

# **EMTHANJENI**

## **LOCAL MUNICIPALITY**



## **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2021**

AUDITED FINANCIAL STATEMENTS

# EMTHANJENI LOCAL MUNICIPALITY

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# EMTHANJENI LOCAL MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2021, which are set out on pages 1 to 110 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognized 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.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2022 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.

  
\_\_\_\_\_  
I Visser  
Municipal Manager

31.8.2021  
Date

# EMTHANJENI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## GENERAL INFORMATION

### NATURE OF BUSINESS

Emthanjeni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).

### JURISDICTION

The Emthanjeni Municipality includes the following areas:

De Aar  
Britstown  
Hanover

### EXECUTIVE MAYOR

ST Sthonga

### SPEAKER

MC Kivedo

### CHIEF WHIP

R Faul

### MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Councillor  
Executive Councillor

CJ Louw  
NP Mkontwana

### MUNICIPAL MANAGER

I Visser

### CHIEF FINANCIAL OFFICER

MF Manuel

### REGISTERED OFFICE

45 Dr. Pixley-ka-Seme Drive  
De Aar  
7000

### ATTORNEYS

Calteaux & Partners  
Van Zyl Attorneys

### POSTAL ADDRESS:

P.O.Box 42  
De Aar  
7000

### AUDITORS

Office of the Auditor General

### PRINCIPLE BANKERS

ABSA Bank Limited

### RELEVANT LEGISLATION

Collective Agreements  
Division of Revenue Act  
Electricity Act (Act no 41 of 1987)  
Employment Equity Act (Act no 55 of 1998)  
Housing Act (Act no 107 of 1997)  
Infrastructure Grants  
Municipal Budget and Reporting Regulations  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
Municipal Regulations on Standard Chart of Accounts  
Municipal Finance Management Act (Act no 56 of 2003)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Municipal Planning and Performance Management Regulations  
Remuneration of Public Office Bearers Act (Act no 20 of 1998)

Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
SALBC Leave Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Supply Chain Management Regulations, 2005  
The Income Tax Act  
Unemployment Insurance Act (Act no 30 of 1966)  
Value Added Tax Act  
Water Services Act (Act no 108 of 1997)

### MEMBERS OF THE EMTHANJENI LOCAL MUNICIPALITY

#### WARD

1  
2  
3  
4  
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6  
7  
8  
Proportional  
Proportional  
Proportional  
Proportional  
Proportional  
Proportional

#### COUNCILLOR

RR Faul  
D Vanel  
NP Mkontwana  
PD Van Wyk  
WJ Du Plesis  
LE Andrews  
L Billie  
PP Mhlauli  
ST Sthonga  
MC Kivedo  
SJ Hoffman  
SP Wales  
C Louw  
MO Maramba  
PN Bushula

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Notes	2021 R	2020 Restated R
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>707,584,961</b>	<b>732,477,395</b>
Property, Plant and Equipment	2	694,853,225	719,722,121
Investment Property	3	5,718,600	5,718,600
Intangible Assets	4	25,508	49,711
Heritage Assets	5	6,959,273	6,959,273
Investments	6	28,355	27,690
<b>Current Assets</b>		<b>130,054,304</b>	<b>146,497,255</b>
Inventory	8	26,462,195	54,057,829
Receivables from Exchange Transactions	9	39,436,332	37,777,675
Receivables from Non-exchange Transactions	10	21,387,131	20,582,276
Taxes	19	12,667,044	12,315,371
Cash and Cash Equivalents	11	30,101,602	21,764,106
<b>Total Assets</b>		<b>837,639,265</b>	<b>878,974,650</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>		<b>92,398,732</b>	<b>73,060,160</b>
Non-current Provisions	13	67,337,731	51,656,159
Non-current Employee Benefits	14	25,061,001	21,404,001
<b>Current Liabilities</b>		<b>181,176,177</b>	<b>164,825,777</b>
Consumer Deposits	15	2,678,885	2,518,499
Current Employee Benefits	16	14,095,884	13,581,717
Trade and Other Payables from Exchange Transactions	17.1	114,200,519	115,875,718
Trade and Other Payables from Non-Exchange Transactions	17.2	10,119,222	10,151,718
Unspent Transfers and Subsidies	18	20,315,030	7,208,676
Bank overdraft	11	19,766,637	15,248,597
Current Portion of Long-term Borrowings	12	(0)	240,852
<b>Total Liabilities</b>		<b>273,574,909</b>	<b>237,885,937</b>
<b>Net Assets</b>		<b>564,064,355</b>	<b>641,088,715</b>
Capital Replacement Reserve	20	2,252,793	2,252,793
Accumulated Surplus		561,811,562	638,835,922
<b>Total Net Assets and Liabilities</b>		<b>837,639,265</b>	<b>878,974,652</b>

**EMTHANJENI LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 R	2020 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>109,886,293</b>	<b>139,278,612</b>
<b>Taxation Revenue</b>		<b>40,166,786</b>	<b>39,479,986</b>
Property Rates	21	39,419,873	38,684,593
Property Rates - Penalties imposed and collection charges		746,913	795,393
<b>Transfer Revenue</b>		<b>68,430,844</b>	<b>88,185,307</b>
Government Grants and Subsidies - Capital	22	11,706,049	38,780,574
Government Grants and Subsidies - Operating	22	51,749,597	49,404,733
Contributed Property, Plant and Equipment	23	4,975,198	-
<b>Other Revenue</b>		<b>1,288,663</b>	<b>11,613,319</b>
Actuarial Gains	14	1,000	3,704,665
Fines and Penalties	30	1,287,663	7,908,654
<b>Revenue from Exchange Transactions</b>		<b>148,536,843</b>	<b>143,995,921</b>
Service Charges	25	140,702,374	129,775,535
Operational Revenue	26	2,422,269	8,951,276
Rental from Fixed Assets	27	1,236,966	980,228
Interest Earned - External Investments	28	1,182,337	1,813,555
Interest Earned - Exchange Transactions	29	2,023,361	1,776,613
Licences and Permits	24	969,538	698,713
<b>Total Revenue</b>		<b>258,423,136</b>	<b>283,274,533</b>
<b>EXPENDITURE</b>			
Employee related costs	31	87,328,644	86,551,132
Remuneration of Councillors	32	5,682,471	5,719,058
Contracted Services	33	10,156,067	13,885,866
Depreciation and Amortisation	34	52,992,143	50,401,921
Actuarial Losses	14	2,657,000	-
Finance Costs	35	11,851,357	6,389,597
Bulk Purchases	36	72,890,341	70,126,146
Inventory Consumed	8	3,770,796	5,147,150
Operational Costs	37	29,575,586	29,153,926
<b>Total Expenditure</b>		<b>276,904,405</b>	<b>267,374,796</b>
<b>Operating Surplus/(Deficit) for the Year</b>		<b>(18,481,270)</b>	<b>15,899,736</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8	(27,230,237)	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(30,807,509)	(40,774,811)
Gains/(Loss) on Sale of Fixed Assets	39	(506,009)	(159,483)
Fair value adjustment		665	(1,519)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	40	-	(8,787,730)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(77,024,360)</b>	<b>(33,823,807)</b>

**EMTHANJENI LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Capital Replacement Reserve R</b>	<b>Accumulated Surplus/ (Deficit) R</b>	<b>Total R</b>
<b>Balance at 1 JULY 2019</b>	<b>2,252,793</b>	<b>671,652,535</b>	<b>673,905,328</b>
Correction of Error		(1,007,194)	(1,007,194)
<b>Restated balance</b>	<b>2,252,793</b>	<b>670,645,341</b>	<b>672,898,134</b>
Net Surplus/(Deficit) for the year	-	(37,577,150)	(37,577,150)
<b>Balance at 30 JUNE 2020</b>	<b>2,252,793</b>	<b>633,068,191</b>	<b>635,320,984</b>
Correction of Error	-	5,767,731	<b>5,767,731</b>
<b>Restated balance</b>	<b>2,252,793</b>	<b>638,835,922</b>	<b>641,088,715</b>
Net Surplus/(Deficit) for the year	-	(77,024,360)	(77,024,360)
<b>Balance at 30 JUNE 2021</b>	<b>2,252,793</b>	<b>561,811,562</b>	<b>564,064,355</b>

**EMTHANJENI LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 R	2020 Restated R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts			
Cash receipts from customers		151,880,790	135,270,310
Grants		76,562,000	64,852,228
Interest received		1,182,337	1,813,555
Interest earned - outstanding debtors		2,023,361	1,776,613
Property rates - Interest received		746,913	795,393
Taxes		(351,673)	(7,520,918)
Cash payments			
Employee costs		(93,517,015)	(92,163,988)
Suppliers		(120,959,623)	(73,352,281)
Finance costs		(3,276,758)	(8,129,596)
<b>Net Cash from Operating Activities</b>	<b>43</b>	<b>14,290,332</b>	<b>23,341,315</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(10,390,409)	(33,000,455)
Purchase of Intangible Assets		0	(24,518)
<b>Net Cash from Investing Activities</b>		<b>(10,390,409)</b>	<b>(33,024,973)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(240,852)	(1,290,332)
Increase/(Decrease) in Consumer Deposits		160,386	103,703
<b>Net Cash from Financing Activities</b>		<b>(80,466)</b>	<b>(1,186,629)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,819,457</b>	<b>(10,870,287)</b>
Cash and Cash Equivalents at the beginning of the year		6,515,508	17,385,795
Cash and Cash Equivalents at the end of the year		10,334,965	6,515,508
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,819,457</b>	<b>(10,870,287)</b>



**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021**

	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	(i.t.o. s28 and s31 of the MFMA)	R	(i.t.o. s31 of the MFMA)	R	R	2021 R	%	
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash	83,384	10,300,945	10,384,329			10,384,329	4,527,512	-56.40%	Additional investment made during year
Call Investment Deposits	10,300,945	(10,300,945)	-			-	25,574,090	0.00%	Budgeted with cash
Consumer Debtors	64,669,719	-	64,669,719			64,669,719	39,436,332	-39.02%	Less billed than expected. Impairment greater than expected.
Other Debtors	6,206	-	6,206			6,206	34,054,175	548629.86%	Less billed than expected. Impairment greater than expected. The municipality does not split budget between exchange and non-exchange
Current Portion of long-term receivables	5,660	-	5,660			5,660	-	-100.00%	No long term receivables for the year
Inventory	52,832,778	-	52,832,778			52,832,778	26,462,195	-49.91%	Write down of land to fair value
<b>Total Current Assets</b>	<b>127,898,692</b>	<b>-</b>	<b>127,898,692</b>	<b>-</b>	<b>-</b>	<b>127,898,692</b>	<b>130,054,304</b>	<b>1.69%</b>	
<b>Non-Current Assets</b>									
Long-term Receivables	1,902	-	1,902			1,902	-	-100.00%	No long term receivables for the year
Investments	29,500	-	29,500			29,500	28,355	-3.88%	
Investment Property	5,725,000	-	5,725,000			5,725,000	5,718,600	-0.11%	
Property, Plant and Equipment	838,803,502	(12,900,000)	825,903,502			825,903,502	694,853,225	-15.87%	Due to under budget of depreciation. Additions recognised that was was not budgeted for, resulting in additional depreciation. Landfill site depreciation not budgeted.
Intangible Assets	191,500	-	191,500			191,500	25,508	-86.68%	Less addition purchases than expected budget
Other Non-Current Assets	7,580	-	7,580			7,580	6,959,273	91710.99%	Due to heritage not budgeted
<b>Total Non-Current Assets</b>	<b>844,758,984</b>	<b>(12,900,000)</b>	<b>831,858,984</b>	<b>-</b>	<b>-</b>	<b>831,858,984</b>	<b>707,584,961</b>	<b>-14.94%</b>	
<b>TOTAL ASSETS</b>	<b>972,657,676</b>	<b>(12,900,000)</b>	<b>959,757,676</b>	<b>-</b>	<b>-</b>	<b>959,757,676</b>	<b>837,639,265</b>	<b>-12.72%</b>	
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Bank Overdraft	6,992,707	-	6,992,707			6,992,707	19,766,637	0.00%	The municipality budgeted for greater revenue enhancement to pay its creditors. This however
Borrowing	790,726	-	790,726			790,726	(0)	-100.00%	Borrowings settled on year-end
Consumer Deposits	2,659,455	-	2,659,455			2,659,455	2,678,885	0.73%	
Trade and Other Payables	52,335,493	-	52,335,493			52,335,493	144,634,771	176.36%	Slow payment of creditors
Provisions	2,083,242	-	2,083,242			2,083,242	14,095,884	576.63%	Landfill site not budgeted
<b>Total Current Liabilities</b>	<b>64,861,623</b>	<b>-</b>	<b>64,861,623</b>	<b>-</b>	<b>-</b>	<b>64,861,623</b>	<b>181,176,177</b>	<b>179.33%</b>	
<b>Non-Current Liabilities</b>									
Borrowing	11,443,392	(10,000,000)	1,443,392			1,443,392	-	-100.00%	Borrowings settled on year-end
Provisions	98,754,507	-	98,754,507			98,754,507	92,398,732	-6.44%	Due to bonus and leave provision not budgeted
<b>Total Non-Current Liabilities</b>	<b>110,197,899</b>	<b>(10,000,000)</b>	<b>100,197,899</b>	<b>-</b>	<b>-</b>	<b>100,197,899</b>	<b>92,398,732</b>	<b>-7.78%</b>	
<b>TOTAL LIABILITIES</b>	<b>175,059,522</b>	<b>(10,000,000)</b>	<b>165,059,522</b>	<b>-</b>	<b>-</b>	<b>165,059,522</b>	<b>273,574,909</b>	<b>65.74%</b>	
<b>NET ASSETS</b>									
Accumulated Surplus/(Deficit)	797,598,154	(2,900,000)	794,698,154			794,698,154	561,811,562	-29.31%	Net effect of reasons above
<b>TOTAL NET ASSETS</b>	<b>797,598,154</b>	<b>(2,900,000)</b>	<b>794,698,154</b>	<b>-</b>	<b>-</b>	<b>794,698,154</b>	<b>564,064,355</b>	<b>-29.02%</b>	

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	R	R	R	R	R	2021 R	%	
<b>REVENUE</b>									
Property Rates	37,566,489	-	37,566,489			37,566,489	39,419,873	4.93%	Due to settlement of Department of Public Works
Property Rates - Penalties & Collection Charges		-				-	746,913	0.00%	
Service Charges - Electricity Revenue	79,149,392	(7,000,000)	72,149,392			72,149,392	88,105,850	22.12%	Due to pre-paid sales budgeted with other revenue.
Service Charges - Water Revenue	36,813,059	-	36,813,059			36,813,059	31,917,471	-13.30%	More water revenue was anticipated with budget Less sanitation revenue was anticipated with budget
Service Charges - Sanitation Revenue	25,463,709	(2,700,000)	22,763,709			22,763,709	13,803,269	-39.36%	
Service Charges - Refuse Revenue	14,257,149	(1,800,000)	12,457,149			12,457,149	6,875,784	-44.80%	More refuse revenue was anticipated with budget Additional halls rented, due to less stricter COVID measures than expected
Rental of Facilities and Equipment	909,515	-	909,515			909,515	1,236,966	36.00%	
Interest Earned - External Investments	717,274	(200,000)	517,274			517,274	1,182,337	128.57%	Additional investment made during year Slow payment debtors resulting in additional interest
Interest Earned - Outstanding Debtors	1,655,756	-	1,655,756			1,655,756	2,023,361	22.20%	
Fines	4,292,110	(2,620,000)	1,672,110			1,672,110	1,287,663	-22.99%	No camera fines issued during the year Due to COVID 19, not all offices were fully operating
Licenses and Permits	2,368,693	-	2,368,693			2,368,693	969,538	-59.07%	
Agency Services	-	-	-			-	-		
Transfers Recognised - Operational	51,955,000	6,885,000	58,840,000			58,840,000	51,749,597	-12.05%	Library grant not received. Rollover not approved and was deducted from equitable share Due to pre-paid sales budgeted with other revenue.
Other Revenue	33,302,489	1,700,000	35,002,489			35,002,489	2,423,934	-93.07%	
Gains on Disposal of PPE	210,000	-	210,000			210,000	0	-100.00%	Gains not budgeted
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>288,660,635</b>	<b>(5,735,000)</b>	<b>282,925,635</b>	<b>-</b>	<b>-</b>	<b>282,925,635</b>	<b>241,742,553</b>	<b>(2)</b>	
<b>EXPENDITURE</b>									
Employee Related Costs	87,750,623	-	87,750,623			87,750,623	87,328,644	-0.48%	The municipality budgeted for a greater increase in councillors remuneration, however the amount did not materialise.
Remuneration of Councillors	6,488,323	-	6,488,323			6,488,323	5,682,471	-12.42%	
Debt Impairment	7,754,943	-	7,754,943			7,754,943	30,807,509	297.26%	Due to slow payment of debtors, greater amount was impaired.
Depreciation and Asset Impairment	10,632,741	-	10,632,741			10,632,741	52,992,143	398.39%	Due to under budget of depreciation. Additions recognised that was not budgeted for, resulting in additional depreciation. Landfill site depreciation not budgeted.
Finance Charges	2,129,934	-	2,129,934			2,129,934	11,851,357	456.42%	Not budgeted for finance cost of non-current provisions and employee benefits. Slow payment of creditors resulting in additional finance charges.
Bulk Purchases	74,538,997	-	74,538,997			74,538,997	72,890,341	-2.21%	Less water purchased than expected
Other Materials	14,728,748	(3,383,334)	11,345,414			11,345,414	3,770,796	-66.76%	Due to cost containment measures implemented
Contracted Services	11,224,033	(616,666)	10,607,367			10,607,367	10,156,067	-4.25%	
Other Expenditure	61,412,293	6,885,000	68,297,293			68,297,293	59,462,823	-12.94%	Due to cost containment measures implemented
Loss on Disposal of PPE	-	-	-			-	506,009	#DIV/0!	Losses not budgeted
<b>Total Expenditure</b>	<b>276,660,635</b>	<b>2,885,000</b>	<b>279,545,635</b>	<b>-</b>	<b>-</b>	<b>279,545,635</b>	<b>335,448,160</b>	<b>20.00%</b>	
<b>Surplus/(Deficit)</b>	<b>12,000,000</b>	<b>(8,620,000)</b>	<b>3,380,000</b>	<b>-</b>	<b>-</b>	<b>3,380,000</b>	<b>(93,705,607)</b>	<b>(2)</b>	
Transfers Recognised - Capital Contributed Assets	19,616,000	(2,900,000)	16,716,000			16,716,000	11,706,049	-29.97%	Rollover not approved and was deducted from equitable share
	-	-	-			-	4,975,198	#DIV/0!	Contributed PPE not budgeted
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>	<b>31,616,000</b>	<b>(11,520,000)</b>	<b>20,096,000</b>	<b>-</b>	<b>-</b>	<b>20,096,000</b>	<b>(77,024,360)</b>	<b>-483.28%</b>	
Taxation		-				-		#DIV/0!	
<b>Surplus/(Deficit) after Taxation</b>	<b>31,616,000</b>	<b>(11,520,000)</b>	<b>20,096,000</b>	<b>-</b>	<b>-</b>	<b>20,096,000</b>	<b>(77,024,360)</b>	<b>-483.28%</b>	
Attributable to Minorities		-				-		#DIV/0!	
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>31,616,000</b>	<b>(11,520,000)</b>	<b>20,096,000</b>	<b>-</b>	<b>-</b>	<b>20,096,000</b>	<b>(77,024,360)</b>	<b>-483.28%</b>	
Share of Surplus/(Deficit) of Associate		-				-		#DIV/0!	
<b>Surplus/(Deficit) for the year</b>	<b>31,616,000</b>	<b>(11,520,000)</b>	<b>20,096,000</b>	<b>-</b>	<b>-</b>	<b>20,096,000</b>	<b>(77,024,360)</b>	<b>#DIV/0!</b>	

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	Explanations for material variances of R1m or 10%
	R	R	R	R	R	R	2021 R	%	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Taxation	30,053,191	-	30,053,191			30,053,191	(351,673)	-100.18%	Actual taxation relating to movement in VAT Due to pre-paid sales budgeted with other revenue.
Service Charges	137,114,977	(6,005,900)	131,109,077			131,109,077	151,880,790	-31.84%	Due to pre-paid sales budgeted with other revenue.
Other Revenue	33,814,498	(920,000)	32,894,498			32,894,498	1,182,337	-98.91%	Rollover not approved and was deducted from equitable share
Government - Operating	51,955,000	6,885,000	58,840,000			58,840,000	76,562,000	1.33%	
Government - Capital	19,616,000	(2,900,000)	16,716,000			16,716,000	-	-100.00%	
Interest	1,898,423	(200,000)	1,698,423			1,698,423	2,770,274	63.11%	Cashflow only include interest on investments
<b>Payments</b>									
Suppliers and Employees	(251,301,110)	80,000	(251,221,110)			(251,221,110)	(214,476,637)	-14.63%	Slow payment of creditors
Finance costs	(2,129,934)	-	(2,129,934)			(2,129,934)	(3,276,758)	53.84%	Slow payment of creditors resulting in additional interest
<b>Net Cash from/(used) Operating Activities</b>	<b>21,021,045</b>	<b>(3,060,900)</b>	<b>17,960,145</b>	<b>-</b>	<b>-</b>	<b>17,960,145</b>	<b>14,290,332</b>	<b>-20.43%</b>	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	210,000	-	210,000			210,000		-100.00%	Effect of disposal considered against capital assets
<b>Payments</b>									
Capital Assets	(31,616,000)	12,900,000	(18,716,000)			(18,716,000)	(10,390,409)	-44.48%	Additions recognised that was not budgeted for.
<b>Net Cash from/(used) Investing Activities</b>	<b>(31,406,000)</b>	<b>12,900,000</b>	<b>(18,506,000)</b>	<b>-</b>	<b>-</b>	<b>(18,506,000)</b>	<b>(10,390,409)</b>	<b>-43.85%</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Borrowing long term/refinancing	12,000,000	(10,000,000)	2,000,000			2,000,000	-	-100.00%	No additional loans for the year
Increase/(Decrease) in Consumer Deposits	102,287	-	102,287			102,287	160,386	56.80%	More water and electricity revenue was anticipated with budget
<b>Payments</b>									
Repayment of Borrowing	(861,209)	-	(861,209)			(861,209)	(240,852)	-72.03%	Less repayments than expected as new loans was not taken up
<b>Net Cash from/(used) Financing Activities</b>	<b>11,241,078</b>	<b>(10,000,000)</b>	<b>1,241,078</b>	<b>-</b>	<b>-</b>	<b>1,241,078</b>	<b>(80,466)</b>	<b>-106.48%</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>									
Cash and Cash Equivalents at the year begin:	2,564,999	(2,773,474)	(208,475)			(208,475)	6,515,508	-3225.32%	
Cash and Cash Equivalents at the year end:	<b>3,421,122</b>	<b>(2,934,374)</b>	<b>486,748</b>	<b>-</b>	<b>-</b>	<b>486,748</b>	<b>10,334,965</b>	<b>2023.27%</b>	Net of reasons listed above

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.4, on which the municipality was required to transacted for periods after 1 July 2020. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2020 audited amounts are set out in note 41 of the annual financial statements.

**1.5. CONSISTENT AND NEW ACCOUNTING POLICIES**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements will be adjusted in accordance with GRAP 3.

The following GRAP standards became effective on 1 April 2020:

- GRAP 18 Segment Reporting
- GRAP 110 Living and non-living resources
- GRAP 34 Separate financial statements
- GRAP 35 Consolidated financial statements
- GRAP 36 Investment in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in Other Entities

GRAP 34 - 38 will not have an influence on the operations of the municipality.

Amendments were made to the following GRAP interpretations:

- iGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
- iGRAP 20 Accounting for Adjustments to Revenue

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**1.6. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.7. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.8. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the final budget amounts and actual amounts are included on the Statement of Budget Comparison.

The municipality considers a variance between the actual and budget of more than 10% of the budgeted value as material, provided that such variance exceeds R1000 000.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.9. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

REFERENCE	TOPIC	EFFECTIVE DATE
<b>GRAP 104 (Revised – April 2020)</b>	<p><b><u>Financial Instruments</u></b></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown
<b>Guideline</b>	<p><b><u>Landfill sites</u></b></p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
<b>Guideline</b>	<p><b><u>Application of Materiality of Financial Statements</u></b></p> <p>The guideline is not authoritative but only encourage.</p> <p>The municipality may have to revise their currently policy on materiality to include additional factors.</p>	Unknown

## **1.10. RESERVES**

### **1.10.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.

If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue

## **1.11. LEASES**

### **1.11.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays,

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.11.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.14. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.15. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

**1.16. EMPLOYEE BENEFITS**

**(a) Pension and Retirement Fund Obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(b) *Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee related cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

**(c) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

**(d) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**(e) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

**(f) Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**1.17. PROPERTY, PLANT AND EQUIPMENT**

**1.17.1. Initial Recognition**

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 year.

The following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used

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only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

**1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.17.3. Depreciation and Impairment**

Land is not depreciated as it is regarded as having an unlimited life. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset other than land begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives in years:

**Infrastructure**

Roads and Stormwater	3 - 80
Electricity	3 - 60
Water	5 - 75
Refuse (landfill sites)	10 - 65
Sewerage	5 - 75

**Community**

Recreation sites	5 - 60
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**Other**

Buildings	5 - 100
Office Equipment	3 - 15
Furniture and Fittings	2 - 10
Other Plant and Equipment	2 - 15
Emergency Equipment	2 - 10
Transport Assets	3 - 15

**Finance lease assets**

Office equipment	2-10
Vehicles	3-5



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The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.17.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.17.6. Decommissioning and restoration asset**

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, shall be accounted for as follows:

The related asset (under cost model) is measured as follows:



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- Changes in the liability, shall be added or deducted from the asset cost;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

If the adjustment results in an addition to the cost of an asset, the municipality shall consider 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 entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy. Refer to paragraph 1.26 of the policy.

## **1.18. INTANGIBLE ASSETS**

### **1.18.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, regardless of whether the Municipality intends to do so or;
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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Where an intangible asset 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.

**1.18.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.18.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u><b>Intangible Assets</b></u>	<b>Years</b>
Computer Software	3-5

The amortisation charge is recognised in the Statement of Financial Performance

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**1.18.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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**1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.19. INVESTMENT PROPERTY**

**1.19.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation)
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.19.2. Subsequent Measurement – Fair value model**

Subsequent to initial recognition, items of investment property is measured at fair value. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**1.19.3. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.19.4. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.20. LIVING AND NON-LIVING RESOURCES**

**1.20.1. Initial Recognition**

Living resources (animals, plants) 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. Non-living resources includes land, water, mineral, oil and gas.

Once the resources it is extracted it is no longer in its natural state and no longer meet definition of a non-living resource. After extraction the principals of GRAP 12 would apply.

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On-going maintenance (city beautification) is not intervening in the management of the physical condition, but is part of an entity's on-going duties and responsibilities.

**1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.21.1. Cash generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.
- A decision to halt the construction of the asset before it is complete or in a usable condition

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The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.21.2. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the



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remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## **1.22. INVENTORIES**

### **1.22.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost



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includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct cost relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead.

**1.22.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The cost is determined using the weighted average cost of commodities.

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset

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**1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.23.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.23.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.23.2.1. Receivables**

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method. Receivables comprise of long-term debtors, consumer debtors and other debtors (excluding rates and fines).

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.23.2.2. Payables**

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.23.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.23.2.4. Non-Current Investments**

Investments which include fixed deposits invested in registered commercial banks and public companies are stated at fair value.

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Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.23.3. De-recognition**

**1.23.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.23.3.2. Financial Liabilities**

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A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.23.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.24. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.24.1. Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset and recognition criteria of asset is met.

**1.24.2. Subsequent Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable 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 is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement

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of Financial Performance. In estimating the future cash flows, the 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 Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

The municipality considers the following as 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

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 by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.24.3. Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) 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 Municipality:
  - i. derecognise the receivable; and
  - ii. recognise separately any rights and obligations created or retained in the transfer.

**1.24.4. Transitional Provisions**

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within

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Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality is choosing to make use of the transitional provision

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

## **1.25. REVENUE**

### **1.25.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from non-exchange transactions is recognised when:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;
- the fair value of the asset can be measured reliably.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of



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property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related 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.



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If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**1.25.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- The stage of completion at the reporting date can be measured reliably;

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. The tariff will be based on the type of service and number of sewer connections.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.26. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

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.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).

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- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services

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in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

**1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. 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), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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**1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post-retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves

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making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 16 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Impairment of Statutory Receivables***

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.



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The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



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***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

The IGRAP 1 amendments did not have any impact on Traffic Fines revenue issued in terms of the current Criminal Proceedings Act system, but will only have an effect on fines issued in terms of the Amended Act (AARTO) that is expected to become effective on 1 July 2021. As the legislation is new, the possible impact cannot at this stage be determined. The legislation itself will significantly increase Traffic Fines revenue based on higher fine amounts being pronounced in Schedule 3 of the Amendment Act.

The iGRAP 20 interpretation is not regarded as having an effect, as the principals of revising revenue (for e.g., incorrect tariff or appeal) is already applied by the municipality

***Water Inventory***

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

**1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

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- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.

#### **1.34. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual 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).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### **1.34 HERITAGE ASSETS**

##### ***1.34.1 Initial Recognition***

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.

A heritage asset is recognised as an asset if, and only 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.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

##### ***1.34.2 Subsequent Measurement – Cost Model***

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

##### ***1.34.3 Depreciation and Impairment***

Heritage assets are not depreciated

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Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.34.4 De-recognition**

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

**1.34.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

**1.35. ACCOUNTING BY PRINCIPALS AND AGENTS**

A principal-agent arrangement exists where there is 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).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

**Identification**

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Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

**1.36. TREATMENT OF ADMINISTRATIVE AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**1.37. BORROWING COST**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.38. DISCONTINUED OPERATIONS**

Discontinued operation is a component of a municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

Where a significant part of the municipality is disposed, disclosure would be made in the annual financial statements. An asset temporarily taken out of use or change in use, do not qualify as a discontinued operation.

**1.39. 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

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Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

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**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

2.3 Property, Plant and Equipment which is in the process of being constructed or developed:	2021 R	2020 R
Infrastructure Assets	12,321,719	28,881,820
Roads	2,660,244	2,083,325
Electricity	3,644,308	315,014
Water Supply	6,017,168	26,483,482
Community Assets		10,320,248
<b>Total Property, Plant and Equipment under construction</b>	<b>12,321,719</b>	<b>39,202,068</b>

2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:	2021 R	2020 R
Contracted Services	816,307	1,191,690
<b>Total Repairs and Maintenance</b>	<b>816,307</b>	<b>1,191,690</b>

2.5 **Assets pledged as security:**  
There are no assets pledged as security for liabilities.

2.6 Impairment losses of Property, Plant and Equipment	2021 R	2020 R
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Infrastructure	-	6,006,247
Community Assets	-	2,527,753
Other	-	253,730
<b>Total Impairment Losses</b>	<b>-</b>	<b>8,787,730</b>

2.7 Effect of changes in accounting estimates	2021 R	2022 R	2023 R
Change in estimate	2,380,201	3,306,964	4,337,924

The Municipality has reassessed the useful lives and residual values of Property, plant and equipment. This resulted in change in depreciation charge, accumulated depreciation charge and the carrying value of Property, Plant and Equipment. The effect of the change for the current and future periods are disclosed on note 2.7.

2.8 Contractual commitments for acquisition of Property, Plant and Equipment:	2021 R	2020 R
Approved and contracted for:	1,008,897	15,264,848
Infrastructure	1,008,897	15,264,848
<b>Total</b>	<b>1,008,897</b>	<b>15,264,848</b>

3. INVESTMENT PROPERTY	2021 R	2020 R
3.1 Fair value at 1 July	5,718,600	5,718,600
Fair value at 30 June	5,718,600	5,718,600

No revenue income was derived from the property during the financial year.  
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.  
There are no assets pledged as security for liabilities.  
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties and the professional judgement of the valuer from time to time when the circumstances requires.

4. INTANGIBLE ASSETS	2021 R	2020 R
<b>Computer System &amp; Software</b>		
4.1 Net Carrying amount at 1 July	49,711	101,890
Cost	2,227,669	2,203,151
Accumulated Amortisation	(2,177,958)	(2,101,261)
Accumulated Impairment Loss	-	-
Additions		24,518
Amortisation	(24,203)	(76,697)
Disposals	-	-
<b>Net Carrying amount at 30 June</b>	<b>25,508</b>	<b>49,711</b>
Cost	2,227,669	2,227,669
Accumulated Amortisation	(2,202,161)	(2,177,958)
Accumulated Impairment Loss	-	-

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	2021 R	2020 R
<b>4.2 Material Intangible Assets included in the carrying value:</b>		
<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>
Computer software - Kaspersky	1	8,811
<p>No intangible asset were assed having an indefinite useful life.            No expenditure were incurred with regards to research or development cost.            There are no internally generated intangible assets at reporting date.            There are no intangible assets in process of being constructed or developed.            There are no intangible assets whose title is restricted.            There age no intangible assets pledged as security for liabilities.            There are no contractual commitments for the acquisition of intangible assets.</p>		
<b>5. HERITAGE ASSETS</b>	<b>2021 R</b>	<b>2020 R</b>
<b>Net Carrying amount at 1 July</b>	<b>6,959,273</b>	<b>6,959,273</b>
Cost	6,959,273	6,959,273
Accumulated Impairment Loss	-	-
Additions	-	-
Disposals	-	-
Transfers	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
<b>Net Carrying amount at 30 June</b>	<b>6,959,273</b>	<b>6,959,273</b>
Cost	6,959,273	6,959,273
Accumulated Impairment Loss	-	-
<p>There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.</p> <p>There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.</p> <p>There are no Heritage Assets pledged as security for liabilities.</p> <p>There are no Heritage Assets that are used by the municipality for more than one purpose.</p> <p>No expenditure were incurred to repair and maintain heritage assets.</p>		
<b>6. INVESTMENTS</b>	<b>2021 R</b>	<b>2020 R</b>
<b>Listed</b>	28,355	27,690
Listed Shares	28,355	27,690
<b>Total Investments</b>	<b>28,355</b>	<b>27,690</b>
<p>Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to those shares.            The Management of the municipality is of the opinion that the carrying value of investments approximate their fair value.</p>		
<b>7. OPERATING LEASE ARRANGEMENTS</b>	<b>2021 R</b>	<b>2020 R</b>
<b>7.1 The Municipality as Lessor</b>		
Operating Lease Asset	-	-
<b>Reconciliation</b>	<b>2021 R</b>	<b>2020 R</b>
Balance at the beginning of the year		12,015
Correction of Error – note		
Movement during the year		
Lease derecognised		(12,015)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<p>At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease income as follows:</p>		
Up to 1 Year		4,542
1 to 5 Years		7,473
More than 5 Years		-
<b>Total Operating Lease Arrangements</b>	<b>-</b>	<b>12,015</b>
<b>8. INVENTORY</b>	<b>2021 R</b>	<b>2020 R</b>
Consumables - Stationary and material	1,323,439	921,657
Land	25,117,887	53,104,399
Water	20,869	31,812
<b>Total Inventory</b>	<b>26,462,195</b>	<b>54,057,829</b>
<p>The municipality recognised only purification costs in respect of non-purchased purified water inventory.</p>		



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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<b>8.1 Inventories recognise as an expense during the year:</b>		
Consumables - Stationary and material	1,101,429	1,866,303
Materials and Supplies	2,669,368	3,280,848
<b>Total</b>	<b>3,770,796</b>	<b>5,147,150</b>
Balance previously reported		-
Correction of error		6,314
Reclassification		5,140,837
Restated balance		<b>5,147,150</b>

The cost of water production for the year amounted to R1.26 per kiloliter (2020: R1.2812 per kiloliter)

	2021 R	2020 R
<b>8.2 Inventories written down/reversal due to losses as identified during the annual stores counts:</b>		
Consumables - Stationary and material	(756,235)	-
No inventories were pledged as security for liabilities.		

	2021 R	2020 R
<b>8.3 Inventories written down due to Net realisable value (NRV)</b>		
Land	27,986,472	-
Land was re-measured to lowest of cost and NRV. Properties were identified where fair value was lower and therefore write off was made to fair value		

	2021 R	2020 R
<b>9. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Service Receivables</b>		
Electricity	35,362,728	33,552,430
Water	65,045,771	50,357,325
Property Rentals	2,208,398	1,815,592
Waste Management	19,682,657	17,323,635
Waste Water Management	38,306,357	32,371,164
Town Commonage	4,728,797	4,258,747
<b>Total Service Receivables</b>	<b>165,334,708</b>	<b>139,678,892</b>
Less: Provision for Debt Impairment	(125,968,234)	(101,817,484)
<b>Net Service Receivables</b>	<b>39,366,474</b>	<b>37,861,408</b>
Other Receivables	449,764	243,083
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>449,764</b>	<b>243,083</b>
<b>Less:</b> Provision for Debt Impairment	(379,905)	(326,816)
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>69,858</b>	<b>(83,734)</b>
<b>Total Net Receivables from Exchange Transactions</b>	<b>39,436,332</b>	<b>37,777,675</b>
Balance previously reported		38,446,914
Correction of error		(669,240)
<b>Restated balance</b>		<b>37,777,675</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

	2021 R	2020 R
<b>(Electricity): Ageing</b>		
Current (0 - 30 days)	4,197,430	5,571,963
31 - 60 Days	1,618,631	2,696,952
61 - 90 Days	1,512,603	1,673,307
+ 90 Days	28,034,065	23,610,208
<b>Total</b>	<b>35,362,728</b>	<b>33,552,430</b>

	2021 R	2020 R
<b>(Water): Ageing</b>		
Current (0 - 30 days)	2,020,824	2,750,004
31 - 60 Days	1,886,741	1,912,034
61 - 90 Days	1,835,600	1,821,112
+ 90 Days	59,302,606	43,874,175
<b>Total</b>	<b>65,045,771</b>	<b>50,357,325</b>

	2021 R	2020 R
<b>(Property Rentals): Ageing</b>		
Current (0 - 30 days)	64,076	56,901
31 - 60 Days	37,019	29,458
61 - 90 Days	32,805	32,366
+ 90 Days	2,074,498	1,696,867
<b>Total</b>	<b>2,208,398</b>	<b>1,815,592</b>

	2021 R	2020 R
<b>(Waste Management): Ageing</b>		
Current (0 - 30 days)	503,320	502,157
31 - 60 Days	413,164	445,389
61 - 90 Days	396,637	434,898
+ 90 Days	18,369,336	15,941,191
<b>Total</b>	<b>19,682,657</b>	<b>17,323,635</b>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R	
<b><u>(Waste Water Management): Ageing</u></b>			
Current (0 - 30 days)	976,412	990,835	
31 - 60 Days	828,355	826,704	
61 - 90 Days	794,441	798,576	
+ 90 Days	35,707,149	29,755,049	
<b>Total</b>	<b>38,306,357</b>	<b>32,371,164</b>	
<b><u>Town Commonage: Ageing</u></b>			
Current (0 - 30 days)	33,854	33,854	
31 - 60 Days	51,835	33,616	
61 - 90 Days	33,616	33,616	
+ 90 Days	4,609,492	4,157,661	
<b>Total</b>	<b>4,728,797</b>	<b>4,258,747</b>	
<b><u>(Other): Ageing</u></b>			
Current (0 - 30 days)	19,075	97,026	
31 - 60 Days	14,065	8,725	
61 - 90 Days	13,669	9,448	
+ 90 Days	402,955	127,884	
<b>Total</b>	<b>449,764</b>	<b>243,083</b>	
<b><u>(Total): Ageing</u></b>			
Current (0 - 30 days)	7,814,991	10,002,740	
31 - 60 Days	4,849,809	5,952,878	
61 - 90 Days	4,619,570	4,803,323	
+ 90 Days	148,500,101	119,163,034	
<b>Total</b>	<b>165,784,471</b>	<b>139,921,975</b>	
<b><u>Summary of Debtors by Customer Classification</u></b>			
	<b><u>Residential</u></b>	<b><u>Industrial/ Commercial</u></b>	<b><u>National and Provincial Government</u></b>
<b>30 JUNE 2021</b>			
Current (0 - 30 days)	5,130,647	2,039,041	645,302
31 - 60 Days	3,780,320	828,174	241,315
61 - 90 Days	3,619,890	780,796	218,883
+ 90 Days	134,410,192	8,144,872	5,945,037
Sub-total	146,941,050	11,792,884	7,050,537
<b>Less:</b> Provision for Debt Impairment	(116,797,539)	(9,475,683)	(74,917)
<b>Total debtors by customer classification</b>	<b>30,143,511</b>	<b>2,317,201</b>	<b>6,975,620</b>
<b><u>Summary of Debtors by Customer Classification</u></b>			
	<b><u>Residential</u></b>	<b><u>Industrial/ Commercial</u></b>	<b><u>National and Provincial Government</u></b>
<b>30 JUNE 2020</b>			
Current (0 - 30 days)	7,691,410	1,552,029	759,300
31 - 60 Days	4,529,173	1,023,870	399,836
61 - 90 Days	3,792,031	573,248	438,045
+ 90 Days	105,761,589	7,067,716	6,333,728
Sub-total	121,774,203	10,216,863	7,930,909
<b>Less:</b> Provision for Debt Impairment	(93,954,133)	(8,190,167)	-
<b>Total debtors by customer classification</b>	<b>27,820,070</b>	<b>2,026,696</b>	<b>7,930,909</b>
<b><u>Reconciliation of Provision for Debt Impairment</u></b>			
	<b>2021 R</b>	<b>2020 R</b>	
Balance at beginning of year	102,144,300	80,199,670	
Contribution to provision	21,300,709	19,224,573	
VAT on provision	2,903,130	2,720,057	
Balance at end of year	<b>126,348,139</b>	<b>102,144,300</b>	
	<b>2021 R</b>	<b>2020 R</b>	
The total amount of this provision consist of:			
Services	125,968,234	101,817,484	
Other Debtors	379,905	326,816	
<b>Total Provision for Debt Impairment on Receivables from exchange transactions</b>	<b>126,348,139</b>	<b>102,144,300</b>	

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	2021 R	2020 R
<b><u>Ageing of amounts past due but not impaired:</u></b>		
1 month past due	241,315	399,836
2+ months past due	6,163,920	6,771,773
	<b>6,405,235</b>	<b>7,171,609</b>

Management determines the payment rate per debtor. Therefore each individual debtor is impaired based on the collection of debt. Government debtors is excluded from the impairment as they are considered to be fully recoverable. The indication of impairment is the non-ability of the debtor to settle their account. Indigent debtors are impaired fully.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R9 468 857 (2020: R9 786 578) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2021 R	2021 R	2021 R
<b>10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	<b>Gross balance</b>	<b>Provision for impairment</b>	<b>Net balance</b>
Rates	71,852,550	(60,444,055)	11,408,496
Fines	115,929,836	(108,271,747)	7,658,089
Payments in advance	291,715	0	291,715
Sundry Deposits	1,419,218	0	1,419,218
Sundry Debtors	609,614	-	609,614
<b>Total Receivables from non-exchange transactions</b>	<b>190,102,933</b>	<b>(168,715,801)</b>	<b>21,387,131</b>
	<b>2020 R</b>	<b>2021 R</b>	<b>2021 R</b>
	<b>Gross balance</b>	<b>Provision for impairment</b>	<b>Net balance</b>
Rates	62,897,066	(54,334,380)	8,562,686
Fines	115,044,661	(104,679,941)	10,364,720
Payments in advance	292,715	0	292,715
Sundry Deposits	984,042	0	984,042
Sundry Debtors	378,113	-	378,113
	<b>179,596,597</b>	<b>(159,014,321)</b>	<b>20,582,276</b>
Balance previously reported			20,577,393
Reclassification			4,883
<b>Restated balance</b>			<b>20,582,276</b>

Sundry Deposits are in respect of cash deposits made to Eskom for supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2020: R900 000) in respect of a deposit paid to Eskom. The remaining R84 042 (2020: R84 042) is with regards to deposits held by fuel stations and post office.

The fair value of other receivables approximate their carrying value.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

	2021 R	2020 R
<b><u>(Rates): Ageing</u></b>		
Current (0 - 30 days)	1,380,067	1,548,213
31 - 60 Days	712,981	4,223,478
61 - 90 Days	655,356	966,795
+ 90 Days	69,104,147	56,158,580
<b>Total</b>	<b>71,852,550</b>	<b>62,897,066</b>

	2021 R	2020 R
<b><u>(Payments in advance): Ageing</u></b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	291,715	292,715
<b>Total</b>	<b>291,715</b>	<b>292,715</b>

	2021 R	2020 R
<b><u>(Sundry deposits): Ageing</u></b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1,419,218	984,042
<b>Total</b>	<b>1,419,218</b>	<b>984,042</b>

	2021 R	2020 R
<b><u>(Sundry Debtors): Ageing</u></b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	609,614	378,113
<b>Total</b>	<b>609,614</b>	<b>378,113</b>

## EMTHANJENI LOCAL MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Summary of Rates Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
<b>30 JUNE 2021</b>			
Current (0 - 30 days)	1,234,813	24,695	120,558
31 - 60 Days	577,212	20,454	115,315
61 - 90 Days	527,273	17,212	110,871
+ 90 Days	63,017,328	1,703,302	4,383,517
Sub-total	65,356,625	1,765,664	4,730,261
<b>Less:</b> Provision for Debt Impairment	(59,103,762)	(1,333,163)	(7,129)
<b>Total debtors by customer classification</b>	<b>6,252,863</b>	<b>432,500</b>	<b>4,723,132</b>

Summary of Rates Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
<b>30 JUNE 2020</b>			<b>R</b>
Current (0 - 30 days)	1,321,592	73,543	153,078
31 - 60 Days	4,001,759	70,032	151,687
61 - 90 Days	747,324	68,795	150,676
+ 90 Days	50,386,759	1,466,500	4,305,321
Sub-total	56,457,434	1,678,870	4,760,762
<b>Less:</b> Provision for Debt Impairment	(52,927,767)	(1,406,613)	-
<b>Total debtors by customer classification</b>	<b>3,529,667</b>	<b>272,257</b>	<b>4,760,762</b>

2021 R	2020 R
-----------	-----------

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	159,014,321	137,462,206
Contribution to provision	9,701,480	21,552,115
Balance at end of year	<b>168,715,801</b>	<b>159,014,321</b>
	<b>2021 R</b>	<b>2020 R</b>

Ageing of amounts past due but not impaired

1 month past due	115,315	151,687
2+ months past due	4,494,388	4,455,997
	<b>4,609,703</b>	<b>4,607,684</b>

Management determines the payment rate per debtor. Therefore each individual debtor is impaired based on the collection of debt. Government debtors is excluded from the impairment as they are considered to be fully recoverable. The indication of impairment is the non-ability of the debtor to settle their account. Indigent debtors are impaired fully.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

**11. BANK ACCOUNTS**

2021 R	2020 R
-----------	-----------

**11.1 Cash and Cash Equivalents**

Current Accounts	4,524,532	2,353,454
Current Investments	25,574,090	19,407,672
Cash On-hand	2,980	2,980
<b>Total Cash and Cash Equivalents - Assets</b>	<b>30,101,602</b>	<b>21,764,106</b>

2021 R	2020 R
-----------	-----------

**11.2 Liabilities**

Bank overdraft	(19,766,637)	(15,248,597)
<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>(19,766,637)</b>	<b>(15,248,597)</b>

2021 R	2020 R
-----------	-----------

Cash and cash equivalents comprise cash-on-hand, Cash in banks and Investment in Money Markets, net of outstanding bank overdrafts. The carrying amount of these assets approximates their fair value.

Deposits attributable to Unspent Conditional Grants

20,315,027	7,208,676
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Bank overdraft facility of R3000 000 exist with ABSA bank

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
The municipality has the following bank accounts:		
<b>Account Number - (Primary Account):</b>		
ABSA bank overdraft (primary account) - 185 0000 0081	(19,766,637)	(15,248,597)
ABSA bank - (current account) - 4061 685 162	3,070,009	460,583
ABSA bank - (current account) - 4081 497 012	1,439,878	1,608,868
Standard bank - (current account) - 2803 50007	14,645	284,003
	<u>(15,242,104)</u>	<u>(12,895,143)</u>
The municipality has investments with the following institutions:		
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Current Investments</b>		
FNB	301,068	291,270
ABSA	25,080,503	18,929,296
Standard Bank	29,374	29,210
Nedbank	163,145	157,897
	<u>25,574,090</u>	<u>19,407,673</u>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.3% - 7.72%		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 3.35% to 6.52% per annum.		
Details of the bank accounts are as follows:		
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>ABSA Bank Limited - De Aar Branch - 185 000 0081 (Primary Account):</b>		
Cash book balance at beginning of year	(15,248,597)	(18,397,223)
Cash book balance at end of year	<u>(19,766,637)</u>	<u>(15,248,597)</u>
Bank statement balance at beginning of year	4,869,921	342,817
Bank statement balance at end of year account	<u>592,310</u>	<u>4,869,921</u>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Standard Bank SA Limited - De Aar Branch - 2803 500007</b>		
Cash book balance at beginning of year	284,003	253,098
Cash book balance at end of year	<u>14,645</u>	<u>284,003</u>
Bank statement balance at beginning of year account	283,764	253,098
Bank statement balance at end of year account	<u>14,406</u>	<u>283,764</u>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>ABSA Bank Limited - De Aar Branch - 4061 685 162</b>		
Cash book balance at beginning of year	460,583	691,405
Cash book balance at end of year	<u>3,070,009</u>	<u>460,583</u>
Bank statement balance at beginning of year	460,583	691,405
Bank statement balance at end of year	<u>9,166</u>	<u>460,583</u>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>ABSA Bank Limited - De Aar Branch - 4081 497 012</b>		
Cash book balance at beginning of year	1,608,868	676,687
Cash book balance at end of year	<u>1,439,878</u>	<u>1,608,868</u>
Bank statement balance at beginning of year	1,608,868	676,688
Bank statement balance at end of year	<u>1,092,646</u>	<u>1,608,868</u>
The details of Investment accounts are as follows:		
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>ABSA Bank Limited - De Aar Branch - Fixed deposit - 2062 198 906</b>		
Cash book balance at beginning of year	9,736,049	9,088,794
Cash book balance at end of year	<u>10,370,839</u>	<u>9,736,049</u>
Bank statement balance at beginning of year	9,736,049	9,088,794
Bank statement balance at end of year	<u>10,370,839</u>	<u>9,736,049</u>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>ABSA Bank Limited - De Aar Branch - Fixed deposit - 2068 494 239</b>		
Cash book balance at beginning of year	20,954	19,822
Cash book balance at end of year	<u>-</u>	<u>20,954</u>
Bank statement balance at beginning of year	20,954	19,822
Bank statement balance at end of year	<u>-</u>	<u>20,954</u>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Nedbank Ltd - De Aar Branch - Call account - 037662022900/000001</b>		
Cash book balance at beginning of year	157,897	151,042
Cash book balance at end of year	<u>163,145</u>	<u>157,897</u>
Bank statement balance at beginning of year	155,998	149,143
Bank statement balance at end of year	<u>161,145</u>	<u>155,998</u>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Standard Bank of SA Limited - De Aar Branch - Call account- 388910356-002</b>		
Cash book balance at beginning of year	29,210	27,713
Cash book balance at end of year	<u>29,374</u>	<u>29,210</u>
Bank statement balance at beginning of year	29,210	27,713
Bank statement balance at end of year	<u>29,374</u>	<u>29,210</u>

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<b>First National Bank - De Aar Branch - Call account - 62755965583</b>		
Cash book balance at beginning of year	291,270	184,827
Cash book balance at end of year	948,555	291,270
Bank statement balance at beginning of year	291,270	184,827
Bank statement balance at end of year	301,068	291,270

	2021 R	2020 R
<b>Absa Bank Limited - De Aar Branch - Call deposit - 9325381089</b>		
Cash book balance at beginning of year	2,757,127	24,243,350
Cash book balance at end of year	948,555	2,757,127
Bank statement balance at beginning of year	2,757,127	24,243,350
Bank statement balance at end of year	948,555	2,757,127

	2021 R	2020 R
<b>Absa Bank Limited - De Aar Branch - Call deposit - 9357761647</b>		
Cash book balance at beginning of year	6,415,166	-
Cash book balance at end of year	13,761,109	6,415,166
Bank statement balance at beginning of year	6,415,166	-
Bank statement balance at end of year	13,761,109	6,415,166

	2021 R	2020 R
<b>12. LONG-TERM BORROWINGS</b>		
Capitalised Lease Liability - At amortised cost	-	240,844
<b>Less:</b> Current Portion transferred to Current Liabilities	-	240,844
Capitalised Lease Liability - At amortised cost		(240,845)
<b>Total Long-term Borrowings</b>		(1)

Finance lease loans at amortised cost is calculated at 7.93 % - 26 % interest rate, with the last maturity date of March 2021. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

	2021 R	2020 R
<b>12.1</b> The obligations under finance leases are scheduled below:		
		<b>Minimum lease payments</b>
Amounts payable under finance leases:		
Payable within one year		246,754
Payable within two to five years		-
Payable after five years		-
<b>Less:</b> Future finance obligations		(5,909.72)
<b>Present value of finance lease obligations</b>		<b>240,844</b>

The capitalised lease liability consist out of the following contracts:

	2021 R	2020 R
<b>13. NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites		
<b>Total Non-current Provisions</b>	<b>67,337,731</b>	<b>51,656,159</b>

	2021 R	2020 R
<b>13.1 Landfill Sites</b>		
Balance 1 July	51,656,158	55,674,168
Correction of Error - Note		
Increase due to re-measurement	9,937,185	
Increase/(Decrease) due to discounting	5,744,388	(4,018,010)
Expenditure for the year		
<b>Total provision 30 June</b>	<b>67,337,731</b>	<b>51,656,158</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Britstown	Hanover	De Aar
Preliminary and General (Rand)	1,212,046	737,737	10,787,587
Site Clearance and Preparation (R2.95/m <sup>2</sup> )	16,598	8,535	197,083
Storm Water Control Measures (Rand)	912,889	744,145	3,151,518
Capping (Rand)	5,313,594	2,770,903	61,880,125
Leachate Management (Rand)	-	-	-
Fencing (Rand)	339,368	296,413	1,144,426
	876,299	719,924	11,999

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Discount Rate used	2021 %	2020 %
Britstown	10.184%	10.11%
Hanover	10.184%	10.11%
De Aar	9.206%	10.11%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

In terms of the licencing of the landfill-sites, the municipality will incur licencing and rehabilitation costs of Rxx (2020: RX) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that is regarded as a risk-free rate and the average Consumer Price Index from May 2020 to May 2021.

Other assumptions:

	Britstown	Hanover	De Aar
Licence type	Class B/G:C:B-	Class B/G:C:B-	G:S:B-
Area (m <sup>2</sup> )	14,186	7,295	168,447
Unit cost (R/m <sup>2</sup> )	841.83	1,079.33	559.76
Environmental Authorisation (Closure Licence) (Rand)	445,500	445,500	445,500
Technical ROD (Rand)	195,000	195,000	195,000
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment) (Rand)	250,718	251,184	-
Landscape Architects (Rand)	133,010	133,742	145,500
Water use licence (Rand)	35,000	35,000	35,000
Topographical Survey (Rand)	15,667	15,667	30,667
Contingencies (Rand)	867,079	527,766	7,717,274
Engineering; Professional Fees (Rand)	1,002,442	706,171	6,747,661
Site Supervision (Engineer's Representative) (Rand)	224,750	184,689	1,488,234
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	95,255	101,303	312,188

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows per expert report:

Location	Estimated	2021 R	2020 R
Britstown	2038/2039	11,935,215	8,117,261
Hanover	2033/2034	7,873,677	5,645,202
De Aar	2038/2039	94,289,762	90,162,766
		<b>114,098,654</b>	<b>103,925,229</b>

**14. NON-CURRENT EMPLOYEE BENEFITS**

	2021 R	2020 R
Post Retirement Benefits	20,549,001	17,138,001
Long Service Awards	4,512,000	4,266,000
<b>Total Non-current Employee Benefits</b>	<b>25,061,001</b>	<b>21,404,001</b>

**Post Retirement Health Care Benefits**

	2021 R	2020 R
Balance 1 July	18,462,000	20,904,749
Contribution for the year	488,000	553,970
Increase due to discounting	1,717,000	1,843,719
Expenditure for the year	(1,324,000)	(1,271,296)
Actuarial Loss/(Gain)	2,657,000	(3,569,141)
<b>Total provision 30 June</b>	<b>22,000,000</b>	<b>18,462,001</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 16	<b>(1,451,000)</b>	<b>(1,324,000)</b>
<b>Balance 30 June</b>	<b>20,549,000</b>	<b>17,138,001</b>

**Long Service Awards**

	2021 R	2020 R
Balance 1 July	4,871,000	4,702,406
Contribution for the year	497,000	509,917
Increase due to discounting	325,000	357,634
Expenditure for the year	(605,000)	(563,433)
Actuarial Loss/(Gain)	(1,000)	(135,524)
<b>Total provision 30 June</b>	<b>5,087,000</b>	<b>4,871,000</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 16	<b>(575,000)</b>	<b>(605,000)</b>
<b>Balance 30 June</b>	<b>4,512,000</b>	<b>4,266,000</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

	2021 R	2020 R
Balance 1 July	23,333,000	25,607,155
Contribution for the year	985,000	1,063,887
Increase due to discounting	2,042,000	2,201,353
Expenditure for the year	(1,929,000)	(1,834,729)
Actuarial Loss/(Gain)	2,656,000	(3,704,665)
<b>Total employee benefits 30 June</b>	<b>27,087,000</b>	<b>23,333,001</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 16	<b>(2,026,000)</b>	<b>(1,929,000)</b>
<b>Balance 30 June</b>	<b>25,061,000</b>	<b>21,404,001</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>14.1 Provision for Post Retirement Health Care Benefits</b>		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	47	44
In-service (employee) non-members	276	285
Continuation members (e.g. Retirees, widows, orphans)	30	28
<b>Total Members</b>	<b>353</b>	<b>357</b>

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
The liability in respect of past service has been estimated to be as follows:		
In-service members	6,347,000	5,316,000
In-service non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	15,653,000	13,146,000
<b>Total Liability</b>	<b>22,000,000</b>	<b>18,462,000</b>

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>	<b>R</b>
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
In-service members	6,200,480	7,440,700	19,924,674
In-service non-members	-	-	-
Continuation members	14,704,269	14,464,661	13,879,865
<b>Total Liability</b>	<b>20,904,749</b>	<b>21,905,361</b>	<b>33,804,539</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Key Health
- LA Health
- Samwumed

The Current-service Cost for the ensuing year is estimated to be R616 000 whereas the Interest Cost for the next year is estimated to be R2 042 000.

	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	9.59%	9.64%
Health Care Cost Inflation Rate	6.54%	5.81%
Net Effective Discount Rate	2.86%	3.62%

**ii) Mortality during employment**

SA85-90 table, adjusted for female lives.

**iii) Mortality rates post employment**

The PA 90 ultimate table, rated down by 1 year of age, with a mortality improvement p.a from 2010.

**iv) Normal retirement age**

The normal retirement age for employees is 65 years

**v) Average retirement age**

It has been assumed that in-service members will retire at age 62 for males and females, which then implicitly allows for expected rates of early and ill-health retirement.

**vi) Continuation of membership**

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

**vii) Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement**

It has been assumed that 0% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.

**viii) Proportion with a spouse dependant at retirement**

It has been assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid.

**x) Withdrawal from Service**

Valuation: 30 June 2021

<b>Age</b>	<b>Females</b>		<b>Males</b>	
20	9%		9%	
25	8%		8%	
30	6%		6%	
35	5%		5%	
40	5%		5%	
45	4%		4%	
50	3%		3%	
>55	0%		0%	



EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	22,000,000	18,462,000
Fair value of plan assets	-	-
	<u>22,000,000</u>	<u>18,462,000</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b><u>22,000,000</u></b>	<b><u>18,462,000</u></b>

	2021 R	2020 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	18,462,000	20,904,749
Total expenses	881,000	1,126,392
Current service cost	488,000	553,970
Interest Cost	1,717,000	1,843,718
Benefits Paid	(1,324,000)	(1,271,296)
Actuarial (gains)/losses	2,657,000	(3,569,141)
Present value of fund obligation at the end of the year	<u>22,000,000</u>	<u>18,462,000</u>
<b>Less:</b> Transfer of Current Portion - Note 16	<u>(1,451,000)</u>	<u>(1,324,000)</u>
<b>Balance 30 June</b>	<b><u>20,549,000</u></b>	<b><u>17,138,000</u></b>

**Sensitivity Analysis on the Accrued Liability on 30 June 2021**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	6.347	15.653	22.000

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	7.606	17.084	24.690	12%
Health care inflation	-1%	5.344	14.406	19.750	-10%
Discount rate	1%	5.377	14.449	19.826	-10%
Discount rate	-1%	7.579	17.055	24.634	12%
Post-retirement mortality	1 year	6.173	15.062	21.235	-3%
Post-retirement mortality	-1 year	6.519	16.249	22.768	3%
Average retirement age	-1 year	6.964	15.653	22.617	3%
Continuation of membership at retirement	-10%	5.557	15.653	21.210	-4%

**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022**

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	616,000	2,042,000	2,658,000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1%	751,000	2,300,000	3,051,000	15%
Health care inflation	-1%	512,000	1,826,000	2,338,000	-12%
Discount rate	1%	520,000	2,025,000	2,545,000	-4%
Discount rate	-1%	741,000	2,055,000	2,796,000	5%
Post-retirement mortality	1 year	600,000	1,969,000	2,569,000	-3%
Post-retirement mortality	-1 year	632,000	2,115,000	2,747,000	3%
Average retirement age	-1 year	677,000	2,101,000	2,778,000	5%
Continuation of membership at retirement	-10%	540,000	1,966,000	2,506,000	-6%

	2021 Rm	2020 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.873	-0.564
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2019 Rm	2018 Rm	2017 Rm
Liabilities: (Gain) / loss	-0.979	(1.679)	(1.245)
Assets: Gain / (loss)	-	-	-

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

<b>14.2 Provision for Long Service Bonuses</b>		<b>2021</b>	<b>2020</b>
		<b>R</b>	<b>R</b>
The Long Service Bonus plans are defined benefit plans. As at year end the following number of employees were eligible for Long Service Bonuses.		323	329

The Current-service Cost for the ensuing year is estimated to be R519 000 whereas the Interest Cost for the next year is estimated to be R432 000.

Key actuarial assumptions used:	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>

**i) Rate of interest**

Discount rate	8.98%	7.11%
General Salary Inflation (long-term)	5.74%	3.81%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.07%	3.18%

**ii) Mortality during employment**

SA85-90 ultimate table, adjusted down for female lives.

**iii) Average retirement age**

It has been assumed that male and female employees will retire at age 62

**iv) Normal retirement age**

The normal retirement age for employees is 65 years

**v) Withdrawal rates**

<b>Valuation: 30 June 2021</b>		
<b>Age</b>	<b>Females</b>	<b>Males</b>
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55>	0%	0%

<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Present value of fund obligations	5,087,000	4,871,000
Fair value of plan assets	-	-
	<u>5,087,000</u>	<u>4,871,000</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<u><b>5,087,000</b></u>	<u><b>4,871,000</b></u>

**Reconciliation of present value of fund obligation:**

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
Present value of fund obligation at the beginning of the year	4,871,000	4,702,406
Total expenses	217,000	304,118
Current service cost	497,000	509,917
Interest Cost	325,000	357,634
Benefits Paid	(605,000)	(563,433)
Actuarial (gains)/losses	(1,000)	(135,524)
Present value of fund obligation at the end of the year	<u><b>5,087,000</b></u>	<u><b>4,871,000</b></u>
<b>Less:</b> Transfer of Current Portion - Note 16	(575,000)	(605,000)
<b>Balance 30 June</b>	<u><b>4,512,000</b></u>	<u><b>4,266,000</b></u>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Present value of fund obligations	4,702,406	4,371,640	3,904,046
<b>Total Liability</b>			

**Sensitivity Analysis on the Accrued Liability on 30 June 2021**

	<b>Change</b>	<b>Liability</b>	<b>% change</b>
<b>Assumption</b>			
Central assumptions		5,087,000	
General earnings inflation	1%	5,371,000	6%
General earnings inflation	-1%	4,826,000	-5%
Discount rate	1%	4,817,000	-5%
Discount rate	-1%	5,385,000	6%
Average retirement age	2 yrs	5,597,000	10%
Average retirement age	(2 yrs)	4,423,000	-13%
Withdrawal rates	x2	4,217,000	-17%
Withdrawal rates	x0.5	5,657,000	11%

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**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022**

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumptions		519,000	432,000	951,000	
General earnings inflation	1%	556,000	457,000	1,013,000	7%
General earnings inflation	-1%	484,000	408,000	892,000	-6%
Discount rate	1%	488,000	453,000	941,000	-1%
Discount rate	-1%	553,000	407,000	960,000	1%
Average retirement age	2 yrs	569,000	477,000	1,046,000	10%
Average retirement age	(2 yrs)	465,000	372,000	837,000	-12%
Withdrawal Rate	x2	394,000	354,000	748,000	-21%
Withdrawal Rate	x0.5	605,000	483,000	1,088,000	14%

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss				2021 Rm	2020 Rm
Assets: Gain / (loss)				-21,000	55,476
				-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2019 Rm	2018 Rm	2017 Rm
Liabilities: (Gain) / loss	131,542	143,660	-16,307
Assets: Gain / (loss)	-	-	-
		2021 R	2020 R

**14.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**CAPE JOINT RETIREMENT FUND**

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2019 - 100,3%).

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund has a funding level of 100,0% (30 June 2019 - 100,7%)

**SALA PENSION FUND**

The contribution rate payable is 8,60% by members and 20,78% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2015 - 100%), funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

**SAMWU PENSION FUND**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2445,9 (30 June 2005: R1 511,5) million, with funding levels of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

**MUNICIPAL COUNCILLORS PENSION FUND**

The last statutory valuation was performed as at 30 June 2012. The statutory valuation performed as at 30 June 2015 revealed that the net assets of the fund amounted to R2 551 861 million (30 June 2012: R1 371 339 million). The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

**15. CONSUMER DEPOSITS**

	2021 R	2020 R
Electricity	19,126	19,126
Water	2,659,759	2,499,373
<b>Total Consumer Deposits</b>	<b>2,678,885</b>	<b>2,518,499</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts. Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.

**EMTHANJENI LOCAL MUNICIPALITY**  
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	2021 R	2020 R
<b>16. CURRENT EMPLOYEE BENEFITS</b>		
Performance Bonuses	608,715	678,118
Staff Bonuses	2,849,436	2,727,852
Staff Leave	8,611,733	8,246,747
Current Portion of Non-Current Provisions	2,026,000	1,929,000
Current Portion of Post Retirement Benefits - Note 14	1,451,000	1,324,000
Current Portion of Long-Service Provisions - Note 14	575,000	605,000
<b>Total current employee benefits</b>	<b>14,095,884</b>	<b>13,581,717</b>
Balance previously reported		1,929,000
Reclassification		11,652,717
<b>Restated balance</b>		<b>13,581,717</b>

The movement in current employee benefits are reconciled as follows:

	2021	2020
<b>16.1 Performance Bonuses</b>		
Balance at beginning of year	678,118	660,152
Transfer from non-current	-	-
Contribution to current portion	403,346	17,966
Expenditure incurred	(472,749)	-
Balance at end of year	<b>608,715</b>	<b>678,118</b>

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

	2021 R	2020 R
<b>16.2 Staff Bonuses</b>		
Balance at beginning of year	2,727,852	2,640,224
Contribution to current portion	121,584	87,628
Expenditure incurred	-	-
Balance at end of year	<b>2,849,436</b>	<b>2,727,852</b>

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

	2021 R	2020 R
<b>16.3 Staff Leave</b>		
Balance at beginning of year	8,246,747	7,475,297
Contribution to current portion	364,986	771,450
Expenditure incurred	-	-
Balance at end of year	<b>8,611,733</b>	<b>8,246,747</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

	2021 R	2020 R
<b>17.1 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Salary control	20,758	-
Eskom Creditor	88,865,909	85,215,988
Payments received in advance	6,663,952	7,550,821
Retentions	631,074	3,933,334
Sundry creditors	8,197,260	7,290,482
Sundry deposits	165,091	363,804
Trade Payables	9,656,475	11,521,288
<b>Total Trade Payables</b>	<b>114,200,519</b>	<b>115,875,718</b>
<b>Balance 30 June - Current Trade and Other Payables from Exchange Transactions</b>	<b>114,200,519</b>	<b>115,875,718</b>
Balance previously reported		127,171,169
Reclassification		(11,647,835)
Correction of error		352,384
<b>Restated balance</b>		<b>115,875,718</b>

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Sundry deposits is relating to hire of community halls.

The carrying value of trade and other payables approximates its fair value.

	2021 R	2020 R
<b>17.2 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Payments received in advance	1,555,050	1,997,445
Other creditors	8,564,172	8,154,273
<b>Total trade payables</b>	<b>10,119,222</b>	<b>10,151,718</b>

Payables are being recognised net of any discounts.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts

The Municipality did default on payment of its Creditors. However, no terms for payment have been re negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

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	2021 R	2020 R
<b>18. UNSPENT TRANSFERS AND SUBSIDIES</b>		
Unspent Transfers and Subsidies	20,315,027	7,208,672
National Government Grants	19,082,927	5,976,572
Provincial Government Grants	1,232,100	1,232,100

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Amount available in short term investment deposits	25,574,090	19,407,672
<b>Available Cash for Unspent Conditional Grants and Receipts</b>	<b>25,574,090</b>	<b>19,407,672</b>

See Note 22 for the reconciliation of Grants from Government. Refer to Appendix "E" for more detail on Conditional Grants

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

	2021 R	2020 R
<b>19. TAXES</b>		
<b>Net VAT (Payable)/Receivable</b>	<b>12,667,044</b>	<b>12,315,371</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

	2021 R	2020 R
<b>20. NET ASSET RESERVES</b>		
<b>RESERVES</b>	2,252,793	2,252,793
Capital Replacement Reserve	2,252,793	2,252,793
<b>Total Net Asset Reserve and Liabilities</b>	<b>2,252,793</b>	<b>2,252,793</b>

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

	2021 R	2020 R
<b>21. PROPERTY RATES</b>		
<i>Valuations - 1 JULY 2020</i>		
<b>Rateable Land and Buildings</b>		
Business and Commercial Property	308,962,000	311,627,000
Farm Properties	2,544,961,000	2,658,957,000
Industrial Property	18,343,000	18,343,000
Municipal Properties	319,876,000	202,731,000
Public Benefit Organisations	11,575,000	11,575,000
Public Service Infrastructure Properties	42,231,000	41,395,000
Residential Properties	1,240,676,000	1,241,621,000
Small Holdings	41,127,400	39,423,000
State-owned Properties	328,321,000	328,321,000
Multiple Purposes	16,638,000	16,638,000
Other Categories	84,937,000	65,540,000
<b>Total Property Rates</b>	<b>4,957,647,400</b>	<b>4,936,171,000</b>

**Actual**

	2021 R	2020 R
<b>Rateable Land and Buildings</b>	42,579,233	41,801,915
Business and Commercial Property	17,402,876	4,933,112
Residential Properties	18,227,836	31,228,564
State-owned Properties	6,948,521	5,640,239
<b>Less: Revenue Forgone</b>	<b>(3,159,360)</b>	<b>(3,117,322)</b>
<b>Total Assessment Rates</b>	<b>39,419,873</b>	<b>38,684,593</b>

Balance previously reported		38,685,708
Correction of error		(1,115)
Restated balance		<b>38,684,593</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

**Basic Rate**

Residential	0.0129	0.0123
Vacant land	0.0384	0.0366
Business and commercial	0.0187	0.0178
Agricultural	0.0032	0.0031
PSI	0.0187	0.0229
State-owned	0.0223	0.0213
Municipal Properties	0.0000	0.0000
Church	0.0129	0.0123
Industrial	0.0236	0.0225
Public benefit organisations	0.0032	0.0031

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	The first R28 000 on the valuation is exempted.
Farm Properties	10% rebate (on application)

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<b>22. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Government Grants and Subsidies - Operating	<b>51,749,597</b>	<b>49,404,733</b>
National Equitable Share	48,465,000	44,899,883
National: Financial Management Grant	1,700,000	1,700,000
National: Municipal Infrastructure Grant	1,134,597	1,282,850
National: COVID relief grant	-	149,000
Provincial Housing Accreditation	450,000	680,000
Provincial: Sport, Arts and Culture (Library Grant)	-	693,000
Government Grants and Subsidies - Capital	<b>11,706,048</b>	<b>38,780,577</b>
National: Integrated National Electrification Programme Grant	489,863	1,497,800
National: Municipal Infrastructure Grant	7,387,831	15,104,403
National: Energy Efficiency and Demand Management Grant	3,357,455	-
National: Expanded Public Works Programme Integrated Grant	470,900	568,374
National: Regional Bulk Infrastructure Grant (RBIG)	-	21,610,000
<b>Total Government Grants and Subsidies</b>	<b>63,455,645</b>	<b>88,185,310</b>
	<b>2021 R</b>	<b>2020 R</b>

Included in above are the following grants and subsidies received:

	2021 R	2020 R
<b>Unconditional</b>	<b>48,915,000</b>	<b>45,579,883</b>
Equitable Share	48,465,000	44,899,883
Provincial Housing Accreditation	450,000	680,000
<b>Conditional</b>	<b>27,647,000</b>	<b>48,682,000</b>
National: Financial Management Grant	1,700,000	1,700,000
National: Municipal Infrastructure Grant	19,957,000	21,710,000
National: COVID relief grant	1,010,000	149,000
National: Integrated National Electrification Programme Grant	-	1,500,000
National: Expanded Public Works Programme Integrated Grant	1,380,000	1,220,000
National: Energy Efficiency and Demand Management Grant	3,600,000	-
National: Regional Bulk Infrastructure Grant (RBIG)	-	21,610,000
Provincial: Sport, Arts and Culture (Library Grant)	-	693,000
<b>Total Government Grants and Subsidies</b>	<b>76,562,000</b>	<b>94,161,883</b>
	<b>2021 R</b>	<b>2020 R</b>

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

	2021 R	2020 R
Equitable share	48,465,000	44,899,883
Executive and Council	-	149,000
Community and social services	-	693,000
Finance and administration	1,700,000	1,700,000
Road transport	8,993,327	16,955,627
Waste water management	-	21,610,000
Housing	450,000	680,000
Energy sources	3,847,318	1,497,800
<b>Total Government Grants and Subsidies</b>	<b>63,455,645</b>	<b>88,185,310</b>

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

	2021 R	2020 R
<b>22.1 National Grants</b>		
Opening balance	5,976,573	28,077,555
Correction of Error	-	-
Grants received	76,112,000	92,788,883
Repaid to National Revenue Fund	-	(28,077,555)
Conditions met - Own Income	(1,643,731)	-
Conditions met - Operating	(51,315,797)	(48,031,733)
Conditions met - Capital	(10,046,117)	(38,780,577)
Conditions still to be met	<b>19,082,928</b>	<b>5,976,573</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>22.2 Provincial Grants</b>		
Opening balance	1,232,100	1,232,100
Correction of Error	-	-
Grants received	450,000	1,373,000
Conditions met - Operating	(450,000)	(1,373,000)
Conditions still to be met	<b>1,232,100</b>	<b>1,232,100</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>22.3 National: Equitable Share</b>		
Grants received	48,465,000	44,899,883
Conditions met - Operating	(48,465,000)	(44,899,883)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned.

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	2021 R	2020 R
<b>22.4 National: Financial Management Grant</b>		
Grants received	1,700,000	1,700,000
Conditions met - Operating	(1,700,000)	(1,700,000)
Conditions still to be met	-	-
<i>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)</i>		
	2021 R	2020 R
<b>22.5 Provincial: Sports, Arts and Culture (Library Grant)</b>		
Grants received	-	693,000
Conditions met - Own Income	-	(693,000)
Conditions still to be met	-	-
<i>This grant was allocated for the upgrading of library equipment and operating expenses.</i>		
	2021 R	2020 R
<b>22.6 Provincial: Housing Accreditation</b>		
Grants received	450,000	680,000
Conditions met - Operating	(450,000)	(680,000)
Conditions still to be met	-	-
<i>The grant was utilised for COVID expenditure</i>		
	2021 R	2020 R
<b>22.7 National: Expanded Public Works Programme</b>		
Opening balance	651,626	-
Grants received	1,380,000	1,220,000
Conditions met - Own Income	(27,981)	-
Conditions met - Capital	(442,919)	(568,374)
Conditions still to be met	1,560,726	651,626
<i>This grant was used for the upgrading of Roads facilities.</i>		
	2021 R	2020 R
<b>22.8 National: Integrated National Electrification Grant</b>		
Opening balance	2,200	-
Grants received	1,010,000	1,500,000
Conditions met - Own Income	(63,895)	-
Conditions met - Operating	(16,200)	-
Conditions met - Capital	(409,767)	(1,497,800)
Conditions still to be met	522,337	2,200
<i>This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries.</i>		
	2021 R	2020 R
<b>22.9 National: Municipal Infrastructure Grant</b>		
Opening balance	5,322,747	175,447
Grants received	19,957,000	21,710,000
Transfer to equitable share	-	-
Repaid to National Revenue Fund	-	(175,447)
Conditions met - Own Income	(1,113,926)	-
Conditions met - Operating	(1,134,597)	(1,282,850)
Conditions met - Capital	(6,273,904)	(15,104,403)
Conditions still to be met	16,757,320	5,322,747
<i>The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas</i>		
	2021 R	2020 R
<b>22.10 Provincial: Department of Education</b>		
Opening balance	1,232,100	1,232,100
Correction of Error	-	-
Conditions still to be met	1,232,100	1,232,100
<i>For the construction of athletics fields</i>		
	2021 R	2020 R
<b>22.11 National: Regional Bulk Infrastructure Grant (RBIG)</b>		
Opening balance	-	25,079,589
Grants received	-	21,610,000
Repaid to National Revenue Fund	-	(25,079,589)
Conditions met - Capital	-	(21,610,000)
Conditions still to be met	-	-
<i>This grant was utilised in the construction of a oxidation pond in Britstown</i>		
	2021 R	2020 R
<b>22.12 National: Water Services Infrastructure Grant (WSIG)</b>		
Opening balance	-	2,822,519
Repaid to National Revenue Fund	-	(2,822,519)
Conditions still to be met	-	-
<i>The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects.</i>		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<b>22.13 National: Covid Relief Grant</b>		
Opening balance	-	-
Grants received	-	149,000
Conditions met - Operating	-	(149,000)
Conditions still to be met	-	-
<i>The Covid Relief Grant was received to assist with the hygiene expenditure of the municipality to help with the prevention of spread of the corona virus.</i>		
	<b>2021 R</b>	<b>2020 R</b>
<b>22.14 National: Energy Efficiency and Demand Management Grant</b>		
Opening balance	-	-
Grants received	3,600,000	-
Conditions met - own income	(437,929)	-
Conditions met - Capital	(2,919,526)	-
Conditions still to be met	242,545	-
<i>The grant was for utilised for streetlights.</i>		
	<b>2021 R</b>	<b>2020 R</b>
<b>22.15 Total Grants</b>		
Opening balance	7,208,673	29,309,655
Correction of Error	-	-
Grants received	76,562,000	94,161,883
Repaid to National Revenue Fund	-	(28,077,555)
Conditions met - own income	(1,643,731)	-
Conditions met - Operating	(51,765,797)	(49,404,733)
Conditions met - Capital	(10,046,117)	(38,780,577)
Conditions still to be met/(Grant expenditure to be recovered)	<b>20,315,028</b>	<b>7,208,673</b>
	<b>2021 R</b>	<b>2020 R</b>
<i>Disclosed as follows:</i>		
Unspent Conditional Government Grants and Receipts	20,315,027	7,208,672
Unpaid Conditional Government Grants and Receipts	-	-
<b>Total</b>	<b>20,315,027</b>	<b>7,208,672</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>23. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT</b>		
Contributed PPE	4,975,198	-
<b>Total Contributed Property, Plant and Equipment</b>	<b>4,975,198</b>	<b>-</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>24. LICENCES AND PERMITS</b>		
Road and Transport	969,538	698,713
<b>Total Licences and Permits</b>	<b>969,538</b>	<b>698,713</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>25. SERVICE CHARGES</b>		
<b>Electricity</b>	<b>88,105,850</b>	<b>81,744,508</b>
Service Charges	88,826,585	82,360,867
<b>Less:</b> Revenue Forgone	(720,735)	(616,359)
<b>Water</b>	<b>31,917,471</b>	<b>27,707,163</b>
Service Charges	36,133,944	31,891,725
<b>Less:</b> Revenue Forgone	(4,216,474)	(4,184,562)
<b>Waste Management</b>	<b>6,875,784</b>	<b>7,029,121</b>
Service Charges	11,753,106	11,154,172
<b>Less:</b> Revenue Forgone	(4,877,322)	(4,125,051)
<b>Waste Water Management</b>	<b>13,803,269</b>	<b>13,294,743</b>
Service Charges	21,008,230	19,407,217
<b>Less:</b> Revenue Forgone	(7,204,961)	(6,112,473)
<b>Total Service Charges</b>	<b>140,702,374</b>	<b>129,775,535</b>
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
Balance previously reported		131,299,585
Reclassification		(1,125,934)
Correction of error		(398,116)
<b>Restated balance</b>		<b>129,775,535</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>26. OPERATIONAL REVENUE</b>		
Building Plan Approval	91,171	63,801
Cemetery and Burial	612,465	435,424
Drainage Fees	16,070	13,576
Removal of Restrictions	37,057	71,768
Sale of Goods	59,915	846,903
Sundry Income	1,587,121	7,509,044
Valuation Services	18,470	10,760
<b>Total Sales of Goods and Rendering of Services</b>	<b>2,422,269</b>	<b>8,951,276</b>
Balance previously reported		2,643,452
Reclassification		915,168
Correction of error		5,392,656
<b>Restated balance</b>		<b>8,951,276</b>



**EMTHANJENI LOCAL MUNICIPALITY**  
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	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>27. RENTAL FROM FIXED ASSETS</b>		
Property, Plant and Equipment	1,236,966	980,228
<b>Total Rental from Fixed Assets</b>	<b>1,236,966</b>	<b>980,228</b>
Balance previously reported		775,239
Reclassification		210,766
Correction of error		<u>(5,777)</u>
<b>Restated balance</b>		<b>980,228</b>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>28. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	90,964	435,908
Investments	1,091,373	1,377,647
<b>Total Interest Earned - External Investments</b>	<b>1,182,337</b>	<b>1,813,555</b>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>29. INTEREST EARNED - EXCHANGE TRANSACTIONS</b>		
Long-term receivables	-	500
Outstanding billing debtors	2,023,361	1,776,112
<b>Total Interest Earned - Outstanding Receivables</b>	<b>2,023,361</b>	<b>1,776,613</b>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>30. FINES</b>		
Penalties for Consumers	1,045,789	7,735,363
Traffic fines	241,873	173,290
<b>TOTAL FINES</b>	<b>1,287,663</b>	<b>7,908,654</b>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>31. EMPLOYEE RELATED COSTS</b>		
Acting Allowance	69,711	168,302
Basic Salaries and Wages	62,652,290	60,420,985
Bargaining council	38,127	36,656
Bonuses	5,175,465	4,865,033
Cell Phone Allowance	324,562	336,618
Group Insurance	47,198	50,624
Housing Allowances	571,429	242,679
Medical Aid Contributions	2,962,462	2,752,497
Motor Vehicle Allowance	1,895,366	1,902,254
Overtime	1,250,318	3,756,032
Payments in lieu of leave	1,107,025	1,218,687
Pension and UIF Contributions	11,270,910	10,691,932
Performance bonus	(69,403)	17,966
Standby Allowances	977,184	861,712
Post retirement obligations	(944,000)	(770,842)
Current Service Cost - Long Service Awards - Note 14.2	(108,000)	(53,516)
Current Service Cost - Medical - Note 14.1	(836,000)	(717,326)
<b>Total Employee Related Costs</b>	<b>87,328,644</b>	<b>86,551,132</b>
Balance previously reported		86,450,071
Reclassification		322,641
Correction of error		<u>(221,580)</u>
<b>Restated balance</b>		<b>86,551,132</b>
<b>KEY MANAGEMENT PERSONNEL</b>		
The Municipal Manager are appointed on a fixed five year contract. The Directors accountable to the municipal manager are permanently employed.		
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<b>Remuneration of the Municipal Manager - I Visser</b>		
Basic Salary	823,593	835,240
Bonus	68,633	66,763
Cell Phone Allowance	60,000	60,000
Contributions, Medical, Pension Funds and UIF	150,060	147,003
Motor Vehicle Allowance	172,705	169,176
Other benefits and allowances	178,781	175,127
Performance Bonus	195,063	200,330
<b>Total</b>	<b>1,648,835</b>	<b>1,653,640</b>
	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Remuneration of the Chief Financial Officer - MF Manuel</b>		
Basic Salary	896,100	298,042
Bonus	74,675	-
Contributions, Medical, Pension Funds and UIF	1,813	595
Motor Vehicle Allowance	204,696	68,232
Other benefits and allowances	1,456	388
<b>Total</b>	<b>1,178,740</b>	<b>367,257</b>
MF Manuel was appointed as Chief Financial Officer from March 2020.		

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	2021 R	2020 R
<b>Remuneration of the Chief Financial Officer - MR Ludwick</b>		
Basic Salary	-	155,743
Bonus	-	25,556
Cell phone Allowance	-	12,000
Contributions, Medical, Pension Funds and UIF	-	13,531
Motor Vehicle Allowance	-	52,675
Other benefits and allowances	-	78,970
Payments in lieu of leave	-	29,441
Performance Bonus	-	115,542
<b>Total</b>	<b>-</b>	<b>483,458</b>

MR Ludwick was Chief Financial Officer from July 2019 to October 2019.

	2021 R	2020 R
<b>Remuneration of the Chief Financial Officer - JP Jack</b>		
Acting Allowance	-	30,097

JP Jack acted as Chief Financial Officer between November 2019 to March 2020.

	2021 R	2020 R
<b>Remuneration of Director: Corporate Services - TW Msengana</b>		
Basic Salary	585,000	614,560
Bonus	48,750	48,750
Cell Phone Allowance	36,000	36,000
Motor Vehicle Allowance	150,000	150,000
Other benefits and allowances	98,138	97,966
Contributions, Medical, Pension Funds and UIF	164,110	157,206
Performance Bonus	147,031	118,378
<b>Total</b>	<b>1,229,029</b>	<b>1,222,860</b>

	2021 R	2020 R
<b>Remuneration of Director: Community and Development Services - M Joka</b>		
Basic Salary	508,056	520,936
Bonus	42,338	40,571
Cell Phone Allowance	36,000	36,000
Contributions, Medical, Pension Funds and UIF	146,018	143,152
Motor Vehicle Allowance	144,000	144,000
Other benefits and allowances	90,526	84,587
Performance Bonus	130,655	107,139
<b>Total</b>	<b>1,097,593</b>	<b>1,076,386</b>

	2021 R	2020 R
<b>Remuneration of Director: Infrastructure and Housing Services - MLV Owies</b>		
Basic Salary	65,020	259,578
Bonus	27,092	-
Cell Phone Allowance	3,000	12,000
Contributions, Medical, Pension Funds and UIF	149	595
Motor Vehicle Allowance	14,738	58,714
Other benefits and allowances	10,038	39,980
Payments in lieu of leave	28,089	0
<b>Total</b>	<b>148,126</b>	<b>370,868</b>

	2021 R	2020 R
<b>Remuneration of Acting Director: Infrastructure - W Lubbe</b>		
Acting Allowance	4,018	-
<b>Total</b>	<b>4,018</b>	<b>-</b>

The director acted for the period August 2020 to April 2021.

	2021 R	2020 R
<b>Remuneration of Director: Infrastructure - L Thiso</b>		
Basic Salary	129,000	-
Cell Phone Allowance	9,000	-
Contributions, Medical and Pension Funds	27,321	-
Motor Vehicle Allowance	29,400	-
Other benefits and allowances	26,668	-
<b>Total</b>	<b>221,389</b>	<b>-</b>

The director was appointed from 1 April 2021.

32. REMUNERATION OF COUNCILLORS	2021 R	2020 R
<b>Total Remuneration of Councillors</b>		
Annual Remuneration	3,763,359	3,835,551
Telephone Allowance	662,300	666,000
Travelling	1,214,821	1,172,449
Pension and UIF Contributions	41,990	45,058
<b>Total</b>	<b>5,682,471</b>	<b>5,719,058</b>

<b>Remuneration of Councillor - ST Sthonga</b>		
Annual Remuneration	604,550	611,010
Telephone Allowance	44,400	44,400
Travelling	201,517	195,058
Pension and UIF Contributions	6,566	7,254
<b>Total</b>	<b>857,033</b>	<b>857,722</b>

<b>Remuneration of Councillor - MC Kivedo</b>		
Annual Remuneration	483,640	488,807
Telephone Allowance	44,400	44,400
Travelling	161,213	156,046
Pension and UIF Contributions	5,290	5,481
<b>Total</b>	<b>694,543</b>	<b>694,733</b>
<b>Remuneration of Councillor - CJ Louw</b>		
Annual Remuneration	252,946	240,175
Telephone Allowance	44,400	44,400
Travelling	84,315	76,675
Pension and UIF Contributions	2,724	2,842
<b>Total</b>	<b>384,385</b>	<b>364,091</b>
<b>Remuneration of Councillor - NP Mkontwana</b>		
Annual Remuneration	252,946	255,648
Telephone Allowance	44,400	44,400
Travelling	84,315	81,613
Pension and UIF Contributions	2,787	3,014
<b>Total</b>	<b>384,448</b>	<b>384,674</b>
<b>Remuneration of Councillor - RR Faul</b>		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	63,773	61,729
Pension and UIF Contributions	2,150	2,379
<b>Total</b>	<b>301,641</b>	<b>301,870</b>
<b>Remuneration of Councillor - WJ du Plessis</b>		
Annual Remuneration	191,318	193,362
Travelling	44,400	44,400
Tools of trade	63,773	61,729
Pension and UIF Contributions	1,774	1,972
<b>Total</b>	<b>301,265</b>	<b>301,463</b>
<b>Remuneration of Councillor - PD van Wyk</b>		
Annual Remuneration	191,318	193,362
Travelling	44,400	44,400
Tools of trade	62,917	62,585
Pension and UIF Contributions	2,161	2,382
<b>Total</b>	<b>300,796</b>	<b>302,729</b>
<b>Remuneration of Councillor - LE Andrews</b>		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,585
Pension and UIF Contributions	2,232	2,382
<b>Total</b>	<b>300,867</b>	<b>302,729</b>
<b>Remuneration of Councillor - SJ Hoffman</b>		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,585
Pension and UIF Contributions	2,137	2,382
<b>Total</b>	<b>300,772</b>	<b>302,729</b>
<b>Remuneration of Councillor - L Billie</b>		
Annual Remuneration	245,525	248,149
Telephone Allowance	44,400	44,400
Travelling	81,842	79,219
Pension and UIF Contributions	2,778	2,937
<b>Total</b>	<b>374,544</b>	<b>374,705</b>
<b>Remuneration of Councillor - MO Maramba</b>		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,585
Pension and UIF Contributions	2,376	2,636
<b>Total</b>	<b>301,011</b>	<b>302,983</b>
<b>Remuneration of Councillor - PP Mhualali</b>		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	62,917	62,584
Pension and UIF Contributions	2,137	2,382
<b>Total</b>	<b>300,772</b>	<b>302,728</b>
<b>Remuneration of Councillor - D Vanel</b>		
Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	63,773	61,729
Pension and UIF Contributions	2,150	2,379
<b>Total</b>	<b>301,641</b>	<b>301,870</b>
<b>Remuneration of Councillor - SP Wales</b>		
Annual Remuneration	47,830	-
Telephone Allowance	11,100	-
Travelling	15,943	-
Pension and UIF Contributions	1,369	-
<b>Total</b>	<b>76,241</b>	<b>-</b>

SP Wales was appointed as new councillor from May 2021.

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**Remuneration of Councillor - HJ Rust**

Annual Remuneration	154,061	251,501
Telephone Allowance	29,600	44,400
Travelling	16,000	24,000
Pension and UIF Contributions	971	2,004
<b>Total</b>	<b>200,631</b>	<b>321,905</b>

HJ Rust was a councillor till February 2021.

**Remuneration of Councillor - PN Bushula**

Annual Remuneration	191,318	193,362
Telephone Allowance	44,400	44,400
Travelling	63,773	61,729
Pension and UIF Contributions	2,390	2,633
<b>Total</b>	<b>301,880</b>	<b>302,124</b>

**In-kind Benefits**

Councillors may utilise official council transportation when engaged in official duties. The Mayor has use of a council owned vehicle for official duties.

	2021 R	2020 R
<b>33. CONTRACTED SERVICES</b>	<b>3,691,255</b>	<b>4,225,601</b>
<b>Consultants and Professional Services</b>	<b>2,855,676</b>	<b>2,520,486</b>
Consultants and Professional Services: Business and Advisory: Accounting and Auditing	20,193	10,621
Consultants and Professional Services: Business and Advisory: Audit Committee	-	1,514,735
Consultants and Professional Services: Business and Advisory: Business and Financial Management	58,617	46,500
Consultants and Professional Services: Business and Advisory: Medical Examinations	137,920	64,688
Consultants and Professional Services: Laboratory Services: Water	618,849	68,570
Consultants and Professional Services: Legal Cost: Legal Advice and Litigation	<b>2,689,972</b>	<b>4,277,430</b>
<b>Contractors</b>	<b>58,554</b>	<b>17,200</b>
Contractors: Catering Services	-	1,302,435
Contractors: Electrical	760,451	848,226
Contractors: Employee wellness	58,962	87,740
Contractors: Maintenance of Buildings and Facilities	629,779	932,267
Contractors: Maintenance of Equipment	128,565	171,683
Contractors: Maintenance of Unspecified Assets	1,054,660	917,879
Contractors: Prepaid Electricity Vendors	<b>3,774,840</b>	<b>5,382,835</b>
<b>Outsourced Services</b>	<b>243,421</b>	<b>182,629</b>
Outsourced Services: Driver Licence Cards	227,493	536,654
Outsourced Services: Internal Auditors	205,100	1,128,428
Outsourced Services: Personnel and Labor	3,098,826	2,752,827
Outsourced Services: Security Services	-	782,298
Outsourced Services: Traffic Fines Management	-	-
<b>Total Contracted Services</b>	<b>10,156,067</b>	<b>13,885,866</b>
Balance previously reported		7,570,114
Reclassification note		6,105,573
Correction of error		210,179
<b>Restated balance</b>		<b>13,885,866</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>34. DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	52,967,940	50,325,224
Intangible Assets	24,203	76,697
<b>Total Depreciation and Amortisation</b>	<b>52,992,143</b>	<b>50,401,921</b>
Balance previously reported		50,051,061
Reclassification note		0
Correction of error		350,859
<b>Restated balance</b>		<b>50,401,921</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>35. FINANCE COSTS</b>		
Finance leases	788,212	76,658
Non-current Provisions	5,744,388	(4,018,010)
Non-current Employee Benefits	2,042,000	2,201,353
Overdue creditors	3,249,978	8,120,832
Overdraft Facilities	26,780	8,764
<b>Total Finance Costs</b>	<b>11,851,357</b>	<b>6,389,597</b>
Balance previously reported		3,923,099
Reclassification		2,201,353
Correction of error		265,145
<b>Restated balance</b>		<b>6,389,597</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>36. BULK PURCHASES</b>		
Electricity	71,826,730	67,610,105
Water	1,063,612	2,516,041
<b>Total Bulk Purchases</b>	<b>72,890,341</b>	<b>70,126,146</b>

Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal are for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from various sources.

Refer to note on material losses for loss on electricity and water

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	2021 R	2020 R
<b>37. OPERATIONAL COSTS</b>		
Achievements and Awards	-	7,331
Advertising, Publicity and Marketing	96,003	132,801
Audit Fees	3,463,230	3,199,953
Bank Charges, Facility and Card Fees	663,422	1,042,103
Cleaning Services	127,950	158,698
Deeds	289,416	11,373
Digging of graves	66,100	281,472
Drivers Licences and Permits	99,856	85,478
Entertainment	3,660	14,368
Hire Charges	2,805,200	4,146,519
Insurance excess	1,781,983	1,473,073
Licences	164,028	225,543
Municipal Services	9,551,510	5,435,199
Printing, Publications and Books	590,035	742,524
Professional Bodies, Membership and Subscription	886,817	1,060,786
Skills Development Fund Levy	618,894	617,033
Storage of Files (Archiving)	213,500	-
System Access and Information Fees	-	74,992
Telephone Costs	1,721,246	1,469,444
Travel and Subsistence	344,130	1,320,018
Uniform and Protective Clothing	13,646	1,026,891
Ward Committee	269,000	310,500
Electricity	2,688,220	2,406,189
Wet Fuel	3,117,739	3,911,638
<b>Total Operational Costs</b>	<b>29,575,586</b>	<b>29,153,926</b>
Balance previously reported		38,596,280
Reclassification		(10,065,743)
Correction of error		623,389
<b>Restated balance</b>		<b>29,153,926</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>38. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES</b>		
Receivables from Exchange Transactions - Note 9	21,300,709	19,222,695
Receivables from Non-exchange Revenue - Note 10	9,506,800	21,552,115
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables</b>	<b>30,807,509</b>	<b>40,774,811</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>39. GAINS/ (LOSS) ON SALE OF FIXED ASSETS</b>		
Property, Plant and Equipment	506,009	159,483
<b>Total Gains/ (Loss) on Sale of Fixed Assets</b>	<b>506,009</b>	<b>159,483</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>40. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS</b>		
Property, Plant and Equipment	-	8,787,730
	<b>2021 R</b>	<b>2020 R</b>
<b>41. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA</b>		

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2019 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
<b>Statement of Financial Position</b>			
Accumulated Surplus/(Deficit)	636,328,177	1	636,328,178
Non-current Provisions	51,656,159	(0)	51,656,159
Non-current Employee Benefits	21,404,001	-	21,404,001
Consumer Deposits	2,518,499	0	2,518,499
Current Employee Benefits	1,929,000	11,652,717	13,581,717
Trade and Other Payables from Exchange Transactions	127,171,169	(11,647,835)	115,523,334
Trade and Other Payables from Non-Exchange Transactions	10,151,718	-	10,151,718
Unspent Transfers and Subsidies	7,208,676	0	7,208,676
Cash and Cash Equivalents	21,972,581	(0)	21,972,581
Current Portion of Long-term Liabilities	240,852	(0)	240,852
Property, Plant and Equipment	720,720,520	(1)	720,720,519
Investment Property	5,718,600	-	5,718,600
Intangible Assets	49,711	0	49,711
Heritage Assets	6,959,273	-	6,959,273
Investments	27,690	(0)	27,690
Inventory	54,057,829	(0)	54,057,829
Receivables from exchange transactions	38,446,914	0	38,446,914
Receivables from non-exchange transactions	20,577,393	4,883	20,582,276
Taxes	12,258,796	0	12,258,796
Cash and Cash Equivalents	21,764,106	(0)	21,764,106
	-	2	2

## EMTHANJENI LOCAL MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Balance previously reported	Adjustments	Restated Balance
<b>Statement of Financial Performance</b>			
Property Rates	38,685,708	0	38,685,708
Property Rates - Penalties imposed and collection charges	795,393	0	795,393
Government Grants and Subsidies - Capital	-	38,780,574	38,780,574
Government Grants and Subsidies - Operating	88,185,311	(38,780,578)	49,404,733
Contributed Property, Plant and Equipment	-	-	-
Actuarial Gains	-	3,704,665	3,704,665
Fines, Penalties and Forfeits	7,908,654	(0)	7,908,654
Service Charges	131,299,585	(1,125,934)	130,173,651
Sales of Goods and Rendering of Services	2,643,452	915,168	3,558,620
Rental from Fixed Assets	775,239	210,766	986,005
Interest Earned - External Investments	1,813,555	0	1,813,555
Interest Earned - Exchange Transactions	1,776,613	(0)	1,776,613
Licences and Permits	698,713	0	698,713
Operational Revenue	-	-	-
Employee related costs	86,450,071	322,641	86,772,712
Remuneration of Councillors	5,719,058	(0)	5,719,058
Bad Debts Written Off	-	-	-
Contracted Services	7,570,114	6,105,573	13,675,687
Depreciation and Amortisation	50,051,061	0	50,051,061
Actuarial Losses	-	-	-
Finance Costs	3,923,099	2,201,353	6,124,452
Bulk Purchases	70,126,146	0	70,126,146
Inventory Consumed	-	5,140,837	5,140,837
Operating Leases	-	-	-
Transfers and Subsidies	-	-	-
Operational Costs	38,596,280	(10,065,743)	28,530,537
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(40,774,811)	0	(40,774,811)
Gains/(Loss) on Sale of Fixed Assets	(159,484)	1	(159,483)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(8,787,730)	(0)	(8,787,730)
Profit/(Loss) on Fair Value Adjustments	(1,519)	(0)	(1,519)
<b>Net Surplus/(Deficit) for the year</b>	<b>(37,577,150)</b>	<b>(0)</b>	<b>(37,577,150)</b>
		<b>2021</b>	<b>2020</b>
		<b>R</b>	<b>R</b>
<b>42. CORRECTION OF ERROR IN TERMS OF GRAP 3</b>			
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:			
			<b>2020</b>
			<b>R</b>
<b>42.1 Property, Plant and Equipment</b>			
<b>Balance previously reported</b>			720,720,520
<b>30-Jun-20</b>			
First time recognition Property, Plant and Equipment 30 June 2020			(8,946)
Project identified as fruitless and wasteful - classified to expenditure			(1,302,435)
Correction of error - donated asset 2020			(74,056)
Correction of error -transfer asset 2020			(267,858)
<b>30-Jun-19</b>			57,952
First time recognition Property, Plant and Equipment 30 June 2019			(1,495,682)
Project identified as fruitless and wasteful - classified to expenditure			2,092,627
<b>Restated Balance</b>			<b>719,722,123</b>
			<b>2020</b>
			<b>R</b>
<b>42.2 Receivables from Exchange Transactions</b>			
<b>Balance previously reported</b>			38,446,914
Correction on debtors reconciliation performed			(648,022)
Correction as result on bank reconciliation			(21,217)
<b>Restated Balance</b>			<b>37,777,675</b>
			<b>2020</b>
			<b>R</b>
<b>42.3 Taxes</b>			
<b>Balance previously reported</b>			12,258,796
Correction on debtors reconciliation performed			57,436
Correction as result on bank reconciliation			(861)
<b>Restated Balance</b>			<b>12,315,371</b>
			<b>2020</b>
			<b>R</b>
<b>42.4 Trade and Other Payables from Exchange Transactions</b>			
<b>Balance previously reported</b>			115,523,334
Correction as result on bank reconciliation			352,384
<b>Restated Balance</b>			<b>115,875,718</b>
			<b>2020</b>
			<b>R</b>
<b>42.5 Cash and Cash Equivalents</b>			
<b>Balance previously reported</b>			21,972,581
Correction as result on bank reconciliation			(6,723,983)
<b>Restated Balance</b>			<b>15,248,597</b>

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2020 R
<b>42.6 Accumulated Surplus/(Deficit) - 1 JULY 2019</b>	636,328,178
First time recognition Property, Plant and Equipment 30 June 2020	(8,946)
Project identified as fruitless and wasteful - classified to expenditure 30 June 2020	(1,302,435)
Correction of error - donated asset 2020	(74,056)
Correction of error - transfer asset 2020	(267,858)
First time recognition Property, Plant and Equipment 30 June 2019	57,952
Project identified as fruitless and wasteful - classified to expenditure 30 June 2019	(1,495,682)
Correction of error - donated asset 2019	2,092,627
Correction on debtors reconciliation performed	(402,648)
Correction as result on bank reconciliation	6,161,583
<b>Total</b>	<b>641,088,715</b>

**42.7 Changes to Statement of Financial Performance**

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>			
Property Rates	38,685,708	(1,115)	38,684,593
Property Rates - Penalties imposed and collection charges	795,393	0	795,393
Government Grants and Subsidies - Capital	38,780,574	-	38,780,574
Government Grants and Subsidies - Operating	49,404,733	-	49,404,733
Contributed Property, Plant and Equipment	-	-	-
Actuarial Gains	3,704,665	-	3,704,665
Fines and Penalties	7,908,654	-	7,908,654
Service Charges	130,173,651	(398,116)	129,775,535
Operational Revenue	3,558,620	5,392,656	8,951,276
Rental from Fixed Assets	986,005	(5,777)	980,228
Interest Earned - External Investments	1,813,555	-	1,813,555
Interest Earned - Exchange Transactions	1,776,613	-	1,776,613
Licences and Permits from Exchange Transactions	698,713	-	698,713
Operational Revenue	-	-	-
<b>Total</b>	<b>278,286,884</b>	<b>4,987,649</b>	<b>283,274,533</b>
<b>Expenditure</b>			
Employee related costs	86,772,712	(221,580)	86,551,132
Remuneration of Councillors	5,719,058	-	5,719,058
Bad Debts Written Off	-	-	-
Contracted Services	13,675,687	210,179	13,885,866
Depreciation and Amortisation	50,051,061	350,859	50,401,921
Actuarial Losses	-	-	-
Finance Costs	6,124,452	265,145	6,389,597
Bulk Purchases	70,126,146	-	70,126,146
Inventory Consumed	5,140,837	6,314	5,147,150
Operating Leases	-	-	-
Transfers and Subsidies	-	-	-
Operational Costs	28,530,537	623,389	29,153,926
<b>Total</b>	<b>266,140,491</b>	<b>1,234,305</b>	<b>267,374,796</b>
<b>Gains and Losses</b>			
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	-	-	-
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(40,774,811)	-	(40,774,811)
Gains/(Loss) on Sale of Fixed Assets	(159,483)	-	(159,483)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(8,787,730)	-	(8,787,730)
Profit/(Loss) on Fair Value Adjustments	(1,519)	-	(1,519)
<b>Total</b>	<b>(49,723,544)</b>	<b>-</b>	<b>(49,723,544)</b>
<b>Net Surplus/(Deficit) for the year</b>	<b>(37,577,151)</b>	<b>3,753,343</b>	<b>(33,823,807)</b>

**43. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**

	2021 R	2020 R
Surplus/(Deficit) for the year	(77,024,360)	(33,823,807)
<b>Adjustments for:</b>		
Depreciation	52,992,143	50,401,921
Loss/(Gain) on Sale of Fixed Assets	506,009	159,483
Fair value adjustment investments	(665)	1,519
Impairment Loss/(Reversal of Impairment Loss) - Receivables	30,807,509	40,774,811
Impairment Loss/(Reversal of Impairment Loss) - Fixed assets	-	8,787,730
Finance cost	26,780	5,851,585
Contribution to provisions - Non-Current Provisions	5,744,388	(4,018,010)
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	2,656,000	(3,704,665)
Movement in employee benefits	2,129,167	(3,598,463)
Contributed Property, Plant and Equipment	(4,975,198)	-
Inventory written off/reversal	27,230,237	-
Operating Surplus/(Deficit) before changes in working capital	40,092,009	60,832,104
Changes in working capital	(25,801,678)	(37,490,794)
Increase/(Decrease) in Trade and Other Payables Exchange (note 1)	(4,977,457)	44,668,161
Increase/(Decrease) in Trade and Other Payables Non-exchange	(32,496)	721,869
Increase/(Decrease) in Taxes	(351,673)	(7,520,918)
(Increase)/Decrease in Inventory	(390,838)	(352,565)
Increase/(Decrease) in Consumer Deposits	184,442	103,703
(Increase)/Decrease in Receivables from Exchange Transactions	(23,027,690)	(29,372,595)
(Increase)/Decrease in Receivables from Non-Exchange Transactions	(10,311,655)	(23,638,985)
(Increase)/Decrease Investments	(665)	1,519
Increase/(Decrease) in Unspent Transfers and Subsidies	13,106,354	(22,100,983)
<b>Cash generated/(absorbed) by operations</b>	<b>14,290,331</b>	<b>23,341,310</b>

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	2021 R	2020 R
<b>44. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 11	4,524,532	2,353,454
Call Deposits and Investments - Note 11	25,574,090	19,407,672
Cash Floats - Note 11	2,980	2,980
Bank Overdraft - Note 11	(19,766,637)	(15,248,597)
<b>Total cash and cash equivalents</b>	<b>10,334,965</b>	<b>6,515,508</b>

	2021 R	2020 R
<b>45. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 11	10,334,965	6,515,508
<b>Less:</b>	32,982,071	19,524,043
Unspent Transfers and Subsidies - Note 18	20,315,027	7,208,672
VAT - Note 19	12,667,044	12,315,371
Net cash resources available for internal distribution	(22,647,106)	(13,008,535)
Allocated to:		
Capital Replacement Reserve - Note 20	(2,252,793)	(2,252,793)
<b>Resources available for working capital requirements</b>	<b>(24,899,899)</b>	<b>(10,755,742)</b>

	2021 R	2020 R
<b>46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 12	-	240,844
Used to finance property, plant and equipment - at cost	-	(240,844)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

Annuity loans at amortised cost is calculated at 7.95 - 26% interest rate, with last maturity date of 31 March 2021. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

	2021 R	2020 R
<b>47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>47.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	116,423,528	53,535,579
Unauthorised expenditure current year - operational	76,601,230	62,887,949
Unauthorised expenditure current year - capital	11,272,089	-
Written off by Council	-	-
Unauthorised expenditure awaiting authorisation	-	-
	<b>204,296,847</b>	<b>116,423,528</b>

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>Actual vs Budgeted spending</i>	<i>None</i>	87,873,319	62,887,949
		<b>87,873,319</b>	<b>62,887,949</b>

The overspending of the Budget per municipal vote can be summarised as follows:

	2021 Actual R	2021 Final Budget R	2021 Variance R	2021 Unauthorised R
<b>Unauthorised expenditure current year - operating</b>				
Vote 1 - Office of the Mayor	22,687,448	22,126,984	560,464	560,464
Vote 2 - Municipal Manager	2,031,967	3,001,672	(969,705)	-
Vote 3 - Finance	38,061,219	29,618,790	8,442,429	8,442,429
Vote 4 - Corporate Services	8,167,720	7,192,998	974,722	974,722
Vote 5 - Community and Social Services	43,264,413	62,995,077	(19,730,664)	-
Vote 6 - Infrastructure	221,233,729	154,610,114	66,623,615	66,623,615
	<b>335,446,496</b>	<b>279,545,635</b>	<b>55,900,861</b>	<b>76,601,230</b>
<b>Unauthorised expenditure current year - capital</b>				
Vote 1 - Office of the Mayor	29,464	-	29,464	29,464
Vote 2 - Municipal Manager	-	-	-	-
Vote 3 - Finance	4,480,708	-	4,480,708	4,480,708
Vote 4 - Corporate Services	-	-	-	-
Vote 5 - Community and Social Services	44,830	1,349,087	(1,304,257)	-
Vote 6 - Infrastructure	24,128,630	17,366,913	6,761,917	6,761,917
	<b>28,683,833</b>	<b>18,716,000</b>	<b>9,967,833</b>	<b>11,272,089</b>

	2021 R	2020 R
<b>47.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	15,680,142	4,956,980
Fruitless and wasteful expenditure current year	89,618	7,903,594
Prior fruitless and wasteful expenditure discovered current year	-	2,798,118
Written off by Council	-	21,450
Fruitless and wasteful expenditure awaiting condonement	-	-
	<b>15,769,759</b>	<b>15,680,142</b>



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Fruitless and wasteful expenditure can be summarised as follow:

	2021 R	2020 R
<b>Incident</b>		
<i>Interest paid on creditors overdue accounts</i>	-	7,903,594
<i>SARS penalties and interest</i>	89,618	-
<i>Expenditure incurred Waterdal project - services not completed</i>	-	2,798,118
	<b>89,618</b>	<b>10,701,712</b>

47.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	78,681,310	27,140,394
Irregular expenditure identified current year	9,628,128	51,540,916
Written off by Council		
Irregular expenditure awaiting further action		
	<b>88,309,438</b>	<b>78,681,310</b>

Irregular expenditure can be summarised as follow:

	2021 R	2020 R
<b>Incident</b>		
<i>Quotation process not followed</i>	-	192,557
<i>Valid/no contracts in place for service providers &amp; non-compliance SCM regulations</i>	9,628,128	7,372,853
<i>Irregularities resulting from Bid Adjudication committee not being properly constituted</i>	-	43,975,506
	<b>9,628,128</b>	<b>51,540,916</b>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies for expenditure.

Irregular expenditure is disclosed inclusive of VAT

48. **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

48.1 **Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)**

Opening balance	524,066	524,066
Council subscriptions	1,019,840	864,979
Amount paid - current year	(713,888)	(864,979)
<b>Balance unpaid (included in creditors)</b>	<b>830,018</b>	<b>524,066</b>

48.2 **Audit fees - [MFMA 125 (1)(c)]**

Opening balance	3,476,600	2,777,833
Current year audit fee	4,221,911	2,968,435
Amount paid - current year	(588,846)	(1,986,181)
Amount paid - previous year	(2,361,723)	(283,487)
<b>Balance unpaid (included in creditors)</b>	<b>4,747,942</b>	<b>3,476,600</b>

48.3 **VAT - [MFMA 125 (1)(c)]**

VAT	12,667,044	12,315,371
<b>Closing balance</b>	<b>12,667,044</b>	<b>12,315,371</b>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

48.4 **PAYE,SDL and UIF - [MFMA 125 (1)(c)]**

Opening balance	-	-
Current year payroll deductions	12,057,607	12,473,376
Amount paid - current year	(12,057,600)	(12,473,376)
<b>Balance unpaid (included in creditors)</b>	<b>7</b>	<b>-</b>

Balance previously reported

Levies revised		17,468
<b>Restated balance</b>		<b>(17,468)</b>

48.5 **Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**

Opening balance	19,589,615	18,488,482
Current year payroll deductions and Council Contributions	(19,589,615)	(18,488,482)
Amount paid - current year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**48.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2021:

	2021 R	2020 R
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
RR Faul	-	2,426
D Vanel	4,829	1,759
NP Mkontwana	203	-
PD Van Wyk	-	3,543
WJ Du Plessis	-	-
LE Andrews	-	-
L Billie	-	9,014
PP Mhlauili	4,464	-
ST Sthonga	-	-
MC Kivedo	-	3,904
SJ Hoffman	-	-
SP Wales	1	-
C Louw	-	-
MO Maramba	10,022	-
PN Bushula	-	-
HJ Rust	0	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>19,519</b>	<b>20,646</b>

**48.7**

**Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

**30 JUNE 2021**

	Amount	Single Supplier	Type of Deviation		Emergency
			Impossible	Impractical	
Jul-20	39,885	24,685	-	-	15,200
Aug-20	152,685	29,505	6,557	69,897	46,726
Sep-20	126,825	-	27,399	18,464	80,962
Oct-20	35,857	32,621	-	3,236	-
Nov-20	232,683	6,000	26,270	11,348	189,065
Dec-20	-	-	-	-	-
Jan-21	6,000	6,000	-	-	-
Feb-21	9,703	-	-	9,703	-
Mar-21	32,480	32,480	-	-	-
Apr-21	60,950	-	-	-	60,950
May-21	-	-	-	-	-
Jun-21	17,825	-	-	17,825	-
	<b>714,893</b>	<b>131,291</b>	<b>60,225</b>	<b>130,473</b>	<b>392,904</b>

**30 JUNE 2020**

	Amount	Single Supplier	Type of Deviation		Emergency
			Impossible	Impractical	
Jul-19	-	-	-	-	-
Aug-19	125,614	42,050	11,910	71,654	-
Sep-19	116,496	19739.75	51,529	45,227	-
Oct-19	175,421	-	21,643	76,527	77,250
Nov-19	49,224	5,520	-	43,704	-
Dec-19	-	-	-	-	-
Jan-20	291,381	20,979	-	270,381	-
Feb-20	139,370	-	4,490	54,386	80,494
Mar-20	17,271	-	-	17,271	-
Apr-20	654,345	117,781	17,500	-	519,065
May-20	23,192	-	-	23,192	-
Jun-20	313,751	2047	2,264	144,639	164,800
	<b>1,906,044</b>	<b>208,116</b>	<b>109,337</b>	<b>746,982</b>	<b>841,608</b>

**Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

**Range of Deviations approved by Municipal Manager**

	Total Deviations	2020/21 Amounts
Deviations between 0 - 2000	15	80,295
Deviations between 2001 - 10 000	21	634,598
Deviations between 10 001 - 200 000	-	-
Deviations greater than 200 001	-	-
	<b>36</b>	<b>714,893</b>

**48.8 Material losses**

**Electricity distribution losses**

	2021 R	2020 R
Units purchased (Kwh)	59,700,003	56,375,147
Units lost during distribution (Kwh)	7,636,295	8,240,374
Percentage lost during distribution	12.79%	14.62%
Distribution loss (Rand Value)	10,027,047	9,882,591

*Inisitive by Engineering to inspect meters to reduce the amount of meter tampering.*

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
<b>Water distribution losses</b>		
Units purchased (ml)	3,113,807	1,629,349
Units lost during distribution (ml)	496,645	685,719
Percentage lost during distribution	15.95%	42.09%
Distribution loss (Rand Value)	625,773	878,574

Faulty meters and leakages are replaced/repared as soon as they are reported.

The municipality provides water services to indigent consumers. Consumptions used by indigent consumers are more than the free 6kl water they received. No action was taken to recover the additional consumptions from indigent consumers and based on history, outstanding amounts are not paid by indigent consumers.

48.9 <u>Other non-compliance</u>	2021 R	2020 R
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**MFMA Section 15**

Expenditure was not only incurred in terms of an approved budget and within the limits of the amounts approved for the different votes in an approved budget.

**MFMA Section 32(4)**

Report pertaining to unauthorised, irregular, fruitless and wasteful expenditure have not been submitted to all relevant parties.

**MFMA Section 62**

Reasonable steps were not taken to prevent irregular, fruitless and wasteful and unauthorised expenditure

**MFMA Section 64**

Non-compliance with systems to be placed with regards to revenue management

**MFMA Section 65(2)**

Adequate management, accounting and information system was not in place which accounted for creditors and pay within 30 days

**MFMA Section 71**

Monthly reports not submitted timeously to Provincial Treasury

**MFMA section 75**

Non-compliance with information to be placed on the municipalities website

**MFMA Section 112**

The supply chain management policy did not comply with the Prescribed Framework

**VAT Act**

Not all returns were submitted timeously to SARS

**49. FINANCIAL RISK MANAGEMENT**

2021 R	2020 R
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The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price Risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2021 R	2020 R
0.5% (2021: 0.5%) Increase in interest rates	(136,693)	31,497
0.5% (2021: 0.5%) Decrease in interest rates	136,693	(31,497)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 %	2021 R	2020 %	2020 R
<b>Non-exchange Receivables</b>				
Rates	38.14%	71,852,550	88.38%	62,897,066
Fines	61.54%	115,929,836	10.76%	7,658,089
Other	0.32%	609,614	0.86%	609,614
	<b>100.00%</b>	<b>188,392,000</b>	<b>100.00%</b>	<b>71,164,769</b>
<b>Exchange Receivables</b>				
Electricity	21.33%	35,362,728	23.98%	33,552,430
Water	39.24%	65,045,771	35.99%	50,357,325
Property Rentals	1.33%	2,208,398	1.30%	1,815,592
Waste Management (refuse)	11.87%	19,682,657	12.38%	17,323,635
Waste Water Management (Sewerage)	23.11%	38,306,357	23.14%	32,371,164
Town Commage	2.85%	4,728,797	3.04%	4,259,747
Other	0.27%	449,764	0.17%	243,083
	<b>100.00%</b>	<b>165,784,471</b>	<b>100.00%</b>	<b>139,921,975</b>

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2021 %	2021 R	2020 %	2020 R
<b>Non-exchange Receivables</b>				
Rates	35.83%	60,444,055	34.17%	54,334,380
Fines	64.17%	108,271,747	65.83%	104,679,941
	<b>100.00%</b>	<b>168,715,801</b>	<b>100.00%</b>	<b>159,014,321</b>
<b>Exchange Receivables</b>				
Electricity	21.54%	27,214,440	21.21%	21,660,349
Water	38.81%	49,040,164	33.53%	34,251,679
Waste Management (refuse)	12.12%	15,319,367	14.20%	14,506,934
Waste Water Management (Sewerage)	21.84%	27,589,294	24.80%	25,326,826
Property Rentals	1.66%	2,100,617	1.75%	1,759,690
Town Commonage	3.72%	4,704,351	4.22%	4,312,007
Other	0.30%	379,923	0.32%	326,816
	<b>100.00%</b>	<b>126,348,157</b>	<b>98.28%</b>	<b>102,144,300</b>

The provision for bad debts could be allocated between the different categories of receivables (excl. fines) as follow:

	2021 %	2021 R	2020 %	2020 R
National and Provincial Government	0.00%	7,129	0.00%	-
Industrial and Business	5.79%	10,808,846	6.13%	9,596,780
Residential	94.21%	175,901,301	93.87%	146,881,900
	<b>100.00%</b>	<b>186,717,277</b>	<b>100.00%</b>	<b>156,478,680</b>

No bad debt were written off during the year

**Ageing of amounts past due but not impaired are as follow:**

	Exchange Receivables	Non-exchange Receivables
<b>2021</b>		
1 month past due	241,315	115,315
2+ months past due	6,163,920	4,494,388
	<b>6,405,235</b>	<b>4,609,703</b>
<b>2020</b>		
1 month past due	399,836	151,687
2+ months past due	6,771,773	4,455,997
	<b>7,171,609</b>	<b>4,607,684</b>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	165,784,471	139,680,190
Receivables from Non-Exchange Transactions	74,173,097	64,551,936
Cash and Cash Equivalents	30,098,622	21,761,126
	<b>270,056,190</b>	<b>225,993,252</b>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2021</b>				
Trade and Other Payables	114,200,519	-	-	-
	<b>114,200,519</b>	<b>-</b>	<b>-</b>	<b>-</b>
		Between 1 and 5 years	Between 5 and 30 years	More than 10 years
<b>2020</b>				
Long-term Liabilities				-
Trade and Other Payables	115,875,718	-	-	-
	<b>115,875,718</b>	<b>-</b>	<b>-</b>	<b>-</b>

50. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

50.1 Financial Assets

Classification

Investments

Listed Investments	Financial Instruments at fair value	28,355	27,690
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Receivables from Exchange Transactions

		2021 R	2020 R
Electricity	Financial Instruments at amortised cost	35,362,728	33,552,430
Water management	Financial Instruments at amortised cost	65,045,771	50,357,325
Property Rentals	Financial Instruments at amortised cost	2,208,398	1,815,592
Waste Management	Financial Instruments at amortised cost	19,682,657	17,323,635
Waste Water Management	Financial Instruments at amortised cost	38,306,357	32,371,164
Town commage	Financial Instruments at amortised cost	4,728,797	4,258,747
Other receivables from exchange transactions	Financial Instruments at amortised cost	449,764	243,083

Receivables from Non-Exchange Transactions

Sundry debtors	Financial Instruments at amortised cost	609,614	378,113
Sundry deposits	Financial Instruments at amortised cost	1,419,218	984,042

Cash and Cash Equivalents

Bank Balances	Financial Instruments at amortised cost	4,527,512	2,356,434
Call Deposits	Financial Instruments at amortised cost	25,574,090	19,407,672

Total Financial Assets

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

		2021 R	2020 R
Receivables from Exchange Transactions	Electricity	35,362,728	33,552,430
Receivables from Exchange Transactions	Water management	65,045,771	50,357,325
Receivables from Exchange Transactions	Property Rentals	2,208,398	1,815,592
Receivables from Exchange Transactions	Waste Management	19,682,657	17,323,635
Receivables from Exchange Transactions	Waste Water Management	38,306,357	32,371,164
Receivables from Exchange Transactions	Town commage	4,728,797	4,258,747
Receivables from Exchange Transactions	Other receivables from exchange transactions	449,764	243,083
Receivables from Non-Exchange Transactions	Sundry debtors	609,614	378,113
Receivables from Non-Exchange Transactions	Sundry deposits	1,419,218	984,042
Cash and Cash Equivalents	Bank Balances	4,527,512	2,356,434
Cash and Cash Equivalents	Call Deposits	25,574,090	19,407,672
		<b>197,914,905</b>	<b>163,048,235</b>

Financial Instruments at fair value:

Investments	Listed Investments	28,355	27,690
		<b>28,355</b>	<b>27,690</b>

Total Financial Assets

		<b>197,914,905</b>	<b>163,048,235</b>
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50.2 Financial Liabilities

Classification

Long-term Liabilities

Capitalised Lease Liability	Financial Instruments at amortised cost	-	240,844
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**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	2021 R	2020 R
<b>Trade and Other Payables</b>		
Eskom creditor	88,865,909	85,215,988
Payments in advance	8,219,002	9,548,267
Retentions	631,074	3,933,334
Sundry creditors	8,197,260	7,290,482
Sundry deposits	165,091	363,804
Trade payables	9,656,475	11,521,288
	<b>2021 R</b>	<b>2020 R</b>
<b>Current Portion of Long-term Liabilities</b>		
Capitalised Lease Liability	-	240,845
	<b>2021 R</b>	<b>2020 R</b>
<b>Cash and Cash Equivalents</b>		
Bank Overdraft	19,766,637	15,248,597
	<b>2021 R</b>	<b>2020 R</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>		
<b>Financial instruments at amortised cost:</b>		
Long-term Liabilities	-	240,844
Current portion of Long-term liabilities	-	240,845
Trade and Other Payables	88,865,909	85,215,988
Trade and Other Payables	8,219,002	9,548,267
Trade and Other Payables	631,074	3,933,334
Trade and Other Payables	8,197,260	7,290,482
Trade and Other Payables	165,091	363,804
Trade and Other Payables	9,656,475	11,521,288
Cash and Cash Equivalents	19,766,637	15,248,597
	<b>135,501,447</b>	<b>133,603,450</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>51. STATUTORY RECEIVABLES</b>		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
<b>Taxes</b>		
VAT Receivable	12,667,044	12,315,371
<b>Receivables from Non-Exchange Transactions</b>	187,782,386	177,941,727
Rates	71,852,550	62,897,066
Fines	115,929,836	115,044,661
<b>Total Statutory Receivables (before provision)</b>	<b>200,449,430</b>	<b>190,257,098</b>
<b>Less:</b> Provision for Debt Impairment	(168,715,801)	(159,014,321)
<b>Total Statutory Receivables (after provision)</b>	<b>31,733,629</b>	<b>31,242,777</b>
Statutory Receivables arises from the following legislation:		
Taxes	- Value Added Tax Act (No 89 of 1991)	
Rates	- Municipal Properties Rates Act (No 6 of 2004)	
Fines	- Criminal Procedures Act	
Statutory receivables are initially measured at transaction value, and subsequently at cost.		
<b>(Rates): Ageing</b>		
Current (0 - 30 days)	1,380,067	1,548,213
31 - 60 Days	712,981	4,223,478
61 - 90 Days	655,356	966,795
+ 90 Days	69,104,147	56,158,580
<b>Total</b>	<b>71,852,550</b>	<b>62,897,066</b>
	<b>2021 R</b>	<b>2020 R</b>
<b>Reconciliation of Provision for Debt Impairment</b>		
Balance at beginning of year	159,014,321	137,462,206
Contribution to provision	9,701,480	21,552,115
Reversal of provision	-	-
Balance at end of year	<b>168,715,801</b>	<b>159,014,321</b>
Property Rates: Management determines the payment rate per debtor. Therefore each individual debtor is impaired based on the collection of debt. Government debtors is excluded from the impairment per the debt control policy of the municipality. The indication of impairment is the non-ability of the debtor to settle their account.		
Fines: Fines are impaired per individual fine based on collection of debt. The indication of impairment is the non-ability of the debtor to settle their account.		
<b>Ageing of amounts past due and impaired:</b>		
1 month past due	401,772	3,424,434
2+ months past due	59,604,088	50,223,427
	<b>60,005,860</b>	<b>53,647,861</b>
Management base the consideration past due and impaired on the rate debtor's payments. Per the debt control policy of the municipality past due and impaired include the category of residential, industrial & commercial and other debtors. Government debtors are not impaired.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	2021 R	2020 R
<b><u>Ageing of amounts past due but not impaired:</u></b>		
1 month past due	115,315	151,687
2+ months past due	4,494,388	4,455,997
	<b>4,609,703</b>	<b>4,607,684</b>

Management base the consideration on the debtor's payments. Per the debt control policy government debtors are not impaired as it is viewed that they are obliged to pay and therefore included in the category past due and not impaired

	2021 R	2020 R
<b><u>Interest Received from Statutory Receivables</u></b>		
Taxes	-	-
Traffic fines	-	-
Rates	746,913	795,393
	<b>746,913</b>	<b>795,393</b>

Interest is levied at a rate determined by the council on outstanding rates amounts.

	2021 R	2020 R
<b>52. IN-KIND DONATIONS AND ASSISTANCE</b>		
The municipality did not receive any in-kind donations or assistance during the year under review.	-	-

	2021 R	2020 R
<b>53. PRIVATE PUBLIC PARTNERSHIPS</b>		
Council has not entered into any private public partnerships during the financial year.	-	-

	2021 R	2020 R
<b>54. CONTINGENCIES</b>		
<b>Emthanjeni // Hamsa Consulting – Northern Cape High Court</b>		
The litigation is in relation to capital project for the supply and install on grid streetlights. At the 30 June 2021 the litigation was still under way and therefore outcome was still uncertain.		
<b>Emthanjeni//Luvacon Civils</b>		
The litigation is in relation to capital project for the implementation of boreholes. At the 30 June 2021 the litigation was still under way and therefore outcome was still uncertain.		
<b>Emthanjeni//Various farmers</b>		
There is a brewing dispute between the Municipality and various land owners about the extraction of water by the Municipality from farms. It is foreseen that these land owners may institute legal claims against the Municipality in due course. At 30 June 2021 the possible claim amount could not be measured with certainty.		
<b>Emthanjeni//GIBB Engineering and Architecture</b>		
The litigation is in relation to capital project for capital project - Stormwater phase 2. A demand letter was received on 25 June 2021, for the settlement of an outstanding balance, the matter however was not settled yet at 30 June 2021.	206,352	

	2021 R	2020 R
<b>55. RELATED PARTIES</b>		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		

	Rates - Levied 1 July 2020- 30 June 2021	Service charges - Levied 1 July 2020- 30 June 2021	Other - Levied 1 July 2020- 30 June 2021	Outstanding Balance - 30 June 2021	Provision for impairment - 30 June 2021
<b>Year ended 30 JUNE 2021</b>					
Councillors					
<i>D Vanel</i>	142	6,759	-	4,902	237
<i>NP Mkontwana</i>	1,838	5,682	12,930	3,210	642
<i>PD Van Wyk</i>	969	7,902	-	1,365	241
<i>WJ Du Plessis</i>	10,449	13,799	6,788	600	-
<i>L Bille</i>	-	5,485	13,114	-	-
<i>PP Mhlauli</i>	-	4,768	5,813	6,482	-
<i>ST Sthonga</i>	3,126	5,797	13,464	-	-
<i>SJ Hoffman</i>	465	5,894	-	-	-
<i>SP Wales</i>	-	653	16	5	5
<i>CJ Louw</i>	258	3,695	1	0	-
<i>MO Maramba</i>	5,916	7,365	-	1,395	-
<i>PN Bushula</i>	-	2,443	508	10,465	10,465
<i>HJ Rust</i>	7,524	5,191	7,919	0.01	0.01
	<b>30,686</b>	<b>75,433</b>	<b>60,553</b>	<b>28,424</b>	<b>11,590</b>
<b>Year ended 30 JUNE 2021</b>					
Municipal Manager and Section 57 Employees					
<i>I Visser Municipal Manager</i>	11,017	7,366	4,510	918	-
<i>MF Manu Director: Financial services</i>	14,350	13,256	1,566	340	136
<i>TW Msen Director: Corporate services</i>	1,766	1,308	334	-	-
<i>HM Joka Director: Community services</i>	2,617	18,364	9,995	4,749	1,900
<i>W Lubbe Director: Infrastructure and Technical Services</i>	12,671	20,096	49	-	-
	<b>42,421</b>	<b>60,390</b>	<b>16,455</b>	<b>6,007</b>	<b>2,036</b>

EMTHANJENI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Rates - Levied 1 July 2019- 30 June 2020	Service Charges - Levied 1 July 2019 - 30 June 2020	Other - Levied 1 July 2019 - 30 June 2020	Outstanding Balance - 30 June 2020	Provision for impairment - 30 June 2020
<b>Year ended 30 JUNE 2020</b>					
Councillors					
RR Faul	369	4,745	-	-	-
D Vanel	135	7,810	-	6,935	3,468
NP Mkontwana	1,747	6,942	11,067	7,759	-
PD Van Wyk	923	8,317	-	6,309	2,339
WJ Du Plessis	9,952	15,770	5,883	5,509	1,371
LE Andrews	172	6,172	-	1,386	597
L Bille	-	5,782	7,134	10,592	3,910
PP Mhlauli	(0)	5,265	5,058	6,456	-
ST Sthonga	2,977	7,231	11,670	13,666	3,693
MC Kivedo	2,091	9,145	1,804	5,044	4,329
SJ Hoffman	443	6,553	-	5	3
SP Wales	-	-	-	310	4
CJ Louw	246	4,073	-	91	18
MO Maramba	5,634	7,992	-	1,312	-
PN Bushula	-	-	-	7,163	7,163
HJ Rust	8,598	6,095	11,432	4,834	-
	<b>33,286</b>	<b>101,893</b>	<b>54,046</b>	<b>77,371</b>	<b>26,893</b>
	<b>Rates - Levied 1 July 2019- 30 June 2020</b>	<b>Service Charges - Levied 1 July 2019 - 30 June 2020</b>	<b>Other - Levied 1 July 2019 - 30 June 2020</b>	<b>Outstanding Balance - 30 June 2020</b>	<b>Provision for impairment - 30 June 2020</b>
<b>Year ended 30 JUNE 2020</b>					
Municipal Manager and Section 57 Employees					
I Visser Municipal Manager	10,493	7,795	13,200	-	0
MF Manu Director: Financial services	3,858	3,154	-	2,369	-
MR Ludw Director: Financial services	3,470	3,340	20	-	-
JP Jack Director: Financial services	3,465	5,841	1,974	9,504	464
HM Joka Director: Community services	2,719	16,714	8,595	50,362	46,674
MJV Owk Director: Infrastructure and Technical Services	11,403	26,524	2,649	3,829	649
BS Siwa	5,265	15,779	-	303	303
	<b>40,672</b>	<b>79,148</b>	<b>26,439</b>	<b>66,368</b>	<b>48,090</b>

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

55.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 13 to the Annual Financial Statements.

55.3 Compensation of related parties

The compensation of related parties is set out in note 31 and 32 to the Annual Financial Statements.

2021  
R

2020  
R

55.4 Other related party transactions

Councillors and/or management of the municipality had relationships with business during the financial period as indicated below:

No purchases was made from them during the financial year and prior year.

2020/2021 financial year

Company Name	Amount	Interest
Ncedis Bakery Primary Co-Operative	-	PP Mhlauli is a director
Rehoboth Joan Wertheim Centre	-	W Wales is a director
The Rise of Empire	-	H Joka is a director
Dirathata	-	L Thiso is a director

2019/2020 financial year

Company Name	Amount	Interest
Stonga Farming	-	S.Sthonga (mayor) is a director
M and M Labour Solutions	-	MO Maramba (councillor) is a director
Ncedisa Bakery Primary Co-operative Limited	-	PP Mhlauli (councillor) is a director
Qala Kancini Consultants	-	PN Bushula (councillor) is a director
Active Women Enterprise	-	PN Bushula (councillor) is a director
Likuve Itemba	-	PN Bushula (councillor) is a director
Siyathemba Social Projects Development	-	I Visser (Municipal Manager) is a director
Chartered Institute of government finance audit and risk officers	-	MF Manuel (CFO) is a director
Qala Kancini Consultants	-	MF Manuel (CFO) is a director



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**56. FINANCIAL SUSTAINABILITY**

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

**Financial Indicators**

The current ratio decreased to 0.72 from 0.89 in the prior year.

The municipality have budgeted for a surplus of R20 096 000 for the 2020/2021 financial year. The municipality is also budgeting for positive cash flows during 2021/2022 and 2022/2023 amounting to R58 730 166 and R71 347 272 respectively.

The municipality had an actual deficit R77 024 359 for the current year.

The average debtors' payment days increased to 708 days from 344 days.

The average creditors payment period is 334 days (2020: 354 days).

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R51 121 872 (2020: R18 328 522).

A bank overdraft facility is utilised amounting to R3000 0000

The municipality is in had a positive bank balance with ABSA to an amount of R592 310 (2020 - R4 869 921 in arrears) as per bank statement.

The bank balance as per the cash book (primary account) for the current year is (R19 766 636) and (R15 248 597) (2020).

There was a increase of R3 819 457 in cash and cash equivalents for the current year and decrease R10 517 989 for the prior year, as per cashflow statement.

The municipality has call investment deposits for the current year of R25 574 089 and R19 407 672 (2020)

Unless sustainable job creation is achieved, the municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

**57. EVENTS AFTER REPORTING PERIOD**

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

**58. PRINCIPAL/AGENT AGREEMENTS**

Agent in arrangement

The municipality (agent) collects licencing fees on behalf of the Provincial Department of Transport and Public Works (principal). The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end are included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

There was not a change in the significant terms and conditions from the prior year. No significant risks were noted as the municipality only collects monies on behalf of the Provincial Department of Transport and Public Works, as part of its existing service at the Traffic Department.

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>R</b>
<b>Compensation received for agency activities</b>		
Commission	606,676	383,961
<b>Total Compensation received</b>	<b>606,676</b>	<b>383,961</b>

EMTHANJENI LOCAL MUNICIPALITY

REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

59 REPORTABLE SEGMENTS REPORT FOR THE YEAR ENDED 30 JUNE 2021

For management purposes, the municipality is organised and operates in key functional segments (or business units). To this end, 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.

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

The key functional segments comprise of:

**PRIMARY SEGMENTS - Municipal Function**

- Vote 1 - Office of the Mayor
- Vote 2 - Municipal Manager
- Vote 3 - Finance
- Vote 4 - Corporate Services
- Vote 5 - Community and Social Services
- Vote 6 - Infrastructure

**SECONDARY SEGMENTS**

**Mascoa Functional Segments identified**

Aggregation	Aggregation	Reportable Segment	Types of Goods/Services delivered
• Governance and Administration	Executive and council	Aggregated	Governance and Administration
	Finance and administration	Aggregated	Governance and Administration
	Internal audit	Aggregated	Governance and Administration
• Community and public safety	Community and social services	Aggregated	Governance and Administration
	Sport and recreation	Aggregated	Community and public safety
	Public safety	Aggregated	Governance and Administration
	Health services	Aggregated	Governance and Administration
	Housing services	Aggregated	Governance and Administration
• Economic and environmental services	Planning and development	Individually Reported	Economic and environmental services
	Road transport	Aggregated	Governance and Administration
	Environmental protection services	Aggregated	Governance and Administration
• Trading services	Energy sources	Individually Reported	Energy sources
	Water management	Individually Reported	Water management
	Waste water management	Individually Reported	Waste water management
	Waste management service	Individually Reported	Waste management service
• Other	Abattoirs	Aggregated	Governance and Administration
	Air Transport	Aggregated	Other
	Forestry	Aggregated	Governance and Administration
	Licensing and Regulation	Aggregated	Other
	Markets	Aggregated	Governance and Administration
	Tourism	Aggregated	Other

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 not have segment information per assets and liabilities. The cost to develop this would be excessive, therefore per GRAP standard it is not disclosed.

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The Cost to develop this separately would be excessive.

EMTHANJENI LOCAL MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Vote 1 - Office of the Mayor	Vote 2 - Municipal Manager	Vote 3 - Finance	Vote 4 - Corporate Services	Vote 5 - Community and Social Services	Vote 6 - Infrastructure	Total
	R	R	R	R	R	R	
<b>SEGMENT REVENUE</b>							
<b>External revenue from exchange transactions</b>							
Service Charges - Electricity Revenue	-	-	-	-	-	(88,105,850)	(88,105,850)
Service Charges - Water Revenue	-	-	-	-	-	(31,917,471)	(31,917,471)
Service Charges - Sanitation Revenue	-	-	-	-	(6,875,784)	-	(6,875,784)
Service Charges - Refuse Revenue	-	-	-	-	-	(13,803,269)	(13,803,269)
Rental of Facilities and Equipment	(794,496)	-	(6,433)	-	(436,036)	-	(1,236,966)
Interest Earned - External Investments	-	-	(1,177,801)	-	(4,536)	-	(1,182,337)
Interest Earned - Outstanding Debtors	-	-	(746,913)	-	(253,644)	(1,769,717)	(2,770,274)
Licences and Permits	-	-	-	-	(362,862)	(606,676)	(969,538)
Other Revenue	(1,649,489)	-	(109,641)	-	(624,559)	(38,580)	(2,422,269)
Gains	(1,000)	-	-	-	-	-	(1,000)
<b>External revenue from non-exchange transactions</b>							
Fines	-	-	-	-	(1,045,789)	(241,873)	(1,287,663)
Property rates	-	-	(39,419,873)	-	-	-	(39,419,873)
Agency Services	-	-	-	-	-	-	-
Transfers Recognised - Operational	(3,446,467)	(615,290)	(18,968,401)	-	(8,433,431)	(20,286,008)	(51,749,597)
<b>Total Segment Revenue (excluding capital transfers and contributions)</b>	<b>(5,891,452)</b>	<b>(615,290)</b>	<b>(60,429,062)</b>	<b>-</b>	<b>(18,036,641)</b>	<b>(156,769,443)</b>	<b>(241,741,888)</b>
<b>SEGMENT EXPENDITURE</b>							
Employee Related Costs	2,234,015	1,907,915	12,910,322	6,612,976	31,688,285	31,975,132	87,328,644
Remuneration of Councillors	5,682,471	-	-	-	-	-	5,682,471
Debt Impairment	-	-	6,109,674	-	4,804,151	19,893,683	30,807,509
Depreciation and Asset Impairment	217,488	-	6,310,720	72,344	2,201,817	44,189,775	52,992,143
Finance Charges	7,882,659	-	3,461,344	-	57,297	450,057	11,851,357
Bulk Purchases	-	-	-	-	-	72,890,341	72,890,341
Other Materials	440,016	14,350	8,694	19,617	793,952	2,494,168	3,770,796
Contracted Services	945,121	-	6,484,763	966,262	229,813	1,530,107	10,156,067
Transfers and Grants	-	-	-	-	-	-	-
Other Expenditure	4,781,334	109,701	2,775,702	496,521	3,489,098	47,810,467	59,462,823
Losses	505,344	-	-	-	-	-	505,344
<b>Total Segment Expenditure</b>	<b>22,688,448</b>	<b>2,031,967</b>	<b>38,061,219</b>	<b>8,167,720</b>	<b>43,264,413</b>	<b>221,233,729</b>	<b>335,447,496</b>
<b>Surplus/(Deficit)</b>							
Transfers Recognised - Capital	-	-	-	-	-	(11,706,049)	(11,706,049)
Contributions Recognised - Capital	-	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	(4,975,198)	(4,975,198)
<b>Surplus/(Deficit) for the year</b>	<b>16,796,996</b>	<b>1,416,677</b>	<b>(22,367,843)</b>	<b>8,167,720</b>	<b>25,227,771</b>	<b>47,783,038</b>	<b>77,024,360</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	Community and public safety	Economic and environmental services	Trading services				Other	Governance and Administration	Unallocated	Total
			Energy Sources	Water Management	Waste water management	Waste management services				
	R	R	R				R	R	R	R
<b>SEGMENT REVENUE</b>										
<b>External revenue from exchange transactions</b>	<b>(1,388,684)</b>	-	<b>(88,776,190)</b>	<b>(32,570,162)</b>	<b>(14,266,024)</b>	<b>(7,125,761)</b>	-	<b>(5,156,934)</b>	-	<b>(149,284,756)</b>
Service Charges - Electricity Revenue	-	-	(88,105,850)	-	-	-	-	-	-	(88,105,850)
Service Charges - Water Revenue	-	-	-	(31,917,471)	-	-	-	-	-	(31,917,471)
Service Charges - Sanitation Revenue	-	-	-	-	-	(6,875,784)	-	-	-	(6,875,784)
Service Charges - Refuse Revenue	-	-	-	-	(13,803,269)	-	-	-	-	(13,803,269)
Rental of Facilities and Equipment	(396,727)	-	-	-	-	-	(840,239)	-	-	(1,236,966)
Interest Earned - External Investments	(4,536)	-	-	-	-	-	(1,177,801)	-	-	(1,182,337)
Interest Earned - Outstanding Debtors	-	-	(670,340)	(652,692)	(446,685)	(249,978)	(750,579)	-	-	(2,770,274)
Licences and Permits	(362,862)	-	-	-	-	-	(606,676)	-	-	(969,538)
Other Revenue	(624,559)	-	-	-	(16,070)	-	(1,781,640)	-	-	(2,422,269)
Gains	-	-	-	-	-	-	(1,000)	-	-	(1,000)
<b>External revenue from non-exchange transactions</b>	<b>(1,045,789)</b>	-	<b>(3,158,869)</b>	<b>(6,387,542)</b>	<b>(10,981,470)</b>	<b>(7,983,431)</b>	-	<b>(62,900,031)</b>	-	<b>(92,457,132)</b>
Fines	(1,045,789)	-	(241,873)	-	-	-	-	-	-	(1,287,663)
Property rates	-	-	-	-	-	-	(39,419,873)	-	-	(39,419,873)
Transfers Recognised - Operational	-	-	(2,916,996)	(6,387,542)	(10,981,470)	(7,983,431)	(23,480,158)	-	-	(51,749,597)
<b>Total Segment Revenue (excluding capital transfers and contributions)</b>	<b>(2,434,473)</b>	-	<b>(91,935,060)</b>	<b>(38,957,704)</b>	<b>(25,247,494)</b>	<b>(15,109,192)</b>	-	<b>(68,056,965)</b>	-	<b>(241,741,888)</b>
<b>SEGMENT EXPENDITURE</b>										
Employee Related Costs	19,880,930	7,887,166	7,329,127	2,980,148	5,110,355	9,567,226	34,573,693	-	-	87,328,644
Remuneration of Councillors	-	-	-	-	-	-	5,682,471	-	-	5,682,471
Debt Impairment	3,397,125	-	4,887,906	13,014,681	1,991,097	714,985	6,801,715	-	-	30,807,509
Depreciation and Asset Impairment	212,346	376,645	23,343,368	6,770,506	3,722,007	1,965,780	16,601,490	-	-	52,992,143
Finance Charges	53,513	-	211,864	38,928	195,482	3,784	11,347,787	-	-	11,851,357
Bulk Purchases	-	-	71,826,730	1,063,612	-	-	-	-	-	72,890,341
Other Materials	618,752	8,763	1,422,170	308,002	218,313	175,200	1,019,597	-	-	3,770,796
Contracted Services	142,546	13,119	1,148,591	265,667	-	87,267	8,498,876	-	-	10,156,067
Transfers and Grants	-	-	-	-	-	-	-	-	-	-
Other Expenditure	2,028,701	889,871	35,642,439	4,331,348	4,649,849	1,347,501	10,573,114	-	-	59,462,823
Losses	-	-	-	-	-	-	505,344	-	-	505,344
<b>Total Segment Expenditure</b>	<b>26,333,913</b>	<b>9,175,564</b>	<b>145,812,194</b>	<b>28,772,892</b>	<b>15,887,103</b>	<b>13,861,743</b>	-	<b>95,604,087</b>	-	<b>335,447,496</b>
<b>Surplus/(Deficit)</b>										
Transfers Recognised - Capital	-	(3,828,356)	(489,863)	-	-	-	(7,387,831)	-	-	(11,706,049)
Contributions Recognised - Capital	-	-	(4,975,198)	-	-	-	-	-	-	(4,975,198)
<b>Surplus/(Deficit) for the year</b>	<b>23,899,439</b>	<b>5,347,208</b>	<b>48,412,073</b>	<b>(10,184,812)</b>	<b>(9,360,392)</b>	<b>(1,247,449)</b>	-	<b>20,159,292</b>	-	<b>77,024,360</b>

**APPENDIX A**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021**

<b>EXTERNAL LOANS</b>	<b>Reg No.</b>	<b>Rate</b>	<b>Supplier</b>	<b>Loan Number</b>	<b>Maturity date</b>	<b>Balance at 30 JUNE 2020</b>	<b>Correction of Error</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2021</b>
<b>LONG-TERM LOANS</b>										
<b>LEASE LIABILITY</b>										
Tshimolong Technologies (folder machine)	Di380	7.93% - 26%		Di380	01/09/2020	11,422	-	-	(11,422)	-
Digi Copiers	Various	10.00%		Various	01/03/2021	229,422	-	-	(229,422)	-
<b>Total Lease Liabilities</b>						<b>240,844</b>	-	-	<b>(240,844)</b>	-
<b>TOTAL EXTERNAL LOANS</b>						<b>240,844</b>	-	-	<b>(240,844)</b>	-

**APPENDIX B**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
			<b>Governance and Administration</b>			
11,304,493	8,840,808	2,463,685	Executive and council	6,505,742	23,409,151	(16,903,409)
67,237,660	52,873,075	14,364,585	Finance and administration	60,429,062	46,228,939	14,200,123
			<b>Community and Public Safety</b>			
2,281,697	17,653,838	(15,372,140)	Community and social services	1,004,904	14,717,560	(13,712,656)
18,373	4,660,206	(4,641,834)	Sport and recreation	6,861	5,353,063	(5,346,202)
8,110,393	7,857,466	252,927	Public safety	1,422,709	6,263,290	(4,840,581)
708,114	3,658,492	(2,950,378)	Housing	492,976	3,068,757	(2,575,781)
832	5,245	(4,413)	Health	824	25,397	(24,573)
			<b>Economic and Environmental Services</b>			
568,767	16,567,445	(15,998,678)	Planning and development	3,828,356	9,175,564	(5,347,208)
15,519,638	21,650,806	(6,131,168)	Road transport	8,016,191	21,560,579	(13,544,388)
			<b>Trading Services</b>			
85,987,467	114,406,978	(28,419,512)	Energy sources	97,400,121	145,812,194	(48,412,073)
53,144,453	22,453,208	30,691,245	Water management	38,957,704	28,772,892	10,184,812
21,370,442	28,022,771	(6,652,330)	Waste water management	25,247,494	15,887,103	9,360,392
13,317,539	13,540,051	(222,512)	Waste management	15,109,192	13,861,743	1,247,449
-	1,203,286	(1,203,286)	<b>Other</b>	-	1,310,264	(1,310,264)
279,569,868	313,393,675	(33,823,807)		258,422,136	335,446,496	(77,024,360)

**APPENDIX C**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
10,822,875	7,891,880	2,930,996	Office of the Mayor	5,890,452	22,687,448	(16,796,996)
481,618	2,152,214	(1,670,596)	Municipal Manager	615,290	2,031,967	(1,416,677)
67,237,660	44,586,598	22,651,062	Finance	60,429,062	38,061,219	22,367,843
-	8,286,477	(8,286,477)	Corporate Services	-	8,167,720	(8,167,720)
24,436,116	47,370,053	(22,933,937)	Community & Social Services	18,036,641	43,264,413	(25,227,771)
176,591,598	203,106,453	(26,514,855)	Infrastructure	173,450,691	221,233,729	(47,783,038)
<b>279,569,868</b>	<b>313,393,675</b>	<b>(33,823,807)</b>	Sub Total	<b>258,422,136</b>	<b>335,446,496</b>	<b>(77,024,360)</b>
			Less Inter-Departmental Charges			
<b>279,569,868</b>	<b>313,393,675</b>	<b>(33,823,807)</b>	<b>Total</b>	<b>258,422,136</b>	<b>335,446,496</b>	<b>(77,024,360)</b>

**APPENDIX D**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2021**  
**GENERAL FINANCE STATISTICS CLASSIFICATION**

	Cost/Revaluation				Accumulated Impairment		Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Depreciation	Disposals		Closing Balance
Executive & Council	14,239,790	2,665	-	135,969	14,106,486	-	-	997,096	217,488	132,760	1,081,823	13,024,663
Finance & Admin	234,615,025	4,480,708	-	1,027,083	238,068,650	4,266,367	4,266,367	125,367,051	6,383,064	917,651	130,832,464	102,969,819
Planning & Development	12,582,132	1,913,906	-	9,538,218	4,957,820	-	-	11,678,146	376,645	9,537,521	2,517,271	2,440,549
Health	4,940	29,799	-	-	34,739	-	-	3,384	3,668	-	7,052	27,687
Community & Social Services	2,399,866	44,830	-	165,626	2,279,070	-	-	1,865,570	164,309	156,716	1,873,163	405,907
Housing	1,431,713	-	-	81,056	1,350,657	-	-	809,880	23,691	59,598	773,972	576,685
Public Safety	735,025	-	-	55,092	679,934	-	-	577,798	21,082	51,948	546,932	133,001
Sport & Recreation	930,110	-	-	497,475	432,635	-	-	609,216	26,954	250,968	385,202	47,433
Waste Management	40,480,755	9,937,185	-	535,329	49,882,611	3,038	3,038	15,677,643	1,965,780	260,648	17,382,776	32,496,798
Waste Water Management	113,398,322	5,586,645	18,598,937	3,269	137,580,634	-	-	76,054,450	3,722,007	2,987	79,773,470	57,807,164
Road Transport	435,711,172	581,519	-	441,815	435,850,877	3,474,430	3,474,430	291,546,719	9,970,649	399,732	301,117,636	131,258,811
Water	373,252,289	2,055,107	(22,443,354)	30,459	352,833,583	2,023,683	2,023,683	263,277,416	6,770,506	28,637	270,019,285	80,790,615
Electricity	1,037,149,692	4,188,178	3,844,417	103,731	1,045,078,556	505,096	505,096	735,751,633	23,343,368	94,456	759,000,545	285,572,915
Other	55,574	-	-	-	55,574	-	-	48,086	2,932	-	51,018	4,557
	<b>2,266,986,408</b>	<b>28,820,542</b>	<b>(0)</b>	<b>12,615,122</b>	<b>2,283,191,827</b>	<b>10,272,614</b>	<b>10,272,614</b>	<b>1,524,264,087</b>	<b>52,992,143</b>	<b>11,893,621</b>	<b>1,565,362,608</b>	<b>707,556,604</b>



**APPENDIX E**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 July 2020	Correction of Error	Restated Balance 1 July 2020	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Transferred to Revenue	Balance 31 June 2021
<b><u>National Government Grants</u></b>								
National Equitable Share	-	-	-	48,465,000	(48,465,000)	-	-	-
National: Financial Management Grant	-	-	-	1,700,000	(1,700,000)	-	-	-
National: Municipal Infrastructure Grant	5,322,747	-	5,322,747	19,957,000	(1,134,597)	(6,273,904)	(1,113,926)	16,757,320
National: Integrated National Electrification Programme Grant	2,200	-	2,200	1,010,000	(16,200)	(409,767)	(63,895)	522,337
National: Energy Efficiency and Demand Management Grant	-	-	-	3,600,000	-	(2,919,526)	(437,929)	242,545
National: Expanded Public Works Programme Integrated Grant	651,625	-	651,625	1,380,000	-	(442,919)	(27,981)	1,560,725
<b>Total National Government Grants</b>	<b>5,976,572</b>	<b>-</b>	<b>5,976,572</b>	<b>76,112,000</b>	<b>(51,315,797)</b>	<b>(10,046,117)</b>	<b>(1,643,731)</b>	<b>19,082,927</b>
<b><u>Provincial Government Grants</u></b>								
Provincial Housing Accreditation	-	-	-	450,000	(450,000)	-	-	-
Provincial: Department of Education	1,232,100	-	1,232,100	-	-	-	-	1,232,100
<b>Total Provincial Government Grants</b>	<b>1,232,100</b>	<b>-</b>	<b>1,232,100</b>	<b>450,000</b>	<b>(450,000)</b>	<b>-</b>	<b>-</b>	<b>1,232,100</b>
<b>Total Grants</b>	<b>7,208,672</b>	<b>-</b>	<b>7,208,672</b>	<b>76,562,000</b>	<b>(51,765,797)</b>	<b>(10,046,117)</b>	<b>(1,643,731)</b>	<b>20,315,027</b>

**APPENDIX F - Unaudited**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)**

Description	2020/2021								2019/2020			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	37,566	-	37,566	39,420	-	1,853	4.9%	4.9%				38,685
Service charges	155,683	(11,500)	144,183	140,702	-	(3,481)	-2.4%	-9.6%				129,776
Investment revenue	2,373	(200)	2,173	3,206	-	1,033	47.5%	35.1%				3,590
Transfers recognised - operational	51,955	6,885	58,840	51,750	-	(7,090)	-12.1%	-0.4%				49,405
Other own revenue	41,083	(920)	40,163	6,665	-	(33,498)	-83.4%	-83.8%				23,039
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>288,661</b>	<b>(5,735)</b>	<b>282,926</b>	<b>241,743</b>	<b>-</b>	<b>(41,183)</b>	<b>14.6%</b>	<b>-16.3%</b>				<b>244,494</b>
Employee costs	87,751	-	87,751	87,329	-	(422)	-0.5%	-0.5%	-	-	-	86,551
Remuneration of councillors	6,488	-	6,488	5,682	-	(806)	-12.4%	-12.4%	-	-	-	5,719
Depreciation & asset impairment	10,633	-	10,633	52,992	42,359	42,359	398.4%	398.4%	-	-	-	59,190
Finance charges	2,130	-	2,130	11,851	9,721	9,721	456.4%	456.4%	-	-	-	6,390
Materials and bulk purchases	89,268	(3,383)	85,884	76,661	76,661	(9,223)	-10.7%	-14.1%	-	-	-	75,273
Transfers and grants	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Other expenditure	80,391	6,268	86,660	100,932	-	14,273	16.5%	25.6%	-	-	-	83,976
<b>Total Expenditure</b>	<b>276,661</b>	<b>2,885</b>	<b>279,546</b>	<b>335,448</b>	<b>33,209</b>	<b>55,903</b>	<b>20.0%</b>	<b>21.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317,098</b>
<b>Surplus/(Deficit)</b>	<b>12,000</b>	<b>(8,620)</b>	<b>3,380</b>	<b>(93,706)</b>	<b>-</b>	<b>(97,086)</b>	<b>-2872.4%</b>	<b>-880.9%</b>				<b>(72,604)</b>
Transfers recognised - capital	19,616	(2,900)	16,716	11,706	-	(5,010)	-30.0%	-40.3%				38,781
Contributions recognised - capital & contributed assets	-	-	-	4,975	-	-	-	-				-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>	<b>-</b>	<b>(102,096)</b>	<b>-483.3%</b>	<b>-343.6%</b>				<b>(33,824)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-				-
<b>Surplus/(Deficit) for the year</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>	<b>-</b>	<b>(102,096)</b>	<b>-483.3%</b>	<b>-343.6%</b>				<b>(33,824)</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital	19,616	(2,900)	16,716	11,706	-	(5,010)	-30.0%	-40.3%				38,781
Public contributions & donations	-	-	-	4,975	-	4,975	0.0%	0.0%				-
Borrowing	-	-	-	-	-	-	0.0%	0.0%				-
Internally generated funds	-	-	-	-	-	-	#DIV/0!	#DIV/0!				-
<b>Total sources of capital funds</b>	<b>19,616</b>	<b>(2,900)</b>	<b>16,716</b>	<b>-</b>	<b>-</b>	<b>(35)</b>	<b>-100.0%</b>	<b>-100.0%</b>				<b>38,781</b>
<b>Cash flows</b>												
Net cash from (used) operating	21,021	(3,061)	17,960	14,290	-	(3,670)	-20.4%	-32.0%				23,341
Net cash from (used) investing	(31,406)	12,900	(18,506)	(10,390)	-	8,116	-43.9%	-66.9%				(33,025)
Net cash from (used) financing	11,241	(10,000)	1,241	(80)	-	(1,322)	-106.5%	-100.7%				(1,187)
<b>Cash/cash equivalents at the year end</b>	<b>856</b>	<b>(161)</b>	<b>695</b>	<b>10,335</b>	<b>-</b>	<b>9,640</b>	<b>1386.6%</b>	<b>1107.2%</b>				<b>6,516</b>

**APPENDIX F - Unaudited**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2020/2021								2019/2020			
	Original Budget	Budget Adjustments (I.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<b>Governance and administration</b>	62,775	6,685	69,460	66,935		(2,526)	-3.64%	-4.02%				78,542
Executive and council	5,255	6,885	12,140	6,506		(5,635)	-46.41%	-107.22%				11,304
Finance and administration	57,520	(200)	57,320	60,429		3,109	5.42%	5.41%				67,238
Internal audit	-	-	-	-		-	#DIV/0!	#DIV/0!				-
<b>Community and public safety</b>	7,560	(2,620)	4,940	2,927		(2,012)	-40.74%	-26.62%				11,119
Community and social services	1,670	-	1,670	1,005		(665)	-39.81%	-39.81%				2,282
Sport and recreation	45	-	45	7		(38)	-84.77%	-84.77%				18
Public safety	5,793	(2,620)	3,173	1,423		(1,751)	-55.17%	-30.22%				8,110
Housing	52	-	52	493		441	854.01%	854.01%				708
<b>Economic and environmental services</b>	14,053	-	14,053	11,845		(2,209)	-15.72%	-15.72%				16,088
Planning and development	13,486	-	13,486	3,828		(9,658)	-71.61%	-71.61%				569
Road transport	567	-	567	8,016		7,449	1312.78%	1312.78%				15,520
<b>Trading services</b>	223,888	(12,700)	211,188	176,715		(34,474)	-16.32%	-15.40%				173,820
Electricity	121,818	(8,200)	113,618	97,400		(16,218)	-14.27%	-13.31%				85,987
Water	43,866	-	43,866	38,958		(4,908)	-11.19%	-11.19%				53,144
Waste water management	36,790	(2,700)	34,090	25,247		(8,842)	-25.94%	-24.03%				21,370
Waste management	21,414	(1,800)	19,614	15,109		(4,505)	-22.97%	-21.04%				13,318
<b>Other</b>	-	-	-	-		-	0.00%	0.00%				-
<b>Total Revenue - Standard</b>	<b>308,277</b>	<b>(8,635)</b>	<b>299,642</b>	<b>258,421</b>		<b>(41,220)</b>	<b>-13.76%</b>	<b>-13.37%</b>				<b>279,569</b>
<b>Expenditure - Standard</b>												
<b>Governance and administration</b>	55,973	6,885	62,858	69,638	-	6,780	10.8%	12.1%	-	-	-	61,714
Executive and council	18,244	6,885	25,129	23,409	-	(1,720)	-6.8%	-9.4%	-	-	-	8,841
Finance and administration	36,812	-	36,812	46,229	-	9,417	25.6%	25.6%	-	-	-	52,873
Internal audit	917	-	917	-	-	(917)	-100.0%	-100.0%	-	-	-	-
<b>Community and public safety</b>	31,698	(1,047)	30,651	29,403	-	(1,249)	-4.1%	-3.9%	-	-	-	33,830
Community and social services	14,042	-	14,042	14,718	-	676	4.8%	4.8%	-	-	-	17,654
Sport and recreation	5,021	-	5,021	5,353	-	332	6.6%	6.6%	-	-	-	4,660
Public safety	9,804	(1,047)	8,757	6,263	-	(2,494)	-28.5%	-25.4%	-	-	-	7,857
Housing	2,654	-	2,654	3,069	-	415	15.6%	15.6%	-	-	-	3,658
Health	176	-	176	-	-	(176)	-100.0%	-100.0%	-	-	-	-
<b>Economic and environmental services</b>	30,167	-	30,167	30,736	-	569	1.9%	1.9%	-	-	-	38,218
Planning and development	12,039	-	12,039	9,176	-	(2,863)	-23.8%	-23.8%	-	-	-	16,567
Road transport	18,128	-	18,128	21,561	-	3,432	18.9%	18.9%	-	-	-	21,651
<b>Trading services</b>	157,563	(2,953)	154,610	204,334	-	49,724	32.2%	31.6%	-	-	-	178,423
Electricity	96,572	(430)	96,142	145,812	-	49,670	51.7%	51.7%	-	-	-	114,407
Water	20,152	(1,047)	19,105	28,773	-	9,668	50.6%	48.0%	-	-	-	22,453
Waste water management	22,433	(430)	22,003	15,887	-	(6,116)	-27.8%	-27.3%	-	-	-	28,023
Waste management	18,406	(1,047)	17,359	13,862	-	(3,498)	-20.1%	-19.0%	-	-	-	13,540
<b>Other</b>	1,260	(1,260)	-	1,335	-	-	#DIV/0!	0.0%	-	-	-	1,208
<b>Total Expenditure - Standard</b>	<b>276,661</b>	<b>1,625</b>	<b>278,286</b>	<b>335,446</b>	-	<b>57,160</b>	<b>20.5%</b>	<b>20.7%</b>	-	-	-	<b>313,393</b>
<b>Surplus/(Deficit) for the year</b>	<b>31,616</b>	<b>(10,260)</b>	<b>21,356</b>	<b>(77,024)</b>	-	<b>(98,380)</b>	<b>-460.7%</b>	<b>-311.2%</b>	-	-	-	<b>(33,824)</b>

**APPENDIX F - Unaudited**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Vote Description	2020/2021								2019/2020			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - Office of the Mayor	4,644	6,885	11,529	5,890		-	0.0%	0.0%				10,823
Vote 2 - Municipal Manager	611	-	611	615		-	0.0%	0.0%				482
Vote 3 - Finance	57,399	(200)	57,199	60,429		-	0.0%	0.0%				67,238
Vote 4 - Corporate Services	121	-	121	-		-	0.0%	0.0%				-
Vote 5 - Community & Social Services	21,613	(2,620)	18,993	18,037		-	-	-				24,436
Vote 6 - Infrastructure	223,888	(12,700)	211,188	173,451		-	-	-				176,592
<b>Total Revenue by Vote</b>	<b>308,277</b>	<b>(8,635)</b>	<b>299,642</b>	<b>258,422</b>		<b>-</b>	<b>0.0%</b>	<b>0.0%</b>				<b>279,570</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Office of the Mayor	15,242	6,885	22,127	22,687	560	-	0.0%	0.0%	-	-	-	7,892
Vote 2 - Municipal Manager	3,002	-	3,002	2,032	-	-	0.0%	0.0%	-	-	-	2,152
Vote 3 - Finance	29,619	-	29,619	38,061	8,442	-	0.0%	0.0%	-	-	-	44,587
Vote 4 - Corporate Services	7,193	-	7,193	8,168	975	-	0.0%	0.0%	-	-	-	8,286
Vote 5 - Community & Social Services	64,042	(1,047)	62,995	43,264	-	-	0.0%	0.0%	-	-	-	47,370
Vote 6 - Infrastructure	157,563	(2,953)	154,610	221,234	66,624	-	0.0%	0.0%	-	-	-	203,106
<b>Total Expenditure by Vote</b>	<b>276,661</b>	<b>2,885</b>	<b>279,546</b>	<b>335,446</b>	<b>76,601</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>313,394</b>
<b>Surplus/(Deficit) for the year</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>		<b>-</b>	<b>0.0%</b>	<b>0.0%</b>				<b>(33,824)</b>

**APPENDIX F - Unaudited**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)**

Description	2020/2021						2019/2020					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	37,566		37,566	39,420		1,853	4.9%	4.9%				38,685
Service charges - electricity revenue	79,149		72,149	88,106		15,956	22.1%	20.2%				81,745
Service charges - water revenue	36,813		36,813	31,917		(4,896)	-13.3%	-13.3%				27,707
Service charges - sanitation revenue	25,464		22,764	13,803		(8,960)	-39.4%	-35.2%				13,295
Service charges - refuse revenue	14,257		12,457	6,876		(5,581)	-44.8%	-39.1%				7,029
Rental of facilities and equipment	910		910	1,237		327	36.0%	36.0%				980
Interest earned - external investments	717		517	1,182		665	128.6%	92.7%				1,814
Interest earned - outstanding debtors	1,656		1,656	2,770		1,115	67.3%	67.3%				2,572
Fines, penalties and forfeits	4,292		1,672	1,288		(384)	-23.0%	-9.0%				7,909
Licences and permits	2,369		2,369	970		(703)	-42.0%	-29.7%				699
Transfers and subsidies	51,955		58,840	51,750		51,750	#DIV/0!	99.6%				49,405
Other revenue	33,302		35,002	(24,806)		(83,646)	-142.2%	-251.2%				12,656
Gains on disposal of PPE	210		210	(506)		(35,508)	-101.4%	-16908.8%				
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>288,661</b>	<b>-</b>	<b>282,926</b>	<b>214,006</b>		<b>(70,381)</b>	<b>-32.9%</b>	<b>-24.4%</b>				<b>244,494</b>
<b>Expenditure By Type</b>												
Employee related costs	87,751		87,751	87,329		(422)	-0.5%	-0.5%				86,551
Remuneration of councillors	6,488		6,488	5,682		(806)	-12.4%	-12.4%				5,719
Debt impairment	7,755		7,755	30,808	23,053	23,053	297.3%	297.3%				40,775
Depreciation & asset impairment	10,633		10,633	52,992	42,359	42,359	398.4%	398.4%				59,190
Finance charges	2,130		2,130	11,851	9,721	9,721	456.4%	456.4%				6,390
Bulk purchases	74,539		74,539	72,890		(1,649)	-2.2%	-2.2%				70,126
Other materials	14,729		11,345	3,771		(7,575)	-66.8%	-51.4%				5,147
Contracted services	11,224		10,607	10,156		(451)	-4.3%	-4.0%				13,886
Transfers and grants	-		-	-		-	#DIV/0!	#DIV/0!				-
Other expenditure	61,412		68,297	32,233		(36,065)	-52.8%	-58.7%				29,315
Loss on disposal of PPE	-		-	-		-	#DIV/0!	#DIV/0!				-
<b>Total Expenditure</b>	<b>276,661</b>	<b>-</b>	<b>279,546</b>	<b>307,712</b>	<b>75,133</b>	<b>28,166</b>	<b>10.1%</b>	<b>10.2%</b>				<b>317,098</b>
<b>Surplus/(Deficit)</b>	<b>12,000</b>	<b>-</b>	<b>3,380</b>	<b>(93,706)</b>		<b>(97,086)</b>	<b>-2872.4%</b>	<b>-809.0%</b>				<b>(72,604)</b>
Transfers recognised - capital	19,616		16,716	11,706		(5,010)	-30.0%	-25.5%				38,781
Contributions recognised - capital	-		-	4,975		4,975	#DIV/0!	#DIV/0!				-
Contributed assets	-		-	-		-	#DIV/0!	#DIV/0!				-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>		<b>(97,120)</b>	<b>-483.3%</b>	<b>-307.2%</b>				<b>(33,824)</b>
Taxation	-		-	-		-	#DIV/0!	#DIV/0!				-
<b>Surplus/(Deficit) after taxation</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>		<b>(97,120)</b>	<b>-483.3%</b>	<b>-307.2%</b>				<b>(33,824)</b>
Attributable to minorities	-		-	-		-	#DIV/0!	#DIV/0!				-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>		<b>(97,120)</b>	<b>-483.3%</b>	<b>-307.2%</b>				<b>(33,824)</b>
Share of surplus/ (deficit) of associate	-		-	-		-	#DIV/0!	#DIV/0!				-
<b>Surplus/(Deficit) for the year</b>	<b>31,616</b>	<b>(11,520)</b>	<b>20,096</b>	<b>(77,024)</b>		<b>(97,120)</b>	<b>-483.3%</b>	<b>-307.2%</b>				<b>(33,824)</b>

**APPENDIX F - Unaudited**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Vote Description	2020/2021								2019/2020			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - Office of the Mayor	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - Finance	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 4 - Corporate Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 5 - Community & Social Services	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 6 - Infrastructure	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<b>Capital multi-year expenditure</b>	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<b>Single-year expenditure</b>												
Vote 1 - Office of the Mayor	-	-	-	29	1	29	#DIV/0!	#DIV/0!	-	-	-	6
Vote 2 - Municipal Manager	-	-	-	-	2	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 3 - Finance	1,062	(1,062)	-	4,481	4,237	4,481	#DIV/0!	422%	-	-	-	10,337
Vote 4 - Corporate Services	1,062	(1,062)	-	-	243	-	#DIV/0!	0%	-	-	-	-
Vote 5 - Community & Social Services	18,478	(17,129)	1,349	45	49	(1,304)	-97%	-7%	-	-	-	25
Vote 6 - Infrastructure	11,014	6,353	17,367	24,129	24,154	6,762	39%	61%	-	-	-	43,870
<b>Capital single-year expenditure</b>	31,616	(12,900)	18,716	28,684	28,687	9,968	53%	32%	-	-	-	54,238
<b>Total Capital Expenditure - Vote</b>	31,616	(12,900)	18,716	28,684	28,687	9,968	53%	32%	-	-	-	54,238
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>	2,124	(2,124)	-	4,483	4,483	4,483	#DIV/0!	211%	-	-	-	10,343
Executive and council	-	-	-	3	3	3	#DIV/0!	#DIV/0!	-	-	-	6
Finance and administration	2,124	(2,124)	-	4,481	4,481	4,481	#DIV/0!	211%	-	-	-	10,337
<b>Community and public safety</b>	3,186	(2,028)	1,158	75	75	(1,083)	-94%	-34%	-	-	-	25
Community and social services	1,062	(1,062)	-	45	45	45	#DIV/0!	4%	-	-	-	25
Sport and recreation	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Public safety	1,062	(966)	96	-	-	(96)	-	-	-	-	-	-
Housing	1,062	-	1,062	-	-	(1,062)	-	-	-	-	-	-
Health	-	-	-	30	30	30	-	-	-	-	-	-
<b>Economic and environmental services</b>	14,548	(2,059)	12,489	2,495	1,593	(9,994)	-80%	-69%	-	-	-	22,371
Planning and development	1,380	(1,059)	321	1,914	1,593	1,593	496%	115%	-	-	-	-
Road transport	13,168	(1,000)	12,168	582	-	(11,586)	-95%	-88%	-	-	-	22,371
<b>Trading services</b>	11,758	(6,689)	5,069	21,767	17,292	16,698	329%	142%	-	-	-	21,500
Electricity	8,572	(3,790)	4,782	4,188	-	(594)	-12%	-7%	-	-	-	2,017
Water	1,062	(871)	191	2,055	1,864	1,864	974%	175%	-	-	-	19,192
Waste water management	1,062	(1,062)	-	5,587	5,587	5,587	526%	526%	-	-	-	291
Waste management	1,062	(966)	96	9,937	9,841	9,841	927%	927%	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	31,616	(10,001)	18,716	28,821	23,442	10,105	54%	32%	-	-	-	54,238
<b>Funded by:</b>												
National Government	19,616	(2,900)	16,716	22,478	-	5,762	34%	29%	-	-	-	54,166
Provincial Government	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<b>Transfers recognised - capital</b>	19,616	(2,900)	16,716	22,478	-	5,762	34%	29%	-	-	-	54,166
Public contributions & donations	-	-	-	3,567	-	3,567	-	-	-	-	-	-
Borrowing	12,000	(10,000)	2,000	-	-	(2,000)	-	-	-	-	-	-
Internally generated funds	-	-	-	2,909	-	2,909	#DIV/0!	#DIV/0!	-	-	-	73
<b>Total Capital Funding</b>	31,616	(12,900)	18,716	28,954	-	10,238	55%	32%	-	-	-	54,238

**APPENDIX F - Unaudited**  
**EMTHANJENI LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**  
**CASH FLOWS**

Description	2020/2021							2019/2020
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, penalties and collection charges	30,053	–	30,053	151,529	121,476	404.2%	404.2%	127,749
Service charges	137,115	(6,006)	131,109	–	(131,109)	-100.0%	-100.0%	–
Other revenue	33,814	(920)	32,894	–	(32,894)	-100.0%	-100.0%	–
Government - operating	51,955	6,885	58,840	76,562	17,722	30.1%	47.4%	64,852
Government - capital	19,616	(2,900)	16,716	–	(16,716)	-100.0%	-100.0%	–
Interest	1,898	(200)	1,698	3,953	2,254	132.7%	108.2%	4,386
<b>Payments</b>								
Suppliers and employees	(251,301)	80	(251,221)	(214,477)	36,744	-14.6%	-14.7%	(165,516)
Finance charges	(2,130)	–	(2,130)	(3,277)	(1,147)	53.8%	53.8%	(8,130)
Transfers and Grants	–	–	–	–	–	#DIV/0!	#DIV/0!	–
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>21,021</b>	<b>(3,061)</b>	<b>17,960</b>	<b>14,290</b>	<b>–</b>	<b>-20.4%</b>	<b>-32.0%</b>	<b>23,341</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	210	–	210	–	(210)	0.0%	0.0%	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) other non-current receivables	–	–	–	–	–	0.0%	0.0%	–
Decrease (increase) in non-current investments	–	–	–	–	–	0.0%	0.0%	–
<b>Payments</b>								
Capital assets	(31,406)	12,690	(18,716)	(10,390)	8,326	-44.5%	-66.9%	(33,025)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(31,196)</b>	<b>12,690</b>	<b>(18,506)</b>	<b>(10,390)</b>	<b>–</b>	<b>-43.9%</b>	<b>-66.7%</b>	<b>(33,025)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	–	–	–	–	–	0.0%	0.0%	–
Borrowing long term/refinancing	12,000	(10,000)	2,000	–	(2,000)	0.0%	0.0%	–
Increase (decrease) in consumer deposits	102	–	102	160	58	0.0%	0.0%	104
<b>Payments</b>								
Repayment of borrowing	(861)	–	(861)	(241)	620	-72.0%	-72.0%	(1,290)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>11,241</b>	<b>(10,000)</b>	<b>1,241</b>	<b>(80)</b>	<b>–</b>	<b>-106.5%</b>	<b>0.0%</b>	<b>(1,187)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>856</b>	<b>–</b>	<b>695</b>	<b>3,819</b>				<b>(10,870)</b>
Cash/cash equivalents at the year begin:	2,565	(2,773)	(208)	6,516				17,386
Cash/cash equivalents at the year end:	3,421	(2,934)	487	10,335	9,848	2023.3%	202.1%	6,516

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX G**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2021

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
<b>Mayor</b>						
Sthonga ST	22,386	604,550		245,917	6,566	857,033
<b>Speaker</b>						
Kivedo MC	-	483,640		205,613	5,290	694,543
<b>Councillors</b>						
HJ Rust	20,634	154,061		45,600	971	200,631
WJ Du Plessis	31,036	191,318		108,173	1,774	301,265
PD Van Wyk	8,871	191,318		107,317	2,161	300,796
LE Andrews	-	191,318		107,317	2,232	300,867
SJ Hoffman	6,359	191,318		107,317	2,137	300,772
L Billie	18,599	245,525		126,242	2,778	374,544
RR Faul	-	191,318		108,173	2,150	301,641
MO Maramba	13,280	191,318		107,317	2,376	301,011
PP Mhlauli	10,581	191,318		107,317	2,137	300,772
D Vanel	6,901	191,318		108,173	2,150	301,641
CJ Louw	3,954	252,946		128,715	2,724	384,385
PN Bushula	2,951	191,318		108,173	2,390	301,880
NP Mkontwana	20,451	252,946		128,715	2,787	384,448
SP Wales	669	47,830		27,043	1,369	76,241
<b>Total for Councillors</b>	<b>166,672</b>	<b>3,763,359</b>	<b>-</b>	<b>1,877,121</b>	<b>41,990</b>	<b>5,682,471</b>
<b>Municipal Manager</b>						
Visser I	22,893	823,593	263,696	411,486	150,060	1,648,835
<b>Chief Financial Officer</b>						
Manuel MF	29,172	896,100	74,675	206,152	1,813	1,178,740
<b>Director: Community Services</b>						
Joka HM	30,976	508,056	172,993	270,526	146,018	1,097,593
<b>Director: Corporate Services</b>						
Msengana TW	3,408	585,000	195,781	284,138	164,110	1,229,029
<b>Director: Infrastructure and Technical Services</b>						
L Thiso	-	129,000		65,068	27,321	221,389
Owies MJV		65,020	27,092	55,865	149	148,126
W Lubbe	32,816	4,018				4,018
<b>Total for Senior Managers</b>	<b>119,266</b>	<b>3,010,787</b>	<b>734,237</b>	<b>1,293,235</b>	<b>489,470</b>	<b>5,527,729</b>
<b>Total for Management</b>	<b>285,937</b>	<b>6,774,147</b>	<b>734,237</b>	<b>3,170,356</b>	<b>531,460</b>	<b>11,210,200</b>



Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R	R	R	R	R	R
<b>Mayor</b>						
Sthonga ST	21,877	611,010		239,458	7,254	857,722
<b>Speaker</b>						
Kivedo MC	13,041	488,807		200,446	5,481	694,733
<b>Councillors</b>						
HJ Rust	26,125	251,501		68,400	2,004	321,905
WJ Du Plessis	31,604	193,362		106,129	1,972	301,463
PD Van Wyk	9,240	193,362		106,985	2,382	302,729
LE Andrews	6,344	193,362		106,985	2,382	302,729
SJ Hoffman	6,996	193,362		106,985	2,382	302,729
L Billie	12,916	248,149		123,619	2,937	374,705
RR Faul	5,114	193,362		106,129	2,379	301,870
MO Maramba	13,626	193,362		106,985	2,636	302,983
PP Mhlauli	10,322	193,362		106,984	2,382	302,728
D Vanel	7,945	193,362		106,129	2,379	301,870
CJ Louw	4,319	240,175		121,075	2,842	364,091
PN Bushula	-	193,362		106,129	2,633	302,124
NP Mkontwana	19,756	255,648		126,013	3,014	384,674
<b>Total for Councillors</b>	<b>189,226</b>	<b>3,835,550</b>	<b>-</b>	<b>1,838,448</b>	<b>45,058</b>	<b>5,719,057</b>
<b>Municipal Manager</b>						
Visser I	31,488	835,240	267,093	404,303	147,003	1,653,640
<b>Chief Financial Officer</b>						
Ludwick MR	6,830	155,743	141,098	173,086	13,531	483,458
Jack JP	11,280	30,097				30,097
Manuel MF	7,013	298,042	-	68,620	595	367,257
<b>Director: Community Services</b>						
Joka HM	28,028	520,936	147,710	264,587	143,152	1,076,386
<b>Director: Corporate Services</b>						
Msengana TW	-	614,560	167,128	283,966	157,206	1,222,860
<b>Director: Infrastructure and Technical Services</b>						
Owies MJV	40,576	259,578	-	110,694	595	370,868
<b>Total for Senior Managers</b>	<b>125,215</b>	<b>2,714,197</b>	<b>723,029</b>	<b>1,305,256</b>	<b>462,082</b>	<b>5,204,564</b>
<b>Total for Management</b>	<b>314,441</b>	<b>6,549,748</b>	<b>723,029</b>	<b>3,143,704</b>	<b>507,140</b>	<b>10,923,621</b>



**Annexure 2**  
**Interpretation of results**

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
	# In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

Template for Calculation of Uniform Financial Ratios and Norms

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
<b>" R 000 "</b>						
<b>1. FINANCIAL POSITION</b>						
<b>A. Asset Management/Utilisation</b>						
1	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating expenditure + Capital expenditure) × 100	10% - 20%	Total Operating Expenditure	9%	Please refer to page 2 of MFMA Circular No.71 Capital Expenditure: PPE (note 2) + Investment Property (note 3) + Intangible Assets (note 4) + Heritage Assets (note 6)
				Taxation Expense	276,904,405	
				Total Capital Expenditure	28,820,542	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/(Total Property, Plant and Equipment + Investment Property + Intangible Assets) × 100	0%	PPE, Investment Property and Intangible Impairment	1%	Please refer to page 3 of MFMA Circular No. 71 Accumulated Impairment: PPE (note 2) + Investment Property (note 3) + Intangible Assets (note 4)
				PPE at carrying value	10,276,049	
				Investment at carrying value	694,853,225	
				Intangible Assets at carrying value	5,718,600	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure/ Property, Plant and Equipment and Investment Property (Carrying value) × 100	8%	Total Repairs and Maintenance Expenditure	0%	Please refer to page 4 of MFMA Circular No. 71 Repairs & maintenance (note 2.6) & (note 3.3)
				PPE at carrying value	816,307	
				Investment Property at Carrying value	694,853,225	
				5,718,600		

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION										
<b>B. Debtors Management</b>																
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year Reports, IDP and AR	95%	<table border="1"> <tr> <td>Gross Debtors closing balance</td> <td>355,887,404</td> </tr> <tr> <td>Gross Debtors opening balance</td> <td>161,309,106</td> </tr> <tr> <td>Bad debts written Off</td> <td>-</td> </tr> <tr> <td>Billed Revenue</td> <td>183,382,573</td> </tr> </table>	Gross Debtors closing balance	355,887,404	Gross Debtors opening balance	161,309,106	Bad debts written Off	-	Billed Revenue	183,382,573	<p><b>-6%</b></p> <p><i>Please refer to page 5 of MFMA Circular No. 71</i></p> <p>Gross debtors: Receivables from exchange (note 10) and non-exchange transactions (note 11)</p> <p>Billed revenue: Property rates (note 24)+ Interest earned non: exchange transactions + Fines +Service charges (note 28) + Rental of fixed assets (note 30) + Interest earned: Exchange (note 32)</p>		
Gross Debtors closing balance	355,887,404															
Gross Debtors opening balance	161,309,106															
Bad debts written Off	-															
Billed Revenue	183,382,573															
2	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off/Provision for Bad debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%	<table border="1"> <tr> <td>Consumer Debtors Bad debts written off</td> <td>-</td> </tr> <tr> <td>Consumer Debtors Current bad debt Provision</td> <td>-126,348,139</td> </tr> </table>	Consumer Debtors Bad debts written off	-	Consumer Debtors Current bad debt Provision	-126,348,139	<p><b>0%</b></p> <p><i>Please refer to page 5 of MFMA Circular No. 71</i></p> <p>Consumer debtors: Receivables from exchange (note 10) - Service receivables</p>						
Consumer Debtors Bad debts written off	-															
Consumer Debtors Current bad debt Provision	-126,348,139															
3	Net Debtors Days	((Gross Debtors - Bad debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 days	<table border="1"> <tr> <td>Gross debtors</td> <td>355,887,404</td> </tr> <tr> <td>Bad debts Provision</td> <td>-295,063,940</td> </tr> <tr> <td>Billed Revenue</td> <td>183,382,573</td> </tr> </table>	Gross debtors	355,887,404	Bad debts Provision	-295,063,940	Billed Revenue	183,382,573	<p><b>1,296 days</b></p> <p><i>Please refer to page 6 of MFMA Circular No. 71</i></p> <p>Receivables from exchange (note 10) and non-exchange transactions (note 11)</p> <p>Billed revenue: Property rates (note 24)+ Interest earned non: exchange transactions + Fines +Service charges (note 28) + Rental of fixed assets (note 30) + Interest earned: Exchange (note 32)</p>				
Gross debtors	355,887,404															
Bad debts Provision	-295,063,940															
Billed Revenue	183,382,573															
<b>C. Liquidity Management</b>																
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In year Reports and AR	1 - 3 Months	<table border="1"> <tr> <td>Cash and cash equivalents</td> <td>30,101,602</td> </tr> <tr> <td>Unspent Conditional Grants</td> <td>20,315,030</td> </tr> <tr> <td>Overdraft</td> <td>19,766,637</td> </tr> <tr> <td>Short Term Investments</td> <td>-</td> </tr> <tr> <td>Total Annual Operational Expenditure</td> <td>276,904,405</td> </tr> </table>	Cash and cash equivalents	30,101,602	Unspent Conditional Grants	20,315,030	Overdraft	19,766,637	Short Term Investments	-	Total Annual Operational Expenditure	276,904,405	<p><b>0 Month</b></p> <p><i>Please refer to page 7 of MFMA Circular No. 71</i></p>
Cash and cash equivalents	30,101,602															
Unspent Conditional Grants	20,315,030															
Overdraft	19,766,637															
Short Term Investments	-															
Total Annual Operational Expenditure	276,904,405															
2	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1	<table border="1"> <tr> <td>Current Assets</td> <td>130,054,304</td> </tr> <tr> <td>Current Liabilities</td> <td>181,176,177</td> </tr> </table>	Current Assets	130,054,304	Current Liabilities	181,176,177	<p><b>0.72</b></p> <p><i>Please refer to page 7 of MFMA Circular No. 71</i></p>						
Current Assets	130,054,304															
Current Liabilities	181,176,177															
<b>D. Liability Management</b>																
1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost(Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-Year Reports and AR	6% - 8%	<table border="1"> <tr> <td>Interest Paid</td> <td>26,780</td> </tr> <tr> <td>Redemption</td> <td>-240,844</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>	Interest Paid	26,780	Redemption	-240,844	Total Operating Expenditure	276,904,405	Taxation Expense	-	<p><b>0%</b></p> <p><i>Please refer to page 8 of MFMA Circular No. 71</i></p> <p>Note 38: Finance cost (long-term borrowings and bank overdraft) Redemption as per Annexure A</p>		
Interest Paid	26,780															
Redemption	-240,844															
Total Operating Expenditure	276,904,405															
Taxation Expense	-															
2	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non current Finance Lease Obligation + Short Term Borrowings + Long term borrowing) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	<table border="1"> <tr> <td>Total Debt</td> <td>273,574,909</td> </tr> <tr> <td>Total Operating Revenue</td> <td>258,423,136</td> </tr> <tr> <td>Operational Conditional Grants</td> <td>51,749,597</td> </tr> </table>	Total Debt	273,574,909	Total Operating Revenue	258,423,136	Operational Conditional Grants	51,749,597	<p><b>132%</b></p> <p><i>Please refer to page 9 of MFMA Circular No. 71</i></p>				
Total Debt	273,574,909															
Total Operating Revenue	258,423,136															
Operational Conditional Grants	51,749,597															

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION																						
<b>E. Sustainability</b>																												
1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank overdraft + Short Term Investment + Long Term Investment - Unspent grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	<table border="1"> <tr><td>Cash and cash Equivalents</td><td>-443%</td></tr> <tr><td>Bank Overdraft</td><td>30,101,602</td></tr> <tr><td>Short Term Investment</td><td>19,766,637</td></tr> <tr><td>Long Term Investment</td><td>-</td></tr> <tr><td>Unspent Grants</td><td>-</td></tr> <tr><td>Net Assets</td><td>20,315,030</td></tr> <tr><td>Share Premium</td><td>564,064,355</td></tr> <tr><td>Share Capital</td><td>-</td></tr> <tr><td>Revaluation Reserve</td><td>-</td></tr> <tr><td>Fair Value Adjustment Reserve</td><td>-</td></tr> <tr><td>Accumulated Surplus</td><td>561,811,562</td></tr> </table>	Cash and cash Equivalents	-443%	Bank Overdraft	30,101,602	Short Term Investment	19,766,637	Long Term Investment	-	Unspent Grants	-	Net Assets	20,315,030	Share Premium	564,064,355	Share Capital	-	Revaluation Reserve	-	Fair Value Adjustment Reserve	-	Accumulated Surplus	561,811,562	Please refer to page 9 of MFMA Circular No. 71
Cash and cash Equivalents	-443%																											
Bank Overdraft	30,101,602																											
Short Term Investment	19,766,637																											
Long Term Investment	-																											
Unspent Grants	-																											
Net Assets	20,315,030																											
Share Premium	564,064,355																											
Share Capital	-																											
Revaluation Reserve	-																											
Fair Value Adjustment Reserve	-																											
Accumulated Surplus	561,811,562																											
<b>2. FINANCIAL PERFORMANCE</b>																												
<b>A. Efficiency</b>																												
1	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure)/Total Operating Revenue	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Asset	= or > 0%	<table border="1"> <tr><td>Total Operating Revenue</td><td>-7%</td></tr> <tr><td>Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)</td><td>258,423,136</td></tr> <tr><td>Total Operating Expenditure</td><td>276,904,405</td></tr> <tr><td>Taxation Expense</td><td>-</td></tr> </table>	Total Operating Revenue	-7%	Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)	258,423,136	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 10 of MFMA Circular No. 71														
Total Operating Revenue	-7%																											
Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance is based on the revalued asset value)	258,423,136																											
Total Operating Expenditure	276,904,405																											
Taxation Expense	-																											
2	Net Surplus /Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure/Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	0% - 15%	<table border="1"> <tr><td>Total Electricity Revenue</td><td>-50%</td></tr> <tr><td>Total Electricity Expenditure</td><td>97,400,121</td></tr> <tr><td></td><td>145,812,194</td></tr> </table>	Total Electricity Revenue	-50%	Total Electricity Expenditure	97,400,121		145,812,194	Please refer to page 10 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Electricity Revenue	-50%																											
Total Electricity Expenditure	97,400,121																											
	145,812,194																											
3	Net Surplus /Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%	<table border="1"> <tr><td>Total Water Revenue</td><td>26%</td></tr> <tr><td>Total Water Expenditure</td><td>38,957,704</td></tr> <tr><td></td><td>28,772,892</td></tr> </table>	Total Water Revenue	26%	Total Water Expenditure	38,957,704		28,772,892	Please refer to page 11 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Water Revenue	26%																											
Total Water Expenditure	38,957,704																											
	28,772,892																											
4	Net Surplus /Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= or > 0%	<table border="1"> <tr><td>Total Refuse Revenue</td><td>8%</td></tr> <tr><td>Total Refuse Expenditure</td><td>15,109,192</td></tr> <tr><td></td><td>13,861,743</td></tr> </table>	Total Refuse Revenue	8%	Total Refuse Expenditure	15,109,192		13,861,743	Please refer to page 12 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Refuse Revenue	8%																											
Total Refuse Expenditure	15,109,192																											
	13,861,743																											
5	Net Surplus /Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= or > 0%	<table border="1"> <tr><td>Total Sanitation and Water Waste Revenue</td><td>37%</td></tr> <tr><td>Total Sanitation and Water Waste Expenditure</td><td>25,247,494</td></tr> <tr><td></td><td>15,887,103</td></tr> </table>	Total Sanitation and Water Waste Revenue	37%	Total Sanitation and Water Waste Expenditure	25,247,494		15,887,103	Please refer to page 12 of MFMA Circular No. 71 C schedule - M12 - C2/App F2																
Total Sanitation and Water Waste Revenue	37%																											
Total Sanitation and Water Waste Expenditure	25,247,494																											
	15,887,103																											
2	Revenue Growth (%)	(Period under review's Total Revenue - previous period's Total Revenue) / previous period's Total Revenue ) x 100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	= CPI	<table border="1"> <tr><td>CPI</td><td>-9%</td></tr> <tr><td>Total Revenue (Previous)</td><td>2%</td></tr> <tr><td>Total Revenue (Current)</td><td>283,274,533</td></tr> <tr><td></td><td>258,423,136</td></tr> </table>	CPI	-9%	Total Revenue (Previous)	2%	Total Revenue (Current)	283,274,533		258,423,136	Please refer to page 15 of MFMA Circular No. 71 June 2019 yly (STATSSA)														
CPI	-9%																											
Total Revenue (Previous)	2%																											
Total Revenue (Current)	283,274,533																											
	258,423,136																											
3	Revenue Growth (%) - Excluding capital grants	(Period under review's Total Revenue Excluding capital grants- previous period's Total Revenue excluding capital grants) / previous period's Total Revenue excluding capital grants ) x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-Year reports and AR	= CPI	<table border="1"> <tr><td>CPI</td><td>15%</td></tr> <tr><td>Total Revenue Ext.Capital (Previous)</td><td>2%</td></tr> <tr><td>Total Revenue Ext.Capital (Current)</td><td>244,493,959</td></tr> <tr><td></td><td>246,717,087</td></tr> </table>	CPI	15%	Total Revenue Ext.Capital (Previous)	2%	Total Revenue Ext.Capital (Current)	244,493,959		246,717,087	Please refer to page 15 of MFMA Circular No. 71 June 2019 yly (STATSSA)														
CPI	15%																											
Total Revenue Ext.Capital (Previous)	2%																											
Total Revenue Ext.Capital (Current)	244,493,959																											
	246,717,087																											

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION														
<b>D. Expenditure Management</b>																				
1	Creditors Payment Period (Trade Creditors)	Trade Creditors Outstanding / Credit Purchases (Operating and Capital) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-Year reports and AR	30 days	<table border="1"> <tr> <td></td> <td>46 days</td> </tr> <tr> <td>Trade Creditors</td> <td>18,484,809</td> </tr> <tr> <td>Contracted Services</td> <td>10,156,067</td> </tr> <tr> <td>Repairs and Maintenance</td> <td>816,307</td> </tr> <tr> <td>General expenses</td> <td>33,346,383</td> </tr> <tr> <td>Bulk Purchases</td> <td>72,890,341</td> </tr> <tr> <td>Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)</td> <td>28,820,542</td> </tr> </table>		46 days	Trade Creditors	18,484,809	Contracted Services	10,156,067	Repairs and Maintenance	816,307	General expenses	33,346,383	Bulk Purchases	72,890,341	Capital Credit Purchases ( <i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i> )	28,820,542	Trade creditors: Note 19: Trade Payables + Retentions+Sundry Creditors) General expenses: Operational cost + Inventory consumed
	46 days																			
Trade Creditors	18,484,809																			
Contracted Services	10,156,067																			
Repairs and Maintenance	816,307																			
General expenses	33,346,383																			
Bulk Purchases	72,890,341																			
Capital Credit Purchases ( <i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i> )	28,820,542																			
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	(Irregular, Fruitless and Wasteful and Unauthorised Expenditure) / Total Operating Expenditure x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	<table border="1"> <tr> <td></td> <td>111%</td> </tr> <tr> <td>Irregular, Fruitless and Wasteful and Unauthorised Expenditure</td> <td>308,376,044</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>		111%	Irregular, Fruitless and Wasteful and Unauthorised Expenditure	308,376,044	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 16 of MFMA Circular No. 71						
	111%																			
Irregular, Fruitless and Wasteful and Unauthorised Expenditure	308,376,044																			
Total Operating Expenditure	276,904,405																			
Taxation Expense	-																			
3	Remuneration as % of Total Operating Expenditure	Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	25% - 40%	<table border="1"> <tr> <td></td> <td>34%</td> </tr> <tr> <td>Employee/personnel related cost</td> <td>87,328,644</td> </tr> <tr> <td>Councillors Remuneration</td> <td>5,862,471</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>		34%	Employee/personnel related cost	87,328,644	Councillors Remuneration	5,862,471	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 17 of MFMA Circular No. 71				
	34%																			
Employee/personnel related cost	87,328,644																			
Councillors Remuneration	5,862,471																			
Total Operating Expenditure	276,904,405																			
Taxation Expense	-																			
4	Contracted Services % of Total Operating Expenditure	Contracted Services / Total Operating Expenditure x100	Statement of Financial Performance, Budget, IDP, In-Year reports and AR	2% - 5%	<table border="1"> <tr> <td></td> <td>3.67%</td> </tr> <tr> <td>Contracted Services</td> <td>10,156,067</td> </tr> <tr> <td>Total Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td>Taxation Expense</td> <td>-</td> </tr> </table>		3.67%	Contracted Services	10,156,067	Total Operating Expenditure	276,904,405	Taxation Expense	-	Please refer to page 17 of MFMA Circular No. 71						
	3.67%																			
Contracted Services	10,156,067																			
Total Operating Expenditure	276,904,405																			
Taxation Expense	-																			
<b>E. Grant Dependency</b>																				
1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	Own funded Capital Expenditure (Internally generated funds + Borrowings) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-Year reports and AR	None	<table border="1"> <tr> <td></td> <td>10%</td> </tr> <tr> <td>Internally generated funds</td> <td>2,909,495</td> </tr> <tr> <td>Borrowings</td> <td>-</td> </tr> <tr> <td>Total Capital Expenditure</td> <td>28,820,542</td> </tr> </table>		10%	Internally generated funds	2,909,495	Borrowings	-	Total Capital Expenditure	28,820,542	Please refer to page 18 of MFMA Circular No. 71 C schedule - M12 - C5/App F5						
	10%																			
Internally generated funds	2,909,495																			
Borrowings	-																			
Total Capital Expenditure	28,820,542																			
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information) Budget, IDP, In-Year reports and AR	None	<table border="1"> <tr> <td></td> <td>10%</td> </tr> <tr> <td>Internally generated funds</td> <td>2,909,495</td> </tr> <tr> <td>Total Capital Expenditure</td> <td>28,820,542</td> </tr> </table>		10%	Internally generated funds	2,909,495	Total Capital Expenditure	28,820,542	Please refer to page 18 of MFMA Circular No. 71 C schedule - M12 - C5/App F5								
	10%																			
Internally generated funds	2,909,495																			
Total Capital Expenditure	28,820,542																			
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	Own Source Revenue (Total revenue - Government grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including agency services) x 100	Statement Financial Performance, Budget, IDP, In-Year reports and AR	None	<table border="1"> <tr> <td></td> <td>77%</td> </tr> <tr> <td>Total Revenue</td> <td>258,423,136</td> </tr> <tr> <td>Government grant and subsidies</td> <td>63,455,646</td> </tr> <tr> <td>Public contributions and Donations</td> <td>4,975,198</td> </tr> <tr> <td>Capital Grants</td> <td>11,706,049</td> </tr> </table>		77%	Total Revenue	258,423,136	Government grant and subsidies	63,455,646	Public contributions and Donations	4,975,198	Capital Grants	11,706,049	Please refer to page 18 of MFMA Circular No. 71				
	77%																			
Total Revenue	258,423,136																			
Government grant and subsidies	63,455,646																			
Public contributions and Donations	4,975,198																			
Capital Grants	11,706,049																			

RATIO	FORMULA	DATA SOURCE	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION						
<b>3. BUDGET IMPLEMENTATION</b>												
1	Capital Expenditure Budget Implementation Indicator	Actual capital Expenditure / Budget Capital Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Capital Expenditure</td> <td>1,645</td> </tr> <tr> <td>Budget Capital Expenditure</td> <td>28,820,542</td> </tr> <tr> <td></td> <td>18,716,000</td> </tr> </table>	Actual Capital Expenditure	1,645	Budget Capital Expenditure	28,820,542		18,716,000	Please refer to page 19 of MFMA Circular No. 71 C schedule - M12 - C2/App F5
Actual Capital Expenditure	1,645											
Budget Capital Expenditure	28,820,542											
	18,716,000											
2	Operating Expenditure Budget Implementation Indicator	Actual Operating Expenditure / Budgeted Operating Expenditure x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Operating Expenditure</td> <td>99%</td> </tr> <tr> <td>Budget Operating Expenditure</td> <td>276,904,405</td> </tr> <tr> <td></td> <td>279,545,635</td> </tr> </table>	Actual Operating Expenditure	99%	Budget Operating Expenditure	276,904,405		279,545,635	Please refer to page 20 of MFMA Circular No. 71 C schedule - M12 - C2/App F4
Actual Operating Expenditure	99%											
Budget Operating Expenditure	276,904,405											
	279,545,635											
3	Operating Revenue Budget Implementation Indicator	Actual Operating Revenue / Budget Operating Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Operating Revenue</td> <td>91%</td> </tr> <tr> <td>Budget Operating Revenue</td> <td>258,423,136</td> </tr> <tr> <td></td> <td>282,925,635</td> </tr> </table>	Actual Operating Revenue	91%	Budget Operating Revenue	258,423,136		282,925,635	Please refer to page 20 of MFMA Circular No. 71 C schedule - M12 - C2/App F4
Actual Operating Revenue	91%											
Budget Operating Revenue	258,423,136											
	282,925,635											
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	Actual Service Charges and Property Rates Revenue / Budget Service Charges and Property Rates Revenue x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-Year reports and AR	95% - 100%	<table border="1"> <tr> <td>Actual Service Charges and Property Rates Revenue</td> <td>99%</td> </tr> <tr> <td>Budget Service Charges and Property Rates Revenue</td> <td>180,122,247</td> </tr> <tr> <td></td> <td>181,749,798</td> </tr> </table>	Actual Service Charges and Property Rates Revenue	99%	Budget Service Charges and Property Rates Revenue	180,122,247		181,749,798	Please refer to page 21 of MFMA Circular No. 71 C schedule - M12 - C2/App F4
Actual Service Charges and Property Rates Revenue	99%											
Budget Service Charges and Property Rates Revenue	180,122,247											
	181,749,798											