860,047
Add: Unauthorised expenditure - current	1,036,583,845	921,199,942
Less: Amount authorised - current	(921,199,942)	(909,860,047)
Closing balance	1,036,583,845	921,199,942

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	1,031,792,235	707,220,099
Cash	4,791,610	213,979,843
	1,036,583,845	921,199,942

Disciplinary steps taken/criminal proceedings and reasons for unauthorised expenditure

Investigations were done by MPAC for the 2022/2023 financial year and the report was taken to council in November 2023 for the 2022 financial year, council wrote-off unauthorised expenditure and investigations are still pending from the disciplinary board. Unauthorised expenditure for non-cash resulted from depreciation, amortisation, impairment of assets and provision for impairment for consumer debtors and traffic fines due to poor collection rate and the unauthorised expenditure on cash items resulted from repairs and maintenance for service delivery related assets.

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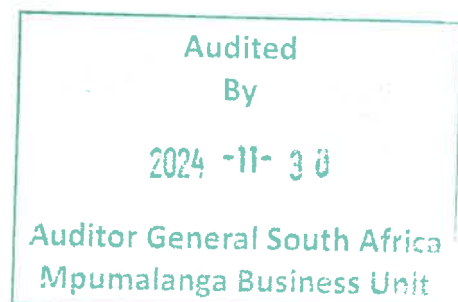
Figures in Rand	2024	2023
60. Fruitless and wasteful expenditure		
Opening balance as previously reported	807,872,718	273,784,616
Add: Eskom interest	362,087,328	520,688,029
Add: Incorrect file of EPWP salaries paid in April 2023	-	797,390
Add: Interest from other service providers	45,357	130,931
Less: Amount written off - current	(597,764,527)	-
Add: DWS interest	21,825,550	12,471,752
Closing balance	594,066,426	807,872,718

Disciplinary steps taken/criminal proceedings

There are investigations that were done by MPAC and a report was taken to council in November 2023 for the 2022 financial year, council wrote-off interest amounting to R80 167 802.95 and there are still pending investigations for the 2023 financial year. The municipality was approved for the circular 124 debt relief programme in September 2023, as at 30 June 2024, Eskom wrote off R517 596 723 for interest for the prior year and current year.

61. Irregular expenditure

Opening balance as previously reported	2,216,443,957	658,373,962
Add: Irregular expenditure - current	149,096,825	154,223,292
Add: Irregular expenditure - prior period	-	1,498,302,789
Less: Amount written off	(1,100,202,913)	(94,456,086)
Closing balance	1,265,337,869	2,216,443,957



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61. Irregular expenditure (continued)

Particulars of non-compliance with the Act

Non-compliance PPPFA section 2(1)(f) PPR 6(8) and PPR 10 The award was made to the bidder who did not score the highest total number of Points

Non-compliance with PPR 9(1) & (2): Mandatory subcontracting not stipulated on the invitation to bid for awards over R30 million

Non-compliance with SCM reg 28(1)(b) Approved specification not the same with advertised bid specification

Non-compliance: PPFA Section 2(1)(f) PPR 6(8) The award was made to the bidder who did not score the minimum functionality points of 60"

Non-compliance: lack of fairness and transparency in the procurement process (Unfair disqualification of bidders), SCM Regulation 4(2) of PPR, 2017; 28 (1) and 38(a)(d) and (i).

Non-compliance PPR 8(5): Local content: MBD 6.2 not submitted by supplier

Non-compliance PPR 8(2); Instruction Notes on Designated Sectors Local content: Threshold as per the advert different to the local content threshold calculated.

Non-compliance SCM reg 28(1)(c) and SCM reg 38(1)(d)(i): Municipal rates, taxes and municipal charges for the winning bidder (director and company) could not be confirmed to not be in areas for more than 3 months at the time of awarding the contracts.

Non-compliance: SCM Regulation 22(2) Bid advertised for a period less than the required 30 days

Contract extended after expiry of the initial contract and the contract extension interns of value exceeded 15% maximum threshold for other goods and services as per circular 62.

Non-compliance SCM reg 13(b) and SCM reg 43: Tax status not compliant at the date of award

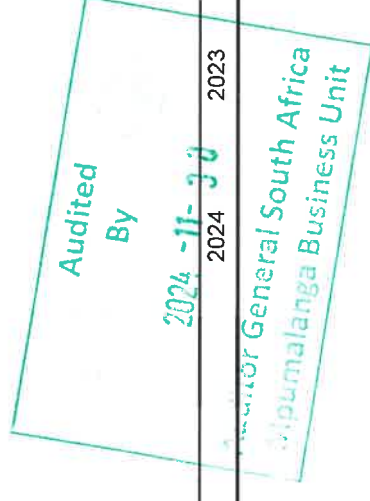
Non-compliance: PPR 4(2) Lack of fairness and transparency in the procurement process (unfair disqualification of bidders)

Non-compliance with SCM reg 28(1)(b) Approved specification not the same with advertised bid specification

Non-compliance: PPFA Section 2(1)(f) PPR 6(8) The award was made to the bidder who did not score the minimum functionality points of 6

Non-compliance SCM reg. 21(b): The tender document did not specify evaluation and adjudication criteria which includes the preference point system (80/20 or 90/10) to be used as prescribed in terms of the PPPFA

Non-compliance with SCM regulation 19 and 12(3) Goods and services required exceeded the stipulated threshold for competitive bidding process



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61. Irregular expenditure (continued)

Bidder submitted unaudited financial statements

Non-compliance SCM reg 36(1)(a), SCM reg 32 and SCM reg 37: Reasons for deviation not justifiabl

Non-compliance SCM reg 19(a): The procurement of goods/ works/ services was deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/SCM regulations.

Disciplinary steps taken/criminal proceedings

Irregular expenditure is as a result of non-compliance with applicable laws and regulations, there are investigations that were done by MPAC and a report was taken to council in November 2023 for the 2022 financial year, council wrote-off irregular expenditure subject to investigations from the disciplinary board and they are still pending. Write-offs were also done by council for the 2020/21 financial year in March 2023, however the write-off was not accounted for in the previous year, adjustment were made on the closing balance for 2022/23. Investigations are still in progress by MPAC for the expenditure not yet written off.

62. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee
Amount paid - current year

11,430,101	9,836,972
(11,430,101)	(9,836,972)
-	-

Audit fees

Current year subscription / fee
Amount paid - current year

10,514,386	11,239,529
(10,514,386)	(11,239,529)
-	-

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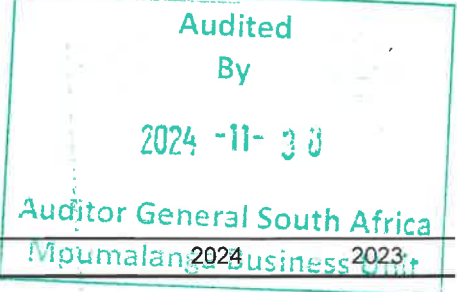
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62. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, SDL and UIF

Current year subscription / fee	209,386,124	200,025,251
Amount paid - current year	(209,386,124)	(200,025,251)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	289,371,264	272,941,695
Amount paid - current year	(289,371,264)	(272,941,695)
	-	-

VAT

VAT Accrual receivable	1,571,085,692	1,395,449,728
VAT Accrual payable	(554,832,516)	(439,636,075)
VAT Control receivable	11,853,573	2,417,798
	1,028,106,749	958,231,451

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year. The VAT accounting is conducted on an accrual basis.

Councillors' arrear consumer accounts

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

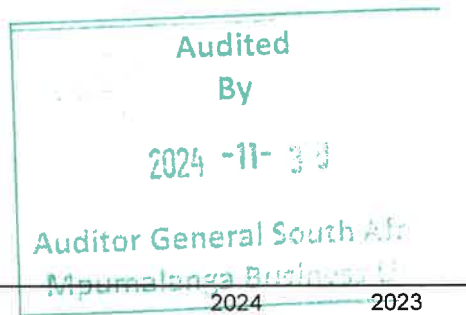
30 June 2024	Outstanding more than 90 days R	Total R
CLLR. RUDOLF SELEME MEKOA	- 21,105	21,105
CLLR. TEBOGO ANNA MASERUMULE	- 37,537	37,537
CLLR. DORCAS PHASWANE MPFIRI	- 194,268	194,268
CLLR. SEEKANE TSHEPO MATHELELE	- 61,355	61,355
CLLR. JOHANNA SESANA MATHEBULA	- 58,171	58,171
CLLR. SCHLACHTER SHARON MARY	- 23,060	23,060
CLLR. KHABO BETTY MAPHOSA	- 34,940	34,940
CLLR. NOMBUSO HAPPINESS MOKWANA	- 188,928	188,928
	- 619,364	619,364
30 June 2023	Outstanding more than 90 days R	Total R
CLLR. Maphosa BK	- 44,320	44,320
CLLR. Maseremole TM	- 56,067	56,067
CLLR. Jacobs CC	- 48,039	48,039
	- 148,426	148,426

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63. Deviation from supply chain management regulations

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

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

The majority of items mentioned had to be addressed to emergency circumstances and strip and quote. The balance of items were due to circumstances where it was impractical or impossible to follow a competitive bidding process..

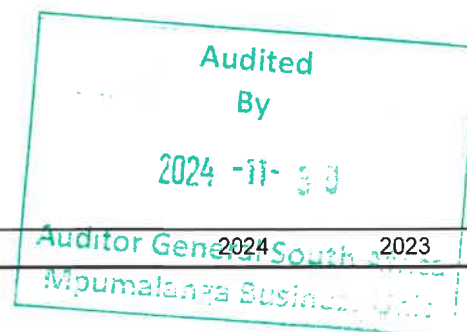
Strip and quote	20,828,885	25,996,867
Sole supplier	294,692	55,598
Emergencies	36,089,832	19,673,001
	57,213,409	45,725,466

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64. Segment information

General information

Identification of segments

The segments were organised around the type of service delivered.

For management purposes, the municipality is organised and operates in four key functional segments (or business units). Management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

Community and social services which includes community and social services, sport and recreation, public safety, health and housing services;

Economic and environmental services which includes planning and development, road transport and environmental protection services, and;

Trading services which includes energy sources, water management, waste water management and waste management services;

Other support departments includes finance and administration, executive and council and internal audit function and other

Aggregated segments

The municipality aggregated two or more segments into a single segment as they have similar economic characteristics , and the segments share a majority of the following :

Nature of goods and services delivered

The class of consumer to which goods and services are delivered

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

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner

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64. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Segment reporting-2024

Revenue
Revenue from non-exchange transactions
Revenue from exchange transactions

Total segment revenue

Entity's revenue

Expenditure

Employee related costs
Remuneration of councillors
Contracted services
Bulk Purchases
Depreciation and Amortisation
Finance cost
Debt impairment
Impairment loss
Lease Rentals on Operating Leases
General expenses
Fair Value Adjustments
Transfers and Subsidies
Loss On Disposal

Total segment expenditure

Total segmental surplus/(deficit)

	Community & Social services	Trading services	Economic & Environmental services	Other support departments	Total
(133,880,260)	(374,723,181)	(19,212,359)	(1,806,536,082)	(2,334,351,882)	
(19,257,636)	(2,342,034,248)	(16,232,499)	(235,068,160)	(2,612,592,543)	
(153,137,896)	(2,716,757,429)	(35,444,858)	(2,041,604,242)	(4,946,944,425)	
					(4,946,944,425)

220,741,457	429,496,387	97,550,665	298,876,073	1,046,664,582	
-	-	-	34,194,031	34,194,031	
53,174,083	390,396,669	103,582,192	96,877,250	644,030,194	
-	1,844,167,416	-	-	1,844,167,416	
-	279,185,362	-	1,387,526	280,572,888	
-	414,866,133	-	26,611,260	441,477,393	
135,421,031	1,070,215,106	-	323,309,716	1,528,945,853	
-	-	-	47,077,825	47,077,825	
21,369,765	-	-	-	21,369,765	
14,691,451	65,409,787	10,545,191	100,445,444	191,091,873	
-	-	-	909,902	909,902	
-	-	-	8,485,950	8,485,950	
-	-	-	1,941,652	1,941,652	
445,397,787	4,493,736,860	211,678,048	940,116,629	6,090,929,721	
(292,259,891)	(1,776,979,431)	(176,233,190)	(1,101,487,613)	(1,143,985,296)	

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64. Segment information (continued)

	Community & Social services	Trading services	Economic & Environmental services	Other support departments	Total
Assets					
Current assets	(76,323,170)	2,434,281,317	(285,253,169)	(172,689,050)	1,900,015,928
Non-current assets	14,596,706	374,996,357	(179,788,988)	6,558,494,266	6,768,298,341
Total segment assets	(61,726,464)	2,809,277,674	(465,042,157)	6,385,805,216	8,668,314,269
Total assets as per Statement of financial Position					8,668,314,269
Liabilities					
Current liabilities	135,264,017	(3,779,100,919)	50,421,417	(6,747,422,603)	(10,340,838,088)
Non-current Liabilities	-	-	-	(778,108,580)	(778,108,580)
Total segment liabilities	135,264,017	(3,779,100,919)	50,421,417	(7,525,531,183)	(11,118,946,668)
Total liabilities as per Statement of financial Position					(11,118,946,668)
Accumulated deficit/ surplus	-	-	-	-	(2,450,632,397)

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

2023

	Community & Social services	Trading services	Economic & Environmental services	Other support departments	Total
Revenue					
Revenue from exchange transactions	(17,148,502)	(1,880,129,099)	(13,271,467)	(257,925,770)	(2,168,474,838)
Revenue from non-exchange transactions	(312,518,899)	(191,473,696)	(15,774,088)	(1,261,802,794)	(1,781,569,477)
Total segment revenue	(329,667,401)	(2,071,602,795)	(29,045,555)	(1,519,728,564)	(3,950,044,315)
Entity's revenue					(3,950,044,315)

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64. Segment information (continued)

Expenditure

Employee related costs	188,100,516	419,091,125	126,183,623	268,838,316	1,002,213,580
Remuneration of councillors	-	-	-	32,180,373	32,180,373
Depreciation and amortisation	-	238,714,349	-	22,345,277	261,059,626
Impairment loss	-	18,909,503	-	-	18,909,503
Finance cost	-	557,139,837	-	26,505,330	583,645,167
Bulk Purchases	-	1,561,337,932	-	-	1,561,337,932
Contracted Services	39,107,775	278,781,153	59,660,264	97,258,097	474,807,289
Loss on disposal of assets	-	-	-	5,460,456	5,460,456
Inventory losses/ write downs	-	-	-	5,931,036	5,931,036
Debt Impairment	233,156,601	973,995,690	22,000,000	101,068,142	1,330,220,433
Lease Rentals on Operating Leases	-	33,216,671	-	-	33,216,671
General expenses	11,684,195	110,050,046	8,749,338	87,035,318	217,518,897
Transfers and Subsidies	-	-	-	8,395,277	8,395,277
Total segment expenditure	472,049,087	4,191,236,306	216,593,225	655,017,622	5,534,896,240
Total segmental surplus/(deficit)	(142,381,686)	(2,119,633,511)	(187,547,670)	864,710,942	(1,584,851,923)

Assets

Current assets	(47,341,547)	1,311,711,479	(168,812,177)	732,537,437	1,828,095,192
Non-current assets	20,202,802	141,825,516	(180,040,315)	6,627,712,612	6,609,700,615
Total segment assets	(27,138,745)	1,453,536,995	(348,852,492)	7,360,250,049	8,437,795,807
Total assets as per Statement of financial Position					8,437,795,807

Liabilities

Current liabilities	140,916,643	(2,775,769,630)	26,609,884	(6,588,198,712)	(9,196,441,815)
Non current liabilities	-	-	-	(548,001,093)	(548,001,093)
Total segment liabilities	140,916,643	(2,775,769,630)	26,609,884	(7,136,199,805)	(9,744,442,908)
Total liabilities as per Statement of financial Position					(9,744,442,908)
Accumulated deficit					(1,306,647,099)

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

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65. Budget differences

Material differences between budget and actual amounts

Material differences between budget and actual amounts greater than 10% based on the Table A1 of the budget schedules in accordance with the Municipal Budget and Reporting regulations No.32141

Sales of goods and rendering of services 11%

The income realised on sale of goods and rendering of services is more than the budget on the line as a result of increased demand and operational efficiencies during the period.



Emalahleni Local Municipality

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Audited

By

2024 -11- 30

Auditor General South Africa

Mpumalanga Business Unit 2024 2023

65. Budget differences (continued)

Service charges	-14%	Less income realised on electricity and water as the revenue than anticipated due to an inability to apply revenue enhancement strategies and also that resulted in poor revenue collection.
Rental of facilities and equipment	-16%	low collection of rentals on municipality properties was due to inadequate plans of maintenance on ageing infrastructure that resulted in non payments from the inhabitants of this properties, an analysis of monthly billing to inhabitants of the properties must be reconciled monthly, monthly plan must be put in place to ensure that our properties are at a usable standards so we can attract more investment
Licences and permits	626%	the variance is causedd by a budget underestimation when the initial budget was derived, in the financial year 2023/2024 the was an increase of licence fees due to a tight law enforcement on collection of fees, road blocks wee initiated to ensure that we accelerate the payments on this line.
Operational Revenue	-69%	Less revenue was received than what was anticipated, the was a delay is supply chain process in regards on sale of properties, less amount was received from an auction of goods, most of the insurance claims were repuated due lack of submission of documents.
Fees earned	100%	No budget was provided due to unpredictability nature on the transaction.
Commissions received	1387%	More revenue was received than what was anticipated due to expanded customer base which led to more sales on products both on licencing and market related sales which resulted more commission earned.
Dividends	-87%	Budget on this line item was informed by the previous trends, while the actuals are determined by the markets movements and in this regard low participation on markets was noticed.
Interest taxation revenue	-12%	The interest revenue on property rates realised is less than the budget on the line due to
Debt waived	100%	No budget was provided due to unpredictability nature on the transaction.
Public contributions and donations	100%	No budget was provided due to unpredictability nature on the transaction, but donations were received for libraries
Fines	371%	There were more fines realized during the period, more invoices were captured during this period.
Impairment loss	100%	No budget was provided due to unpredictability nature on the transaction.
Finance costs	210%	Overspending due to the Eskom debt that has increase to over R9billion
Lease rentals on operating lease	100%	This line items in the budget has been classified under general expenses this is in line with the National Treasury budget schedules.

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65. Budget differences (continued)

Debt Impairment 74%

Impairment calculation was based on the 70% payment rate however during the fourth quarter the average payment rate was 58%, and this will have an undesirable impact on expenditure hence there's an increase on this item..

Transfers and Subsidies -69%

The budget on this line item correlates to mayor's bursaries, the was no expenditure incurred during the period due to non finalisation of request for bursaries.

General Expenses -55%

There was low spending due to cashflow challenge

Bulk purchases 12%

The month of June 2023 and July 2023 they are part of the winter season hence the increase on unit cost.

Fair value adjustment 100%

No budget was provided due to unpredictability nature on the transaction.

Inventories losses/write-downs 100%

No budget was provided due to unpredictability nature on the transaction.

loss on disposal of Asset 100%

No budget was provided due to unpredictability nature on the transaction.

Actuarial gains/ losses 100%

No budget was provided due to unpredictability nature on the transaction.

Changes from the approved budget to the final budget

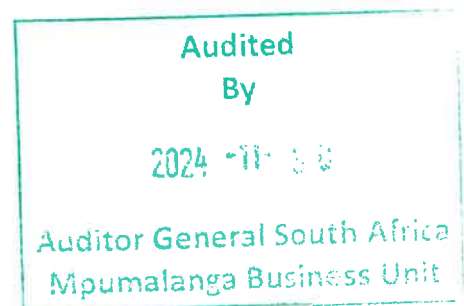
Adjustment Budget reasons

Expenditure

The expenditure budget has been adjusted upward due to several unforeseen challenges, primarily due to the aging infrastructure requiring additional funding for maintenance. Furthermore, severe storms and heavy rainfall during the first half of the financial year caused significant damage to roads, necessitating extra allocations for repairs. Moreover, water supply outages in affected areas led to an increased deployment of water tankers, adding to the expenses. Lastly, maintenance costs have surged due to frequent cable theft and substation repairs

Revenue

On the revenue budget, key adjustments have been made to reflect current trends. Notably, property rates have been reduced due to unanticipated rebates and zoning challenges. Water revenue has also decreased because of infrastructure failures and delays in meter replacements. Additionally, revenue forecasts for refuse collection, rental income, and fines and penalties have been downwardly adjusted based on actual performance and trends over the past six months.

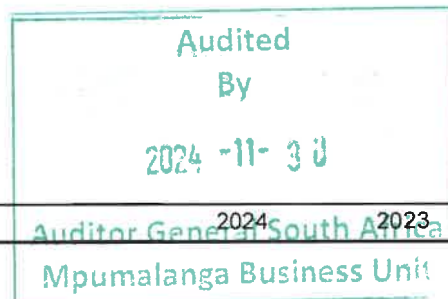


Emalahleni Local Municipality

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66. Accounting by principals and agents

The municipality entered into an agreement with the Mpumalanga Department of Roads and Transport in May 2006 and the duration of the contract was set to continue indefinitely or unless the agreement is terminated or there is a breach by the municipality. Under this agreement the municipality is liable to provide the following services:

Vehicle registration

Issue Learners licences

Issue Drivers licences

Motor vehicle testing

For the service provided by the municipality one-half of the Principal, the municipality receives a 20% commission and transfer over to the principal the 80% collected for the above services. The municipality is responsible to insure the department against any loss of monies collected and also in transits for deposit at the bank and also theft by the municipal employees, agents, contractors and sub-contractors.

For the year under review, the municipality received a total revenue (in commission) of:

Revenue from Exchange transaction	2024	2023
Commission received (20%)	R 39 621 534	R 46 732 911.22
Commission received (Market acc)	R 3 147 766.99	R 3 418 150.80
Revenue received on behalf of the principal (80%)	R 182 264 162.11	R 215 088 884.58

As at year end the municipality recognised the amount payable to the Mpumalanga Department of Roads and Transport

Current liabilities

Payables from exchange transaction	2024	2023
Opening balance	R 13 543 270.67	R 13 402 969.34
Closing balance	R 0	R 13 543 270.67

There were no receivables from the departments and no expense incurred on behalf of the department. The agreement with the Mpumalanga Department of Roads and Transport came to an end on the 30 April 2024.

DISCLOSURE BY PRINCIPALS

The Municipality entered into an agreement with Ntlangani Group of Companies for the selling of prepaid electricity on 01 July 2020. Ntlangani Group of Companies subcontracted EASYPAY(PTY) LTD, CIGICEL (PTY), LTDRA CELLULAR (PTY) LTD and TSOGOTEC (Tsogotek stopped working in September 2022) for the prepaid electricity tokens as per tender EML 15/2018. the contract commenced on 01 July 2020 and will end in 30 June 2023 and was extended until 30 September 2023, and there was further extension from 01 October 2023 until 31 January 2024. The objective of the service providers is to distribute electricity tokens through the retail network channels.

NGC is liable to pay EASYPAY(PTY) LTD and CIGICEL (PTY) LTD a daily commission of 2.5% excluding VAT of the value of sales so registered against the vendors on the NGC software suit and 3% excluding VAT for RA CELLULAR (PTY) LTD . The 2.5% or 3% is applied against the total sum of value transactions excluding free basic tokens (FBE/EBSST) so distributed at any given time. The vendors deposit the difference between the total sales value of tokens and the commission calculated using the straight-line method and the deposit all collected monies of the previous day Token sales to the council account. All the vendors invoices NGC on monthly basis an equivalent of the total summation of all the daily amounts set off as commission due.

Should the vendors cancel or purport to cancel the Agreement prior to expiry of the Term in the absence of a material breach of contract on NGC's part, the respective vendors shall be liable for compensation in respect of all demonstrable losses and damages incurred and/or suffered by NGC under ELM 15/2018 including, but not limited to, loss of future income, as well as market-related compensation in respect of the Equipment as determined by the Independent Expert in his sole discretion and

Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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66. Accounting by principals and agents (continued)

payable within 30 (THIRTY) Days of such cancellation or purported cancellation.

The Municipality entered into an agreement with Cigicell (PTY)LTD for the selling of prepaid electricity on 01 February 2024. The contract commenced on 01 February 2024 and will end in 30 January 2027. The objective of the service provider is to distribute electricity tokens through the retail network channels.

The total monthly cost of the service to be performed by service provider amounts to 2.17% (including VAT) of the supply of prepaid electricity vending services. All revenue collected must be transferred into the Municipality's banking account on a daily basis. The service provider must deposit all revenue collected excluding commission on a daily basis.

Invoices for all revenue collected must be submitted on monthly basis. Invoices will be paid within 30 days from the date of receipt of a valid tax invoice.

The equipment installed by the vendor for the project shall be paid for by respective vendors and shall remain the property of vendors until termination of the agreement.

COMPANY	2024	2023
RA VCELLULAR (3% comm)	R 1,190,023.61	R 1 627 295.57
CIGICELL (2,5% comm)	R 3,257,869.13	R 5 979 582.17
EASYPAY (2,5% comm)	R 1,043,964.90	R 794 799.66
TSOGOTEC (2,5% comm)	R 0	R 21 930.49
Ntlangani Group of Companies	R 5,170,749.94	R 6 031 249.85

Cigicell(2.17% comm) R2,838,038.05

67. Changes in accounting estimate

Landfill Site	Before change in estimate	After change in estimate	Before change in estimate	After change in estimate	Increase/decrease in depreciation
Ga-Nala	5	8	3,323,212	1,846,842	(1,476,730)
Phola	26	27	2,265,853	2,265,853	(161,791)
Witbank	4	23	2,307,946	384,658	(1,923,288)
	35	58	7,897,011	4,497,353	(3,561,809)

Audited
By
2024-11-10
Auditor General South Africa
Mpumalanga Business Unit

