



**ELIAS MOTSOLEDI LOCAL MUNICIPALITY**

(Registration number LIM 472)

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Nature of business and principal activities

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

### Councillors List

#### Mayor

Cllr JL Mathebe

#### Chief Whip

Cllr TM Phahlamohlaka

#### Speaker

Cllr MD Tladi

#### Councillors

Cllr JL Mathebe (Mayor)  
Cllr TM Phahlamohlaka (Chief Whip)  
Cllr MD Tladi (Speaker)  
Cllr A Phatlane (Exco Member)  
Cllr AM Maloba (Exco Member)  
Cllr GD Matjomane (Exco Member)  
Cllr JP Kotze (Exco Member)  
Cllr KC Shai (Exco Member)  
Cllr MG Phetla (Exco Member)  
Cllr MS Mashilo (Exco Member)  
Cllr TA Machipa (Exco Member)  
Cllr SW Ratlou (Exco Member)  
Cllr AM Makweoane  
Cllr B Bogopa  
Cllr BM Zulu  
Cllr CN Mathebe  
Cllr EM Maphopha  
Cllr FM Mogotji  
Cllr GM Makeke  
Cllr GR Namane  
Cllr HJ Makunyane  
Cllr J Mahlangu  
Cllr KF Madisa  
Cllr KS Kgopa  
Cllr LM Moima  
Cllr M Ranala  
Cllr MA Mphela  
Cllr MB Ntuli  
Cllr MG Motlape  
Cllr MK Mokwane  
Cllr ML Mamakoko  
Cllr ML Phala  
Cllr MM Matsepe  
Cllr MN Malatji  
Cllr MP Tshivhula  
Cllr MR Msiza  
Cllr MT Mohlala  
Cllr MT Mosotho  
Cllr MW Ramphisa  
Cllr MZ Hlathi  
Cllr NN Mahlangu  
Cllr NT Matunyane  
Cllr P Masimula  
Cllr R Alberts  
Cllr RJ Makitla  
Cllr RM Ratau  
Cllr RN Ndlovu  
Cllr SH Mehlape

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## General Information

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Cllr SM Maipushe  
Cllr TA Phorothoe  
Cllr TM Mokganyetji  
Cllr TM Ntheko  
Cllr TS Matsepe  
Cllr TT Ratau  
Cllr VL Mthombeni  
Cllr VM Lecheko  
Cllr VP Madondo  
Cllr WJ Skhosana  
Cllr WN Oosthuizen  
Cllr Z Ngwenya  
Cllr D Mashego  
Cllr H Bolotni  
Cllr A Gulube  
Cllr VC Matsepas

**Accounting Officer**

Mr MM Kgwale

**Business address**

2nd Grobler Avenue - Civic Centre  
Groblerdal  
0470

**Postal address**

PO Box 48  
Groblerdal  
0470

**Bankers**

Nedbank

**Auditors**

Office of the Auditor General (Polokwane)

**Acting CFO**

Mr ML Sebelemetja

**Grading of the Municipality**

Grade 3

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

### Abbreviations

GRAP	Generally Recognised Accounting Practice
WCA	Workmen's Compensation Act.
PAYE	Pay As You Earn
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme
EPWP	Expanded Public works programme
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
FMG	Finance Management Grant
AG	Auditor General

# **ELIAS MOTSOLEDI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2021

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

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

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

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

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

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

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

I certify that the salaries, allowances and benefits of councillors as disclosed in note 71 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 9 to 99, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021.



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**Mr M M Kgware**  
Accounting Officer

**Tuesday, 31 August 2021**

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Audit Committee Report

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

### Audit committee members and attendance

The Audit Committee of the Municipality was established in terms of Section 166 of the Municipal Finance Management Act, Act 56 of 2003. The Audit Committee comprised of Five (05) members appointed for the period of three (03) years with effect from 04 January 2019 to 03 January 2022.

The term of Four (04) Audit Committee members was extended during the financial year 2018/2019 under council resolution M18/19-04 from 04 January 2019 to end on 03 January 2022. The vacant post of one (01) member Mr. M.G Mathabathe whose term was not extended as he had already served in the Audit Committee consecutively for six years was re-advertised. The post was filled by Mr MJ Rabalao to serve in the Audit Committee under council resolution No M18/19-48 with effect from July 2019. Mr Rabalao's appointment is linked to the current Audit Committee members ending on the 3rd January 2022. The Audit Committee reported to council on their activities and recommendations as required by the Audit Committee Charter and section 166 of the MFMA. For the year under review, four (4) ordinary and seven (7) special Audit Committee meetings were held.

The Audit Committee consists of the members listed hereunder.

<b>Audit Committee members</b>	<b>Number of meetings attended</b>
Mrs M.P Ramutsheli (Chairperson)	4 Normal - 7 Special - 11 Total
Mr V.K Chuene	4 Normal - 7 Special - 11 Total
Mr M.O Mojapelo	2 Normal - 6 Special - 8 Total
Adv M.M Thipe	3 Normal - 4 Special - 7 Total
Mr M.J Rabalao	4 Normal - 7 Special - 11 Total

### Audit Committee responsibility

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

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee charter.

It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been reviewed by the Audit Committee.

The Audit Committee is satisfied with Management's action to address deficiencies identified.

### Evaluation of annual financial statements

The Audit Committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.
- reviewed the performance of the institution.

The Audit Committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Audit Committee Report

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### Internal audit

Internal audit engaged and supported management team during the review of performance management information.

The audit committee engaged and supported management team during the review of performance management information.

For the year under review the Internal Audit performed their responsibility in terms of the approved Internal Audit Plan and reported their findings on regular basis to the Audit Committee and management for implementation.

The total number of planned audits as per the 2020/2021 Internal Audit Plan was seventeen (17) excluding ADHOC audits. Total of seventeen (17) audits were performed and finalized as per the plan and the total of three (3) ADHOC audits were performed and finalised totaling to twenty (20) audit assignments performed during 2020/2021 Financial Year. The implementation of the Internal Audit Plan was 100% achieved.

In the quest for maintaining a sound control environment, the Audit Committee continues to build the necessary capacity within the municipality.

### Risk management

Every year the Council reviews the critical strategic risks facing the municipality and approves the municipality's risk approach.

The identification and assessment of those risks are informed amongst other things, by and understanding of our operational model including trends and interests of relevant stakeholders. The Audit Committee has overseen the process of developing risk strategy, risk register including mitigating factors for consideration by council.

The risk assessment was conducted quarterly during the year under review. The municipality had a full time Chief Risk Officer during the financial year.

### Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee : Mrs M.P Ramutsheli**

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and delivery of municipal services to the community.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and fully elaborated in the Statement of Comparison of Budget and Actual Amounts.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment other than the impact of COVID 19 on the operations.

COVID 19 negatively effectuated the municipality cash flow due to decreased debt collection process and as a result of lockdown. Many consumers could not afford to pay their debts. Expenditure was also diverted from their budget to cover for unexpected COVID 19 expenditure. This impact on cash flow was later relieved by the additional grant that was received by the municipality in the form of equitable share.

Net surplus of the municipality was R 53 030 043 (2020: surplus R 55 563 091).

### 2. Going concern

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

The COVID-19 pandemic is having a devastating impact on the economy of the country, and the health and livelihoods of its citizens. During this crisis, The municipality still need to function and provide essential services such as access roads, electricity, licensing and solid waste removal.

The municipality had to suspend certain operation and work with reduced staff. Revenue collection was largely affected.

Revenue collection -Temporary suspension of credit control and debt collection policies (i.e. do not cut off/disconnect services due to defaulting payments)

Property rates and services revenue collection is highly vulnerable to defaulting by households as a result of income losses.

COVID 19 had no significant impact on the municipality's going concern as grants were received as expected.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period which resulted in an adjusting subsequent event.

### 4. Accounting Officer's interest in contracts

The Accounting Officers does not have any interest in contracts of the Municipality.

### 5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year are set out in the notes to the financial statements.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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### 7. Accounting Officer

The Accounting Officer of the municipality during the financial year and to the date of this report is :

Name	Nationality	Changes
Mrs RM Maredi	South African	Resigned Monday, 31 August 2020
Mr M M Kgwale	South African	Appointed Friday, 01 January 2021

### 8. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Councillors

The councillors:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee councillors, and
  - Councillors.

#### Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

#### Audit committee

The Audit Committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee.

#### Internal audit

The municipality had one full time internal auditor for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

### 9. Bankers

The municipality banks primarily with Nedbank.

### 10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position

Figures in Rand	Note(s)	2021	2020 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	11 081 710	8 963 783
Receivables from exchange transactions	10	2 289 663	2 528 347
Receivables from non-exchange transactions	11	3 875 024	42 865 792
VAT receivable	12	17 401 086	8 158 867
Consumer debtors - From Exchange Transactions	13	32 284 493	20 954 599
Consumer debtors - From Non Exchange Transactions	13	45 013 621	45 104 490
Cash and cash equivalents	14	6 847 911	1 929 384
		<b>118 793 508</b>	<b>130 505 262</b>
<b>Non-Current Assets</b>			
Investment property	3	80 022 052	69 961 237
Property Plant and Equipment	4	1 056 321 478	1 030 662 928
Heritage Assets	5	463 363	463 363
Intangible assets	6	22 562	30 963
Deposit (Security held in advance)	8	16 177 516	15 347 834
		<b>1 153 006 971</b>	<b>1 116 466 325</b>
<b>Total Assets</b>		<b>1 271 800 479</b>	<b>1 246 971 587</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Deferred income	17	192 983	192 983
Finance lease obligation	15	2 441 381	10 975 085
Landfill Site Provision	18	1 076 346	1 392 805
Payables from exchange transactions	19	84 574 047	99 033 422
Payables from non - exchange transactions	20	517 175	17 986
Consumer deposits	21	5 778 288	5 506 451
Employee benefit obligation	7	1 022 000	1 815 000
Unspent conditional grants and receipts	16	1 206 622	5 616 431
Provision for Long Service Leave	18	921 000	992 000
		<b>97 729 842</b>	<b>125 542 163</b>
<b>Non-Current Liabilities</b>			
Deferred income	17	3 087 719	3 280 702
Finance lease obligation	15	-	2 444 092
Landfill Site Provision	18	45 317 904	35 726 673
Employee benefit obligation	7	23 302 000	31 232 000
Provision for Long Service Leave	18	6 495 000	5 908 000
		<b>78 202 623</b>	<b>78 591 467</b>
<b>Total Liabilities</b>		<b>175 932 465</b>	<b>204 133 630</b>
<b>Net Assets</b>		<b>1 095 868 014</b>	<b>1 042 837 957</b>
<b>Net Assets</b>			
Accumulated surplus		1 095 868 003	1 042 837 953

\* See Note 42

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest revenue	25	4 755 567	4 755 705
Licences and permits	22	4 635 464	3 938 911
Other income	24	1 261 323	1 065 335
Recoveries	24	557 523	-
Rental of facilities and equipment	35	956 388	896 695
Service charges	23	97 737 520	95 492 841
<b>Total revenue from exchange transactions</b>		<b>109 903 785</b>	<b>106 149 487</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	39 441 861	35 773 260
Interest charged on consumer debtors	25	12 870 041	9 473 716
<b>Transfer revenue</b>			
Government grants & subsidies	28	420 358 807	365 373 512
Fines, Penalties and Forfeits	22	2 861 136	14 569 994
<b>Total revenue from non-exchange transactions</b>		<b>475 531 845</b>	<b>425 190 482</b>
<b>Total revenue</b>	22	<b>585 435 630</b>	<b>531 339 969</b>
<b>Expenditure</b>			
Bulk purchases	33	(88 182 137)	(81 427 521)
Debt Impairment	32	(61 327 066)	(13 957 048)
Depreciation and amortisation	4&5&6	(58 788 488)	(56 514 189)
Employee related costs	29	(160 454 656)	(149 468 260)
Finance costs	31	(2 122 948)	(2 360 819)
General Expenses	34	(117 008 237)	(134 954 930)
Impairment loss/ Reversal of impairments	36	(377 898)	(570 890)
Lease rentals on operating lease	36	(4 488 398)	(4 501 147)
Remuneration of councillors	30	(24 845 266)	(25 064 899)
Repairs and maintenance		(24 664 903)	(14 661 222)
Transfers and Subsidies	27	(3 275 138)	(3 058 730)
<b>Total expenditure</b>		<b>(545 535 135)</b>	<b>(486 539 655)</b>
<b>Operating surplus/(deficit)</b>	36	<b>39 900 495</b>	<b>44 800 314</b>
Additional service cost landfill rehabilitation	18	(7 881 966)	1 792 012
Fair value adjustments - actuarial gains	18&7	10 519 340	5 885 408
Investment property fair value adjustment	3	10 662 434	7 929 571
Profit/(Loss) on disposal of assets	36	(170 260)	(4 844 214)
		<b>13 129 548</b>	<b>10 762 777</b>
<b>Surplus for the year</b>		<b>53 030 043</b>	<b>55 563 091</b>

\* See Note 42

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	984 479 907	984 479 907
Adjustments		
Prior year adjustments	2 794 955	2 794 955
<b>Balance at 01 July 2019 as restated</b>	<b>987 274 862</b>	<b>987 274 862</b>
Changes in net assets		
Surplus for the year	55 563 091	55 563 091
Total changes	55 563 091	55 563 091
Opening balance as previously reported	1 049 920 584	1 049 920 584
Adjustments		
Correction of errors June 2020 year	(9 877 586)	(9 877 586)
<b>Balance at 01 July 2020 as restated</b>	<b>1 042 837 960</b>	<b>1 042 837 960</b>
Changes in net assets		
Surplus for the year	53 030 043	53 030 043
Total changes	53 030 043	53 030 043
<b>Balance at 30 June 2021</b>	<b>1 095 868 003</b>	<b>1 095 868 003</b>
Note(s)	42	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fines		473 287	2 920 585
Sale of goods and services		109 174 380	116 353 809
Grants		415 948 998	347 138 500
Interest		584 827	1 368 473
Other receipts		2 820 935	1 467 308
Licences and Permits		4 635 464	3 938 911
		<b>533 637 891</b>	<b>473 187 586</b>
<b>Payments</b>			
Employee costs		(178 051 752)	(173 121 747)
Suppliers		(251 198 557)	(226 515 506)
Transfers and Subsidies		(1 523 138)	(1 244 214)
Finance cost		(2 122 948)	(2 360 819)
		<b>(432 896 395)</b>	<b>(403 242 286)</b>
<b>Net cash flows from operating activities</b>	37	<b>100 741 496</b>	<b>69 945 300</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	4	(85 237 793)	(84 244 188)
Proceeds from sale of investment property	3	451 000	-
Purchase of Investment property		(58 380)	-
<b>Net cash flows from investing activities</b>		<b>(84 845 173)</b>	<b>(84 244 188)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(10 977 796)	(7 948 355)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 918 527</b>	<b>(22 247 243)</b>
Cash and cash equivalents at the beginning of the year		1 929 384	24 176 627
<b>Cash and cash equivalents at the end of the year</b>	14	<b>6 847 911</b>	<b>1 929 384</b>

\* See Note 42

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	110 873 074	(11 000 000)	<b>99 873 074</b>	97 737 520	<b>(2 135 554)</b>	
Rental of facilities and equipment	1 219 752	(385 470)	<b>834 282</b>	956 388	<b>122 106</b>	1
Licences and permits	6 343 578	(1 300 000)	<b>5 043 578</b>	4 635 464	<b>(408 114)</b>	
Recoveries	-	-	-	557 523	<b>557 523</b>	
Other income	930 788	(292 027)	<b>638 761</b>	1 261 323	<b>622 562</b>	2
Interest earned	9 697 923	8 789 980	<b>18 487 903</b>	4 755 567	<b>(13 732 336)</b>	
<b>Total revenue from exchange transactions</b>	<b>129 065 115</b>	<b>(4 187 517)</b>	<b>124 877 598</b>	<b>109 903 785</b>	<b>(14 973 813)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	38 344 674	-	<b>38 344 674</b>	39 441 861	<b>1 097 187</b>	
Interest charged on consumer debtors	-	-	-	12 870 041	<b>12 870 041</b>	

##### Transfer revenue

Government grants & subsidies	368 477 000	52 890 000	<b>421 367 000</b>	420 358 807	<b>(1 008 193)</b>	
Fines, Penalties and Forfeits	70 242 194	(60 000 000)	<b>10 242 194</b>	2 861 136	<b>(7 381 058)</b>	3
<b>Total revenue from non-exchange transactions</b>	<b>477 063 868</b>	<b>(7 110 000)</b>	<b>469 953 868</b>	<b>475 531 845</b>	<b>5 577 977</b>	

##### Total revenue

<b>606 128 983</b>	<b>(11 297 517)</b>	<b>594 831 466</b>	<b>585 435 630</b>	<b>(9 395 836)</b>	
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#### Expenditure

Employee related costs	(169 748 861)	9 185 000	<b>(160 563 861)</b>	(160 454 656)	<b>109 205</b>	
Remuneration of councillors	(26 524 906)	232 000	<b>(26 292 906)</b>	(24 845 266)	<b>1 447 640</b>	
Depreciation and amortisation	(55 163 090)	(2 000 000)	<b>(57 163 090)</b>	(58 788 488)	<b>(1 625 398)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(377 898)	<b>(377 898)</b>	
Finance costs	(1 183 666)	(1 449 562)	<b>(2 633 228)</b>	(2 122 948)	<b>510 280</b>	4
Lease rentals on operating lease	-	-	-	(4 488 398)	<b>(4 488 398)</b>	8

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt Impairment	(42 657 636)	22 800 000	<b>(19 857 636)</b>	(61 327 066)	<b>(41 469 430)</b>	3
Repairs and maintenance	(17 928 729)	(8 985 000)	<b>(26 913 729)</b>	(24 664 903)	<b>2 248 826</b>	5
Bulk purchases	(94 047 003)	14 000 000	<b>(80 047 003)</b>	(88 182 137)	<b>(8 135 134)</b>	7
Transfers and Subsidies	(3 468 035)	(173 997)	<b>(3 642 032)</b>	(3 275 138)	<b>366 894</b>	6
General Expenses	(101 726 869)	(31 517 000)	<b>(133 243 869)</b>	(117 008 237)	<b>16 235 632</b>	9
<b>Total expenditure</b>	<b>(512 448 795)</b>	<b>2 091 441</b>	<b>(510 357 354)</b>	<b>(545 535 135)</b>	<b>(35 177 781)</b>	
<b>Operating surplus</b>	<b>93 680 188</b>	<b>(9 206 076)</b>	<b>84 474 112</b>	<b>39 900 495</b>	<b>124 374 607</b>	
Loss on disposal of assets and liabilities	-	-	-	(170 260)	<b>(170 260)</b>	10
Additional contribution landfill rehabilitation	-	-	-	(7 881 966)	<b>(7 881 966)</b>	11
Fair value adjustments	-	-	-	10 519 340	<b>10 519 340</b>	12
Investment property fair value adjustment	-	-	-	10 662 434	<b>10 662 434</b>	30
	-	-	-	<b>13 129 548</b>	<b>13 129 548</b>	
<b>Surplus/(Deficit) before taxation</b>	<b>93 680 188</b>	<b>(9 206 076)</b>	<b>84 474 112</b>	<b>53 030 043</b>	<b>(31 444 069)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>93 680 188</b>	<b>(9 206 076)</b>	<b>84 474 112</b>	<b>53 030 043</b>	<b>(31 444 069)</b>	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	5 509 821	(2 816 378)	<b>2 693 443</b>	11 081 710	<b>8 388 267</b>	13
Receivables from exchange transactions	-	-	-	2 289 663	<b>2 289 663</b>	14
Receivables from non-exchange transactions	53 956 801	(15 214 845)	<b>38 741 956</b>	3 875 024	<b>(34 866 932)</b>	15
VAT receivable	-	-	-	17 401 086	<b>17 401 086</b>	16
Consumer debtors	54 593 594	1 025 632	<b>55 619 226</b>	77 298 115	<b>21 678 889</b>	17
Cash and cash equivalents	20 355 889	(542 401)	<b>19 813 488</b>	6 847 911	<b>(12 965 577)</b>	18
	<b>134 416 105</b>	<b>(17 547 992)</b>	<b>116 868 113</b>	<b>118 793 509</b>	<b>1 925 396</b>	
<b>Non-Current Assets</b>						
Investment property	48 000 000	-	<b>48 000 000</b>	80 022 052	<b>32 022 052</b>	
Property Plant and Equipment	1 223 248 608	4 043 043	<b>1 227 291 651</b>	1 056 321 478	<b>(170 970 173)</b>	
Heritage Assets	-	-	-	463 363	<b>463 363</b>	19
Intangible assets	30 000	-	<b>30 000</b>	22 562	<b>(7 438)</b>	20
Deposit (Security held in advance)	14 752 418	-	<b>14 752 418</b>	16 177 516	<b>1 425 098</b>	21
Long term lease Debtor - restated	-	-	-	-	-	
	<b>1 286 031 026</b>	<b>4 043 043</b>	<b>1 290 074 069</b>	<b>1 153 006 971</b>	<b>(137 067 098)</b>	
<b>Total Assets</b>	<b>1 420 447 131</b>	<b>(13 504 949)</b>	<b>1 406 942 182</b>	<b>1 271 800 480</b>	<b>(135 141 702)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Deferred income	-	-	-	192 983	<b>192 983</b>	
Finance lease obligation	10 980 000	-	<b>10 980 000</b>	2 441 380	<b>(8 538 620)</b>	23
Landfill Rehabilitation Provision	5 857 274	-	<b>5 857 274</b>	1 076 346	<b>(4 780 928)</b>	
Payables from exchange transactions	71 167 217	(3 924 312)	<b>67 242 905</b>	84 574 047	<b>17 331 142</b>	25
Payables from non-exchanged transactions	-	-	-	517 175	<b>517 175</b>	25
Consumer deposits	5 701 167	-	<b>5 701 167</b>	5 778 288	<b>77 121</b>	



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Employee benefit obligation	-	-	-	1 022 000	<b>1 022 000</b>	26
Unspent conditional grants and receipts	-	-	-	1 206 622	<b>1 206 622</b>	27
Provision for Long Service Leave	-	-	-	921 000	<b>921 000</b>	28
	<b>93 705 658</b>	<b>(3 924 312)</b>	<b>89 781 346</b>	<b>97 729 841</b>	<b>7 948 495</b>	
<b>Non-Current Liabilities</b>						
Deferred income	-	-	-	3 087 719	<b>3 087 719</b>	22
Landfill Site Rehabilitation provision	94 548 068	-	<b>94 548 068</b>	45 317 904	<b>(49 230 164)</b>	24
Employee benefit obligation	-	-	-	23 302 000	<b>23 302 000</b>	26
Provision for Long Service Leave	-	-	-	6 495 000	<b>6 495 000</b>	28
	<b>94 548 068</b>	<b>-</b>	<b>94 548 068</b>	<b>78 202 623</b>	<b>(16 345 445)</b>	
<b>Total Liabilities</b>	<b>188 253 726</b>	<b>(3 924 312)</b>	<b>184 329 414</b>	<b>175 932 464</b>	<b>(8 396 950)</b>	
<b>Net Assets</b>	<b>1 232 193 405</b>	<b>(9 580 637)</b>	<b>1 222 612 768</b>	<b>1 095 868 016</b>	<b>(126 744 752)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Reserves	-	10 000 000	<b>10 000 000</b>	-	<b>(10 000 000)</b>	40
Accumulated surplus	1 232 193 405	(19 580 637)	<b>1 212 612 768</b>	1 095 868 016	<b>(116 744 752)</b>	41
<b>Total Net Assets</b>	<b>1 232 193 405</b>	<b>(9 580 637)</b>	<b>1 222 612 768</b>	<b>1 095 868 016</b>	<b>(126 744 752)</b>	

The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2020 to 30 June 2021. The budget and accounting bases are the same.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved  
budget

Adjustments

Final Bu

Figures in Rand

**Budget and Actual Amounts variance explanation** : Material difference between budget and actual amounts

The comparison of the municipality's financial performance with that budgeted is set out in the statement of comparison of budget and actual amounts.

The budget is approved on accrual basis using a classification based on the nature of the expense. The approved budget covers the period from 01 July 2020 to 30 June 2021. The changes between the approved final budget and adjusted budget are as a consequence of adjustments and roll-overs of grants.

Variances of 10% or more are explained as set out below:

### **1. Rental of facilities and equipment**

The variance is attributed to straight lining of operating lease.

### **2. Other income**

The variance is as a result recoveries on S&Ts and settlement reached between the municipality and former colleagues

### **3. Fines; penalties and forfeits**

The variance is due to the ending of section 32 traffic fines speed cameras contract and the tender was re-advertised and no appointment as at year end, also traffic fines were written off as bad debts.

### **4. Finance charges**

Interest was not charged as anticipated

### **5. Repairs and maintenance**

Assets were not repaired and maintained as anticipated

### **6. Transfer and subsidies**

The variance is due to interest cost on employee benefit obligations for continuing employees not computed as predicted

### **7. Bulk purchases**

The variance is due to high consumption of electricity in old and new electrified areas

### **8. Lease rentals on operating lease**

The budget is included in other expenditure budget as per National Treasury template

### **9. General expenses**

After adding general expenses and lease rentals on operating lease; the variance is positive and is caused by underspending on Travel - Subsistence reimbursement and contracted services

### **10. Loss on disposal of assets and liabilities**

National Treasury template does not make provision for this component to be budgeted for.

### **11. Additional contribution landfill rehabilitation**

National Treasury template does not make provision for this component to be budgeted for.

### **12. Fair value adjustments**

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved  
budget

Adjustments

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Figures in Rand

National Treasury template does not make provision for this component to be budgeted for.

### **13. Inventory**

Inventory was not requested as anticipated as employees are still working from home hence an increase in inventory balance, The municipality is currently rolling out pre-paid metres as a result the inventory balance includes prepaid metres.

### **14. Receivables from exchange transaction**

Please see explanation 15.

### **15. Receivables from non-exchange transaction**

Adding receivables from both exchange and non-exchange transactions and VAT receivables, we remain with overperformance variance that is caused by the municipality not having access to efilling.

traffic fines decreased significantly as a result of bad debts.

### **16. VAT receivables**

Please see explanation 15.

### **17. Consumer debtors**

The variance is attributable to non-payment of customers due to the loss of income experienced because of the pandemic.

### **18. Cash and cash equivalent**

The variance is due to underspending of general expenses

### **19. Heritage assets**

The budget for this account is included in the property plant and equipment

### **20. Intangible assets**

The variance is due to the amortisation difference not properly computed

### **21. Deposit (Security held in advance)**

The variance is caused by a higher interest accrued

### **22. Deferred income**

Please see explanation 28.

### **23. Finance lease obligation**

The variance is immaterial as the amount spent is R10 975 085.

### **24. Landfill Rehabilitation Provisions**

Please see explanation 28.

### **25. Trade and other payables**

The variance is attributed to a significant amount for accruals, retention and amount withheld from the settlement amount and not yet paid over to SARS

### **26. Employee benefit obligation**

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved  
budget

Adjustments

Final Bu

Figures in Rand

Please see explanation 28.

### **27. Unspent conditional grants**

The variance is due to savings for INEP grant.

### **28. Provisions**

Taking the employee benefit obligation; landfill rehabilitation and deferred income into consideration whose budget in included in the provision budget, the variance is to a change in landfill site provision and policy change relating to medical aid contribution

### **29. Investment property fair value adjustment**

National Treasury template does not make provision for this component to be budgeted for.

The accounting policies on pages 20 to 45 and the notes on page 46 form an integral part of the annual financial statements.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. In situations where the application of GRAP is not practicable, the International Accounting Standards will apply.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand. Amounts are rounded to the nearest Rand.

#### 1.2 Going concern assumption

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

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

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

##### Useful lives and residual values of property plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

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

##### Trade receivables

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

The impairment for trade receivables is calculated based on historical collection rate ratios and expected debt collection rates.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. The write down is included in the operation surplus note.

##### Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

#### Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

#### Effective interest rate

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

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

#### Provision for landfill sites

The provision for rehabilitation 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 related asset are charged to the Statement of Financial Performance.

Provision of rehabilitation of landfill site is determined by :

- Calculating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) linked to the prime rate.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements (continued)

#### 1.4 Investment property

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

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

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

Investment property is recognised as an asset when, 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 enterprise, and the cost or fair value of the investment property can be measured reliably.

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

#### 1.5 Property Plant and Equipment

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

The cost of an item of property plant and equipment is recognised as an asset when:

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

Property Plant and Equipment is initially measured at cost.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements (continued)

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 - 20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5 - 25 years
Specialised vehicles	10 years
Tools and loose gear	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### 1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

Item	Useful life
Computer Software	3-5 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

#### 1.7 Heritage assets

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

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

An impairment loss of a heritage asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of the heritage asset's net selling price and its value in use.

Value in use of the heritage asset is the present value of the asset's remaining service potential.

#### Recognition

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements (continued)

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.8 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts.

There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

Long term advance payments are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that do not meet the definition of financial instruments at amortised cost or financial.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Classification

The Municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposit (Security held in advance)	Financial Asset measured at amortised cost
Investments - Call accounts	Financial Asset measured at amortised cost
Consumer Debtors	Financial Asset measured at amortised cost
VAT	Financial Asset measured at amortised cost
Receivables from exchange transactions	Financial Asset measured at amortised cost

The Municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

#### Initial recognition

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

#### Initial measurement of financial assets and financial liabilities

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

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

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

##### Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, is recognised in surplus or deficit.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Presentation

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

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

#### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

##### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

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

##### Operating leases - lessor

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

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

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

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

##### Operating leases - lessee

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

#### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

#### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

### 1.12 Impairment of non-cash-generating assets

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

#### Identification

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

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

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

#### Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating 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.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating 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 a non-cash-generating 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. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### 1.13 Electricity distribution losses

The electricity distribution losses are as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g theft and vandalism, as a result the losses are not recoverable.

Cost of units purchased include all costs incurred as a resulting of buying electricity or that are directly attributable to purchasing electricity.

The rand value of distribution loss is calculated per month using the unit cost of purchasing electricity in that month.

At the end of the year total distribution loss is calculated by adding up distribution losses for the 12 months.

#### 1.14 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Short-term employee benefits

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

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

#### Post-employment benefits

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

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### Other post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.15 Provisions and Contingent Liabilities

Provisions are recognised when:

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

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

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

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

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

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

### 1.16 Commitments

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

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

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

### 1.17 Revenue from exchange transactions

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

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

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

Interest levied on transactions arising from exchange transactions is classified based on the nature of the underlying transaction, i.e. if the underlying transaction is an exchange transaction then any interest levied is also classified as exchange.

### Measurement

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest

Revenue arising from the use by others of entity assets yielding interest recognised when:

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

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

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

#### 1.18 Revenue from non-exchange transactions

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

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

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

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

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



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

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

Interest levied on transactions arising from non-exchange transactions is classified based on the nature of the underlying transaction, i.e. if the underlying transaction is a non-exchange transaction then any interest levied is also classified as non-exchange.

### Recognition

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

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

### Measurement

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

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

### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

### Transfers

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

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

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

### Fines

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued.

The amount due by a particular offender is specified on the notice, summons or equivalent document. The municipality issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken.

Fines reductions are not within the Elias Motsoaledi Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control, then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information.

The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably.

The basis of a receivables provision for fines outstanding as at year end in Elias Motsoaledi Municipality is based on an average percentage of fines outstanding divided by the total fines issued for each financial year.

Impairment on all traffic fines outstanding is calculated on a basis of the average of uncollectable rate over the full period of traffic fines per type of traffic fine.

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

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

### Levies

Levies are recognised as revenue when:

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

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### Property rates - revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- > it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;
- > the amount of the revenue can be measured reliably; and
- > to the extent that there has been compliance with any restrictions associated with the grant.

#### 1.19 Investment income

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

#### 1.20 Accounting by principals and agents

##### Identification

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

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

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

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

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

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

##### Recognition

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

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

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

#### 1.21 Comparative figures

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

#### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

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

#### 1.23 Fruitless and wasteful expenditure

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

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

#### 1.24 Irregular expenditure

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

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

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

#### 1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

#### 1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in Non exchange transactions revenue.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### 1.27 Segmental reporting

A segment is an activity of an entity:

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

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

#### Measurement

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

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

#### 1.28 Budget information

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

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

#### 1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements (continued)

#### 1.30 Events after reporting date

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

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

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

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

#### 1.31 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 2. New standards and interpretations

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

In the current year, the municipality adopted new standards and interpretations as follows.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>Guideline: Guideline on accounting for landfill sites</li> <li>IGRAP 20: Accounting for adjustments to revenue</li> <li>GRAP 34: Separate Financial Statements</li> <li>IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue</li> <li>Directive 7 (revised): The Application of Deemed Cost</li> <li>GRAP 18 (as amended 2016): Segment Reporting</li> </ul>	<ul style="list-style-type: none"> <li>01 April 2020</li> <li>01 April 2020</li> <li>01 April 2020</li> <li>01 April 2020</li> <li>01 April 2020</li> <li>01 April 2020</li> </ul>	<ul style="list-style-type: none"> <li>The impact of the standard is not material.</li> <li>The impact of the standard is not material.</li> <li>The impact of the standard is not material.</li> <li>The impact of the standard is not material.</li> <li>The impact of the standard is not material.</li> <li>The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements</li> </ul>

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 32: Service Concession Arrangements: Grantor</li> <li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li> </ul>	<ul style="list-style-type: none"> <li>01 April 2019</li> <li>01 April 2019</li> </ul>	<ul style="list-style-type: none"> <li>Unlikely there will be a material impact</li> <li>Unlikely there will be a material impact</li> </ul>

### 3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	80 022 052	-	80 022 052	69 961 237	-	69 961 237

#### Reconciliation of investment property - June 2021

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	69 961 237	58 380	(660 000)	10 662 435	80 022 052

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### Reconciliation of investment property - June 2020

	Opening balance	Fair value adjustments	Fair value adjustments	Total
Investment property	64 194 177	5 767 060	-	69 961 237

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

The valuation of the Investment properties was performed by an independent valuator, Uniqueco property valuers (Pty) Ltd. Sales research was conducted for property transactions taking place in the period starting July 2020 to June 2021. Year-on-year increases were calculated based on the average sales data collected for each township within the larger municipal area. The property market in the greater Elias Motsoaledi area was very quiet, overall little if any increases took place.

### Amounts recognised in surplus or deficit

Rental revenue from Investment property - (866 321)

### From Investment property that generated rental revenue

Repairs and maintenance - 2 000

There were no direct operating expenses and repairs and maintenance for Investment property that did not generate rental revenue for the 2020 and 2021 year

### 4. Property Plant and Equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	192 862 877	(9 026 900)	183 835 977	192 862 877	(9 026 900)	183 835 977
Buildings	132 220 438	(69 035 169)	63 185 269	125 402 230	(65 095 405)	60 306 825
Leased assets capitalised	26 156 047	(6 799 130)	19 356 917	26 156 047	(4 379 746)	21 776 301
Roads Infrastructure	1 037 286 638	(449 612 330)	587 674 308	980 929 568	(410 594 936)	570 334 632
Solid Waste Infrastructure	24 207 489	(12 915 283)	11 292 206	24 071 889	(12 363 848)	11 708 041
Electrical Infrastructure	89 137 400	(44 279 964)	44 857 436	86 155 294	(39 804 285)	46 351 009
Community	32 108 366	(14 713 639)	17 394 727	31 800 950	(13 597 578)	18 203 372
Furniture and Office Equipment	9 003 728	(6 135 557)	2 868 171	7 561 786	(5 516 638)	2 045 148
Machinery and Equipment	13 233 882	(7 796 693)	5 437 189	11 513 373	(6 393 419)	5 119 954
Computer Equipment	4 883 285	(3 169 023)	1 714 262	4 114 215	(2 690 078)	1 424 137
Transport Assets	38 841 936	(27 107 009)	11 734 927	38 841 935	(23 726 208)	15 115 727
Capital - Work in Progress	106 970 089	-	106 970 089	94 441 805	-	94 441 805
<b>Total</b>	<b>1 706 912 175</b>	<b>(650 590 697)</b>	<b>1 056 321 478</b>	<b>1 623 851 969</b>	<b>(593 189 041)</b>	<b>1 030 662 928</b>



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

	Opening balance	Additions	Disposals	Transfers	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	183 835 977	-	-	-	-	-	-	-	-	183 835 977
Buildings	60 306 825	879 997	-	5 938 210	-	-	-	(3 934 723)	(5 040)	63 185 269
Leased assets capitalised	21 776 301	-	-	-	-	-	-	(2 419 384)	-	19 356 917
Roads Infrastructure	570 334 632	-	(395 713)	58 410 512	-	-	-	(40 541 487)	(133 636)	587 674 308
Solid Waste Infrastructure	11 708 041	135 600	-	-	-	-	-	(551 435)	-	11 292 206
Electrical Infrastructure	46 351 009	3 009 405	(11 922)	-	-	-	-	(4 280 110)	(210 946)	44 857 436
Community	18 203 372	352 641	(7 909)	-	-	-	-	(1 152 954)	(423)	17 394 727
Furniture and Office Equipment	2 045 148	1 036 801	(560)	417 161	-	-	-	(622 868)	(7 511)	2 868 171
Machinery and Equipment	5 119 954	398 244	(5 155)	1 361 869	-	-	-	(1 437 662)	(61)	5 437 189
Computer Equipment	1 424 137	675 039	-	94 030	-	-	-	(458 663)	(20 281)	1 714 262
Transport Assets	15 115 727	-	-	-	-	-	-	(3 380 800)	-	11 734 927
Capital - Work in Progress	94 441 805	78 750 066	-	(66 221 782)	-	-	-	-	-	106 970 089
	<b>1 030 662 928</b>	<b>85 237 793</b>	<b>(421 259)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(58 780 086)</b>	<b>(377 898)</b>	<b>1 056 321 478</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

	Opening balance	Additions	Disposals	Transfers	Assets expensed	Depreciation	Impairment loss	Total
Land	183 835 977	-	-	-	-	-	-	183 835 977
Buildings	64 405 361	161 500	(186 522)	-	-	(3 954 950)	(118 564)	60 306 825
Leased assets capitalised	24 472 640	-	-	-	-	(2 696 339)	-	21 776 301
Roads Infrastructure	582 221 666	-	(247 156)	25 738 474	-	(37 091 979)	(286 373)	570 334 632
Solid Waste Infrastructure	14 429 038	-	(2 020 072)	-	-	(697 303)	(3 622)	11 708 041
Electrical Infrastructure	43 799 869	-	(53 054)	6 767 199	-	(4 156 385)	(6 620)	46 351 009
Community	19 526 014	-	(6 580)	-	-	(1 209 499)	(106 563)	18 203 372
Furniture and Office Equipment	2 250 963	554 386	(55 716)	-	-	(672 081)	(32 404)	2 045 148
Machinery and Equipment	5 688 878	1 034 982	(44 864)	-	-	(1 533 964)	(25 078)	5 119 954
Computer Equipment	2 135 041	38 419	(70 692)	-	-	(644 321)	(34 310)	1 424 137
Transport Assets	18 535 366	429 306	-	-	-	(3 848 945)	-	15 115 727
Capital - Work in Progress	46 747 975	93 595 694	-	(32 505 673)	(13 396 191)	-	-	94 441 805
	<b>1 008 048 788</b>	<b>95 814 287</b>	<b>(2 684 656)</b>	<b>-</b>	<b>(13 396 191)</b>	<b>(56 505 766)</b>	<b>(613 534)</b>	<b>1 030 662 928</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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### Property, plant and equipment in the process of being constructed or developed

Below are delayed property, plant and equipment that are taking a significantly longer period of time to complete than expected.

Project Name	property, plant and equipment class	Impairment losses recognised?	Reasons for halting the construction	carrying value of halted projects June 2021	carrying value of halted projects June 2020
Electrification of Zenzele	Work In progress	NO	Projects implemented on a land that is privately owned	2 876 999	2 876 999
Fencing of Elandsdoorin Ceme	Work In progress	NO	Completion certificate was issued yet the project was not completed	864 269	864 269
Grobblersdal Landfill site	Work In progress	NO	Designs not compliant with Department of Environmental Affairs Requirements	9 795 810	9 795 810
				13 537 078	13 537 078

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

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

Contracted services

7 026 445

8 011 092

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

Certain assets were impaired during the year, based on physical verification that were performed during the 2017 financial year. The fair value less costs to sell method was used.

The impairment review was limited to review of the possible "Physical impairment" of the assets. This impairment review is therefore directly linked to the high-level condition assessment carried out on the assets that have been physically verified. Impairment was raised in cases where the carrying amount at yearend (Including accumulated impairment in prior years but before current year impairment losses) exceeded the recoverable service amount calculated. The additional impairment will be equal to the difference between the carrying value and the recoverable service amount.

Once the condition of an asset is determined the condition rating is applied in order to ensure that the value of the asset is correctly reflected, this is done by reducing the carrying value of the asset based on its condition, as per the table below:

Description	Rating
Very Good	95%
Good	70%
Fair	45%
Poor	25%
Very Poor	10%
Broken	0%

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 5. Heritage Assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	463 363	-	463 363	463 363	-	463 363

#### Reconciliation of heritage assets - June 2021

	Opening balance	Total
Heritage Assets	463 363	463 363

#### Reconciliation of heritage assets - June 2020

	Opening balance	Total
Heritage Assets	463 363	463 363

### 6. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 554 591	(1 532 029)	22 562	1 554 591	(1 523 628)	30 963

#### Reconciliation of intangible assets - June 2021

	Opening balance	Amortisation	Total
Computer software	30 963	(8 401)	22 562

#### Reconciliation of intangible assets - June 2020

	Opening balance	Amortisation	Total
Computer software	39 387	(8 424)	30 963

#### Other information

The residual value, and the useful life and amortisation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 7. Employee benefit obligations

#### Defined benefit plan

The municipality provides a Defined Benefit Plan to its employees. A defined contribution plan is a type of retirement plan in which the municipality and employee both make contributions on a monthly basis.

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to sliding tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of either 60% or 70% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependents receive a subsidy of either 60% or 70%. Upon a member's death-in-service, surviving dependents are not allowed to commence receipt of the subsidy. Upon a member's death-in-retirement, surviving dependents are allowed to continue to receive the same subsidy.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Continuation members and their eligible dependants receive a 60% subsidy.

Upon a member's death-in-service, surviving dependants are not entitled to commence receipt of the subsidy. Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.

All post-employment subsidies are subject to a maximum subsidy. The maximum for the year ending 30 June 2022 is an assumed value of R 4,773.12 per member per month (the same as the previous year's maximum), as instructed by management. The maximum subsidy amount has been assumed to increase in future at 75% of salary inflation.

#### Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

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

##### Carrying value

Present value of the Post Employment Medical Health Care obligation -	(33 047 000)	(36 471 768)
Opening balance		
Interest charge	(3 210 000)	(3 273 192)
Net actuarial gains or losses recognised	11 258 054	6 023 715
Current Service Cost	(937 000)	(1 065 351)
Benefits paid out of the fund	1 611 946	1 739 596
	<b>(24 324 000)</b>	<b>(33 047 000)</b>
Non-current liabilities	(23 302 000)	(31 232 000)
Current liabilities	(1 022 000)	(1 815 000)
	<b>(24 324 000)</b>	<b>(33 047 000)</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	33 047 000	36 471 768
Net expense recognised in the statement of financial performance	(8 723 000)	(3 424 768)
	<b>24 324 000</b>	<b>33 047 000</b>

### Net expense recognised in the statement of financial performance

Current service cost	937 000	1 065 351
Interest cost	3 210 000	3 273 192
Actuarial (gains) losses	(11 258 054)	(6 023 715)
Paid out to current members	(1 611 946)	(1 739 596)
	<b>(8 723 000)</b>	<b>(3 424 768)</b>

### Calculation of actuarial gains and losses

Actuarial (gains) losses	(11 258 054)	(6 023 715)
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### Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Long service awards	9,27 %	7,40 %
General salary inflation (Long Term)	5,79 %	3,99 %
Nett effective discount rate - Long service awards	3,29 %	3,28 %
Discount rate used: Post employment benefits	9,98 %	9,98 %
Health care inflation rate	6,78 %	6,11 %
Net effective discount rate - Post employment benefits	3,00 %	3,65 %

### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 163 000	1 201 000
Effect on defined benefit obligation	21 399 000	27 962 000

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2017 annual financial statements. Future periods will include all further information as it ages.

	2021 R	2020 R	2019 R	2018 R	2017 R
Defined benefit obligation	243 240 000	33 047 000	36 472 000	38 040 665	38 840 103
Experience adjustments on plan liabilities	4 795 000	(1 888 000)	(2 204 000)	(1 888 000)	4 795 000
	2021 R	2020 R	2019 R	2018 R	2017 R
Long service award	7 416 000	6 900 000	6 010 000	5 347 000	4 552 000
Experience adjustments on plan liabilities	774 714	455 307	582 882	287 873	(103 338)

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 8. Deposit (Security held in advance)

A security deposit is held by Eskom who is the bulk electricity supplier to the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance. The amount equals approximately twice the monthly account and will be held until the service is no longer required.

#### Eskom Deposits

Account payable security	16 177 516	15 347 834
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### 9. Inventories

Consumables	11 081 710	8 963 783
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#### 9.1 Consumables expenses

##### Statement of Financial Position

Opening stock	8 963 783	6 244 690
Add: Purchases	9 579 912	8 521 119
Less: Consumed	(7 461 986)	(5 802 024)
Closing stock	11 081 710	8 963 785

##### Statement of Financial Performance

Repairs And Maintenance used	5 309 015	4 178 105
Printing And Stationery used	1 291 584	1 602 159
Advertising	32 807	21 760
Motor vehicle expenses	55 000	-

Inventories recognised as an expense during the year	6 688 406	5 802 024
Inventory Recognised as Electricity network infrastructure during the Year	773 580	-

Inventories recognised as expenses during the year are included in different expenditure line items in the statement of financial performance as illustrated above.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>10. Receivables from exchange transactions</b>		
Interest receivable	-	48 247
Prepayments	34 369	560 203
Trade debtors	2 255 294	1 919 897
	<b>2 289 663</b>	<b>2 528 347</b>
<b>11. Receivables from non-exchange transactions</b>		
Traffic fines	7 063 800	186 588 251
Less: Provision for irrecoverable debt traffic fines	(3 500 372)	(143 722 459)
Debit orders to be recovered	311 596	-
	<b>3 875 024</b>	<b>42 865 792</b>
<b>12. VAT receivable</b>		
VAT	17 401 086	8 158 867
<p>The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.</p> <p>Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.</p>		
<b>13. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	51 790 625	45 500 075
Electricity	11 901 178	11 619 976
Refuse	16 883 656	14 540 720
Interest	40 843 310	33 941 174
VAT	4 973 768	4 068 684
Other	2 627 809	3 222 297
	<b>129 020 346</b>	<b>112 892 926</b>
<b>Less: Allowance for impairment</b>		
Rates	(21 700 172)	(19 698 942)
Electricity	(1 300 854)	(1 786 020)
Refuse	(7 672 508)	(6 645 639)
Interest	(18 356 053)	(15 927 608)
VAT	(1 679 555)	(1 330 022)
Other	(1 013 089)	(1 445 606)
	<b>(51 722 231)</b>	<b>(46 833 837)</b>
<b>Net balance</b>		
Rates	30 090 453	25 801 133
Electricity	10 600 324	9 833 956
Refuse	9 211 148	7 895 081
Interest	22 487 257	18 013 566
VAT	3 294 213	2 738 662
Other	1 614 720	1 776 691
	<b>77 298 115</b>	<b>66 059 089</b>



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Rates</b>		
Current (0 -30 days)	3 120 892	2 803 343
31 - 60 days	1 886 687	1 560 066
61 - 90 days	1 367 626	1 242 003
91 - 120 days	1 318 771	1 170 361
121 - 365 days	7 981 843	6 958 370
> 365 days	36 114 806	31 765 932
	<b>51 790 625</b>	<b>45 500 075</b>
<b>Electricity</b>		
Current (0 -30 days)	6 747 377	5 902 750
31 - 60 days	2 292 233	1 380 844
61 - 90 days	167 532	483 505
91 - 120 days	124 031	247 101
121 - 365 days	614 165	501 474
> 365 days	1 955 840	3 104 302
	<b>11 901 178</b>	<b>11 619 976</b>
<b>Refuse</b>		
Current (0 -30 days)	752 178	678 704
31 - 60 days	540 104	508 300
61 - 90 days	413 344	428 495
91 - 120 days	406 750	408 569
121 - 365 days	2 767 246	2 569 135
> 365 days	12 004 034	9 947 517
	<b>16 883 656</b>	<b>14 540 720</b>
<b>Interest</b>		
Current (0 -30 days)	1 368 119	1 185 503
31 - 60 days	1 495 270	1 149 475
61 - 90 days	1 444 199	1 103 181
91 - 120 days	1 396 787	1 062 424
121 - 365 days	8 722 783	6 587 363
> 365 days	26 416 152	22 853 225
	<b>40 843 310</b>	<b>33 941 171</b>
<b>VAT</b>		
Current (0 -30 days)	1 124 782	1 014 686
31 - 60 days	427 891	287 353
61 - 90 days	90 944	143 088
91 - 120 days	98 832	102 801
121 - 365 days	530 484	470 219
> 365 days	2 700 836	2 050 537
	<b>4 973 769</b>	<b>4 068 684</b>
<b>Other</b>		
Current (0 -30 days)	59 043	48 110
31 - 60 days	58 550	36 508
61 - 90 days	28 426	9 598
91 - 120 days	149 850	54 697
121 - 365 days	202 517	103 493
> 365 days	2 129 423	2 969 891
	<b>2 627 809</b>	<b>3 222 297</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	4 805 076	5 490 802
31 - 60 days	2 933 042	3 030 169
61 - 90 days	1 827 595	2 045 780
91 - 120 days	1 760 440	1 897 512
121 - 365 days	11 316 059	11 097 973
> 365 days	42 761 628	45 409 898
	<hr/>	<hr/>
	65 403 840	68 972 134
Less: Allowance for impairment	(28 011 592)	(30 512 751)
	<hr/>	<hr/>
	<b>37 392 248</b>	<b>38 459 383</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	7 299 415	5 414 312
31 - 60 days	3 000 993	1 467 849
61 - 90 days	1 248 205	1 091 806
91 - 120 days	1 210 236	890 785
121 - 365 days	6 972 489	4 573 708
> 365 days	29 338 273	19 636 117
	<hr/>	<hr/>
	49 069 611	33 074 577
Less: Allowance for impairment	(18 386 956)	(12 221 730)
	<hr/>	<hr/>
	<b>30 682 655</b>	<b>20 852 847</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 067 900	727 982
31 - 60 days	766 701	424 529
61 - 90 days	436 270	272 283
91 - 120 days	524 344	257 655
121 - 365 days	2 530 488	1 518 373
> 365 days	9 221 191	7 645 400
	<hr/>	<hr/>
	14 546 894	10 846 222
Less: Allowance for impairment	(5 323 684)	(4 099 356)
	<hr/>	<hr/>
	<b>9 223 210</b>	<b>6 746 866</b>
<b>Total</b>		
Consumers	65 403 841	68 972 134
Commercial / industrial / agricultural	49 069 613	33 074 577
National, Provincial and other government organisations	14 546 894	10 846 221
	<hr/>	<hr/>
	129 020 348	112 892 932
Less: Allowance for impairment	(51 722 233)	(46 833 843)
	<hr/>	<hr/>
	<b>77 298 115</b>	<b>66 059 089</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(46 833 837)	(32 551 877)
Contributions to allowance	(19 636 852)	(14 281 960)
Debt impairment written off against allowance	14 748 458	-
	<hr/>	<hr/>
	<b>(51 722 231)</b>	<b>(46 833 837)</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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### Consumer debtors impaired

As of 30 June 2021, consumer debtors of R 129 020 345 (2020: R 112 897 485) were impaired and provided for.

The amount of the provision was R 51 722 231 as at 30 June 2021 (2020: R 46 833 842). The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

Debt impairment written off against allowance amounted to R14 748 458 as at 30 June 2021.

### Consumer debtors breakdown

The carrying amount of consumer debtors consist of the following:

Consumer debtors from non-exchange transactions	45 013 621	45 104 490
Consumer debtors from exchange transactions	32 284 493	20 954 599
Total	<b>77 298 114</b>	<b>66 059 089</b>

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	34 391	21 855
Bank balances	6 813 520	1 907 529
	<b>6 847 911</b>	<b>1 929 384</b>

The investment balance was fully withdrawn by 30 June 2021.

### The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Nedbank Limited: Cheque Account (Acc no 1137278765)	6 723 762	2 458 043	- 6 813 520	1 336 814
				-

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	2 480 665	11 844 451
- in second to fifth year inclusive	-	2 484 405
	<hr/>	<hr/>
	2 480 665	14 328 856
less: future finance charges	(39 284)	(909 678)
<b>Present value of minimum lease payments</b>	<hr/> <b>2 441 381</b>	<hr/> <b>13 419 178</b>
Non-current liabilities	-	2 444 092
Current liabilities	2 441 381	10 975 085
	<hr/> <b>2 441 381</b>	<hr/> <b>13 419 177</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets. Refer note 4.

### 16. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

#### **Unspent conditional grants and receipts**

Land Affairs Grant	466 250	466 250
Integrated National Electrification Programme (Municipal Grant)	440 611	58 390
Municipal Infrastructure Grant	-	4 690 441
CoGHSTA - Development of Masakaneng	299 762	299 762
Education Training and Development Practices SETA	-	101 588
	<hr/> <b>1 206 623</b>	<hr/> <b>5 616 431</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>17. Deferred income</b>		
<b>At amortised cost</b>		
Deferred income - Long term portion	3 087 719	3 280 702
<b>At amortised cost</b>		
Deferred income - Short term portion	192 983	192 983
<p>The municipality received R 5 500 000 in advance for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicable on the lease and the lease payments are amortised utilising the straight line method. The lease amounts to R 192 982 per annum excluding VAT (value added tax).</p>		
<b>Non-current liabilities</b>		
Deferred income	3 087 719	3 280 702
<b>Current liabilities</b>		
Deferred income	192 983	192 983

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 18. Provision for Long Service Leave

#### Reconciliation of provisions - June 2021

	Opening Balance	Current Service Cost/Change in provision	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	37 119 478	7 881 965	-	1 392 807	-	46 394 250
Provision for Long Service Leave	6 900 000	707 000	(1 404 714)	475 000	738 714	7 416 000
	<b>44 019 478</b>	<b>8 588 965</b>	<b>(1 404 714)</b>	<b>1 867 807</b>	<b>738 714</b>	<b>53 810 250</b>

#### Reconciliation of provisions - June 2020

	Opening Balance	Current Service Cost/Change in provision	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	37 973 226	(1 792 012)	-	938 265	-	37 119 479
Provision for Long Service Leave Bonus	6 010 434	708 697	(439 130)	481 692	138 307	6 900 000
	<b>43 983 660</b>	<b>(1 083 315)</b>	<b>(439 130)</b>	<b>1 419 957</b>	<b>138 307</b>	<b>44 019 479</b>

Non Current Portion Landfill site provision	45 317 904	35 726 673
Current Portion Landfill site provision	1 076 346	1 392 805
Non-current portion of long service leave provision	6 495 000	5 908 000
Current portion of long service leave provision	921 000	992 000
	<b>53 810 250</b>	<b>44 019 478</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Detailed assumptions are disclosed under note 7

### Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The municipality appointed external experts to perform the rehabilitation review and estimation for the 2020 and 2021 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

### Discount Rate Assumption

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

#### Key financial assumptions used

#### June 2021

##### Rates and information used:

Discount rate (D): 7.43%  
Price inflation (I): 4.99%  
Net discount rate  $(1+D)/(1+I)-1 = 2.32\%$

Net present value calculations based on the Government Bond Yield Rate for 10-years as discount rate.

In order to escalate and calculate the future values, the average CPI of the past ten years was used as escalation rate as obtained from StatsSA.

At the time the previous assessment was calculated and entries finalised, the available information indicated that the Roossenekal Landfill licence had expired and therefore had no remaining lifetime remaining to legally operate. In December 2020 (after report finalisation) an amendment to the Roossenekal licence was issued which extended its validity until 2025. Due to this and for the purpose of the calculations below, the previous year's entries were recalculated with the extended remaining lifetime for Roossenekal as opposed to a zero lifetime. The effect is shown as prior period error.

#### June 2020

##### Rates and information used:

Groblersdal Discount rate (D1): 8.10%  
Roossenekal Discount rate (D2): 6.34%  
Price inflation (I): 5.21%  
Net discount rate Groblersdal  $(1+D1)/(1+I)-1 = 2.75\%$   
Net discount rate Roossenekal  $(1+D2)/(1+I)-1 = 1.07\%$

Net present value calculations based on the Government Bond Yield Rate for 10-years and 2-years respectively as discount rates. Refer to the screenshots below for the rates as at 28 June 2019 (latest published rates before 1 July 2019). Discount rate for Groblersdal Landfill = 8.10% and for Roossenekal Landfill = 6.34%.

In order to escalate and calculate the future values, the average CPI of the past ten years was used as escalation rate as obtained from StatsSA.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

The following are the details of the two landfill sites:

Landfill site	Date License Issued	Date License Expiry	of Years valid	Remaining life in yrs on 30 June 2021	Remaining life in yrs on 30 June 2020
Groblerdal	7/4/2011	7/4/2027	16	6	7
Roossenekal	17/12/2020	16/4/2025	5	4	5

### 19. Payables from exchange transactions

Trade payables	31 062 102	51 967 961
Payments received in advanced Consumer Accounts	4 008 936	4 659 115
Accrued leave pay	20 955 479	17 577 235
Accrued bonus	7 663 003	5 345 218
Retention Creditors	17 235 470	17 252 616
Unallocated deposits	3 630 362	2 169 050
Reimbursements	18 695	18 695
Licensing	-	43 532
	<b>84 574 047</b>	<b>99 033 422</b>

### 20. Payables from non - exchange transactions

SARS tax directives	517 175	17 986
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Tax directives are instructions from SARS to the municipality on how to deduct employees' tax from lump sum payments which are not covered by the prescribed tax table.

### 21. Consumer deposits

Electricity	5 778 288	5 506 451
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The electricity deposit relates to the guarantees or amounts paid by consumers on initial connection to municipal services. The deposit will be used to settle the debt in case of disconnection of services or payment default by the customer.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>22. Revenue</b>		
Fines, Penalties and Forfeits	2 861 136	14 569 994
Government grants & subsidies	420 358 807	365 373 512
Interest charged on consumer debtors	12 870 041	9 473 716
Interest received	4 755 567	4 755 705
Licences and permits	4 635 464	3 938 911
Other income	1 261 323	1 065 335
Property rates	39 441 861	35 773 260
Recoveries	557 523	-
Rental of facilities and equipment	956 388	896 695
Service charges	97 737 520	95 492 841
	<b>585 435 630</b>	<b>531 339 969</b>
Interest received - investment	4 755 567	4 755 705
Licences and permits	4 635 464	3 938 911
Other income	1 261 323	1 065 335
Recoveries	557 523	-
Rental of facilities and equipment	956 388	896 695
Service charges	97 737 520	95 492 841
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>	<b>109 903 785</b>	<b>106 149 487</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	39 441 861	35 773 260
Property rates - penalties imposed	-	-
Interest charged on consumer debtors	12 870 041	9 473 716
<b>Transfer revenue</b>		
Government grants & subsidies	420 358 807	365 373 512
Fines, Penalties and Forfeits	2 861 136	14 569 994
	<b>475 531 845</b>	<b>425 190 482</b>
<b>23. Service charges</b>		
Sale of electricity	88 811 847	87 067 557
Refuse removal	8 925 673	8 425 284
	<b>97 737 520</b>	<b>95 492 841</b>
<b>24. Other income</b>		
Staff Recoveries	557 523	-
Other income	1 261 323	1 065 335
	<b>1 818 846</b>	<b>1 065 335</b>

Other income comprises of income from different sources as follows: Tender Documents, Plan Printing and Duplicates, Administrative fees, Cemetery and Burial, Clearance Certificates, Insurance Refund, Bad Debts Recovered, General recoveries, Valuation Services, Building Plan Approval, Photocopies and Faxes, Application Fees for Land Usage, Photocopies, Facilities, Tender Documents and Advertisements.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>25. Interest revenue</b>		
<b>Interest from non-exchange transactions</b>		
Interest charged on consumer debtors	12 870 041	9 473 716
<b>Interest from exchange transactions</b>		
Bank and investments	584 827	1 368 473
Interest charged on consumer debtors	3 341 059	2 696 463
Interest received on Eskom deposits	829 681	690 769
	<b>4 755 567</b>	<b>4 755 705</b>
	<b>17 625 608</b>	<b>14 229 421</b>
<b>26. Property rates</b>		
<b>Rates billed</b>		
Rates levied	47 281 286	43 193 191
Less: Income forgone (Property rates rebates)	(7 839 425)	(7 419 931)
	<b>39 441 861</b>	<b>35 773 260</b>
<b>Valuations</b>		
Residential	2 366 495 500	2 371 723 500
Commercial	1 067 861 000	1 043 021 000
State	385 036 050	381 470 150
Municipal	270 912 100	252 917 000
Small holdings and farms	4 291 338 725	4 274 578 725
Social	59 816 000	63 386 000
	<b>8 441 459 375</b>	<b>8 387 096 375</b>
The municipality implemented the new valuation roll effective 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.		
<b>27. Grants and subsidies paid</b>		
Electricity Subsidies	1 311 550	1 134 214
Bursaries	211 588	110 000
Post Employment Medical Aid Benefits - Interest Charge	1 752 000	1 814 516
	<b>3 275 138</b>	<b>3 058 730</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 28. Government grants and subsidies

#### Operating grants

Equitable share	347 525 830	269 012 500
Expanded Public Works Programme Integrated Grant for Municipalities	1 681 000	1 374 000
Local Government Financial Management Grant	2 600 000	2 235 000
Disaster Management Grant COVID-19	-	596 000
Education Training and Development Practices SETA	101 588	-
	<b>351 908 418</b>	<b>273 217 500</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	53 891 000	51 730 992
Integrated National Electrification Programme Grant (INEP)	14 559 389	18 953 732
COGHSTA	-	21 471 288
	<b>68 450 389</b>	<b>92 156 012</b>
	<b>420 358 807</b>	<b>365 373 512</b>

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	4 690 394	1 500 433
Current-year receipts	53 891 000	54 921 000
Conditions met - transferred to revenue	(53 891 000)	(51 731 039)
Amount paid back to NRF	(4 690 394)	-
Conditions still to be met	-	(4 690 394)

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

#### Financial Management Grant (FMG)

Current-year receipts	2 600 000	2 235 000
Conditions met - transferred to revenue	(2 600 000)	(2 235 000)

#### Land Affairs Grant

Balance unspent at beginning of year	466 250	466 250
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Conditions still to be met - remain liabilities (see note 16).

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>INEP-Integrated national Electrification Programme Grant</b>		
Balance unspent at beginning of year	58 342	12 124
Current-year receipts	15 000 000	19 000 000
Conditions met - transferred to revenue	(14 559 389)	(18 953 782)
Amount paid to NRF	(58 342)	-
Conditions still to be met	(440 611)	(58 342)
Conditions still to be met - remain liabilities (see note 16).		
<b>Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)</b>		
Current-year receipts	1 681 000	1 374 000
Conditions met - transferred to revenue	(1 681 000)	(1 374 000)
Conditions still to be met - remain liabilities (see note 16).		
<b>Education Training and Development Practices SETA</b>		
Balance unspent at beginning of year	101 588	101 588
Conditions met - transferred to revenue	(101 588)	-
Conditions still to be met	-	(101 588)
Conditions still to be met - remain liabilities (see note 16).		
<b>COGHSTA - Development of Masakaneng</b>		
Balance unspent at beginning of year	299 762	21 771 050
Conditions met - transferred to revenue	-	(21 471 288)
Conditions still to be met	(299 762)	(299 762)
Conditions still to be met - remain liabilities (see note 16).		
<b>Disaster Management Grant COVID-19</b>		
Current-year receipts	-	596 000
Conditions met - transferred to revenue	-	(596 000)

On 15 March 2020, President Cyril Ramaphosa announced the declaration of a national state of disaster following the World Health Organisation declaring the COVID-19 outbreak as a pandemic as well as measures that must be implemented by the nation.

Municipalities were impacted negatively due to a loss of revenue streams and lower debtor's collection rates as businesses, households and communities agonised from the economic fallout caused by COVID-19.

In response to the impact of COVID-19, Municipalities also expanded their scope of basic services and free basic services to respond directly to the socio-economic impacts of the pandemic and prevent the transmission of communicable diseases.

Elias Motsoaledi Local Municipality reprioritised their funding allocations for the 2019/20 and 2020/21 financial year through special adjustment budget as directed by national treasury and also on draft budget for 2021/22 financial year. National government has made available R596 000 Disaster Management Grant COVID-19 in support to Elias Motsoaledi Local Municipality to assist in responding to the COVID-19 pandemic in the 2019/20 financial year. This support was to assist the municipality to provide additional access to basic services for vulnerable communities

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>29. Employee related costs</b>		
Acting allowances	697 830	412 382
Basic salary	93 585 230	87 892 369
Bonus	7 661 486	7 056 795
Defined contribution plans	18 358 318	17 185 955
Housing benefits and allowances	206 404	178 829
Contribution to provision for Leave and bonus pay	6 687 829	3 478 778
Medical aid - company contributions	5 227 775	5 555 004
Directors' remuneration as disclosed below	6 614 733	6 575 211
Overtime payments	2 150 339	2 180 459
Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge	1 644 001	1 774 048
Post Employment Medical Aid Benefits and Long Service Leave - Interest Charge	1 933 000	1 940 368
SDL	997 868	914 472
Car, Cellphone and other allowances	14 019 902	13 664 281
UIF	629 024	620 276
WCA	40 917	39 033
	<b>160 454 656</b>	<b>149 468 260</b>

Included in the above balances is (unless stated otherwise) the remuneration for the following s57 municipal employees:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### Remuneration of Municipal Manager - R Maredi

Annual Remuneration	177 933	887 484
Retirement settlement	1 386 637	-
Car Allowance	20 000	120 000
Cell Phone Allowance	5 000	30 000
Contributions to Medical and Pension Funds	13 345	64 635
Contribution to UIF and SDL	297	10 050
Annual Bonus	59 311	63 921
Contribution to Bargaining Council	20	112
N.P.A	5 000	30 000
	<b>1 667 543</b>	<b>1 206 202</b>

### Director Planning and Development - N Phala

Annual Remuneration	84 455	854 118
Car Allowance	10 000	122 582
Cellphone allowance	2 300	27 600
Contribution to Bargaining Council	10	112
Contribution to UIF and SDL	149	9 373
	<b>96 914</b>	<b>1 013 785</b>

### Remuneration of Acting Directors Director Planning and Development - B Sethojoa

Acting Allowance (September to December 2020, February to June 2021)	78 619
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### Remuneration of Municipal Manager - M Kgwale

Annual Remuneration	551 930	-
Car Allowance	54 000	-
Contributions to Medical and Pension Funds	41 395	-
Contribution to UIF and SDL	6 608	-
Contribution to Bargaining Council	59	-
Cellphone allowance	15 000	-
	<b>668 992</b>	<b>-</b>

### Remuneration of Acting Chief Financial Officer

Mthimunya M P - (1 Sept 2019 - 01 Feb 2020)	-	18 387
Sebelebele KU - (1 Apr 2020 - 01 May 2020)	-	40 594
Sebelemetja M L - (1 July 2019 - 01 Aug 2019)	-	6 494
Tjiane M C - (July 2020 to November 2020) : (Jun 2020)	10 171	6 118
	<b>10 171</b>	<b>71 593</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Remuneration of Director of Community Services - G Kegopotsemang</b>		
Annual Remuneration	953 818	802 602
Car Allowance	60 000	60 000
Contributions to Medical and Pension Funds	49 910	47 110
Cellphone allowance	27 600	27 600
Contribution to UIF and SDL	11 611	9 535
Contribution to Bargaining Council	119	112
Annual Bonus	78 819	57 859
	<b>1 181 877</b>	<b>1 004 818</b>
<b>Remuneration of Acting Directors Community Services</b>		
Acting Allowance (M Mathebe - January 2021)	5 523	13 450
<b>Remuneration of Director of Corporate Services - N Matumane</b>		
Annual Remuneration	1 115 463	956 118
Car Allowance	45 961	53 204
Annual Bonuse	77 181	-
Cellphone allowance	27 600	27 600
Contribution to Bargaining Council	119	112
Contribution to UIF and SDL	12 257	9 582
	<b>1 278 581</b>	<b>1 046 616</b>
<b>Director Executive Support - M Kgware</b>		
Annual Remuneration	442 646	751 791
Car Allowance	54 000	108 000
Cellphone allowance	13 800	27 600
Contributions to Medical and Pension Funds	33 198	54 155
Annual Bonus	73 774	53 926
Contribution to UIF and SDL	5 052	10 205
Contribution to Bargaining Council	59	112
	<b>622 529</b>	<b>1 005 789</b>
<b>Remuneration of Acting Municipal Manager - M M Kgware</b>		
Acting Allowance (July to December 2021)	46 825	186 524
<b>Director of Infrastructure - N Makgata</b>		
Annual Remuneration	620 264	685 964
Annual Bonus	81 715	51 545
Leave pay	32 993	17 858
Car Allowance	204 184	235 335
Contributions to Medical and Pension Funds	76 606	83 612
Cell Phone Allowance	23 000	27 600
Contribution to UIF and SDL	9 016	9 454
Contribution to Bargaining Council	99	112
Acting Allowance - Acting Municipal Manager (January 2021)	3 594	-
	<b>1 051 471</b>	<b>1 111 480</b>
Acting Director Infrastructure - Malaka Jk (May and June 2021)	3 378	7 520

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### 30. Remuneration of councillors

Mayor	944 482	941 434
Speaker	764 394	765 573
Executive Committee Councillors	4 823 446	4 321 205
Ordinary Councillors	17 591 927	18 313 343
Chief Whip	721 019	723 346
	<b>24 845 266</b>	<b>25 064 901</b>

### In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The additional disclosures as required by the Municipal Finance Management Act of 2004 as part of the MFMA disclosure note 53.

### Remuneration of Mayor

Car Allowance	223 463	7 162
Annual Remuneration	507 263	513 604
Contributions to Medical and Pension Funds	163 124	153 980
SDL	6 232	5 987
Data, cellphone and other	44 400	260 700
	<b>944 482</b>	<b>941 433</b>

### Remuneration of Speaker

Car Allowance	178 770	178 770
Annual Remuneration	466 355	466 113
Contributions to Medical and Pension Funds	69 953	67 953
SDL	4 914	4 743
Data and cellphone	44 400	47 994
	<b>764 392</b>	<b>765 573</b>

### Remuneration of Executive Committee

Car Allowance	1 194 113	970 275
Annual Remuneration	2 787 950	2 534 620
Contributions to Medical and Pension Funds	409 371	362 555
Data and cellphone	399 600	425 047
SDL	32 413	28 708
	<b>4 823 447</b>	<b>4 321 205</b>

### Remuneration of Chief Whip

Car Allowance	168 667	167 531
Annual Remuneration	388 226	394 008
Contributions to Medical and Pension Funds	114 960	106 746
Data and cellphone	44 400	50 046
SDL	4 766	4 569
	<b>721 019</b>	<b>722 900</b>



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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### Remuneration of Ordinary Councilors

Car Allowance	4 024 217	3 825 028
Annual Remuneration	10 034 124	10 568 554
Contributions to Medical and Pension Funds	1 238 338	1 339 912
Data and cellphone	2 175 600	122 302
SDL	119 649	2 457 993
	<b>17 591 928</b>	<b>18 313 789</b>

### 31. Finance costs

Finance leases	850 672	2 360 819
late payment of creditors	1 272 276	-
	<b>2 122 948</b>	<b>2 360 819</b>

Total Lease interest expense is R850 671.52, calculated using the effective interest rate of 10.25% and 10% on finance leases. The amount that relate to late payment of creditors is R1 272 276.

### 32. Debt impairment

Contributions to debt impairment consumers	19 636 853	14 281 961
Contributions to debt impairment traffic fines	41 690 213	(324 913)
	<b>61 327 066</b>	<b>13 957 048</b>

### 33. Bulk purchases

Electricity	88 182 137	81 427 521
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# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
<b>34. General expenses</b>		
Administration and management fees	1 467 910	437 190
Advertising	462 478	136 578
Assets expensed	79 678	13 461 934
Audit Committee	811 134	530 335
Auditors remuneration	5 433 649	3 961 558
Bank charges	544 658	801 359
Bursaries	579 613	256 948
Community services - developmental and outreach programmes	23 412	55 080
Conferences and seminars	4 908 913	10 492 631
Consulting and professional fees	21 417 467	34 405 886
Consumables	6 640 188	5 539 167
Discount allowed - COVID 19 Relief to consumers	4 777 652	-
Electricity Water and Refuse - Municipal Consumption	12 902 845	8 588 882
Entertainment	722	6 314
Foreign exchange differences	-	28 423
Eskom Connection Fees	160 146	-
IT expenses	9 681 515	7 232 313
Insurance	3 608 570	3 628 394
Landfill site - interest landfill rehabilitation provision	1 392 806	938 265
Motor vehicle expenses	563 829	666 192
Operation of landfill site	1 779 624	1 565 217
Postage and courier	13 909	58 271
Printing and stationery	4 821 080	2 352 811
Resettlement Cost	20 750	752 174
Remuneration to Ward Committees	5 097 500	3 590 000
SARS Adjustments	46 963	81 522
Security (Guarding of municipal property)	20 927 172	19 619 478
Staff welfare	1 271 738	1 302 901
Subscriptions and membership fees	1 900 468	2 195 966
Telephone and fax	2 912 619	4 026 399
Town planning - Valuation costs	784 970	4 427 887
Travel - Subsistence reimbursement	1 385 182	2 805 174
Uniforms	589 077	1 009 681
	<b>117 008 237</b>	<b>134 954 930</b>

During the year the council approved a COVID 19 relief to consumers in the form of discounts on consumer accounts, the discount allowed totaled R4 777 652 for the Current financial year.

### 35. Operating lease Income

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	1 308 686	407 967
- in second to fifth year inclusive	1 170 972	1 308 686
- later than five years	-	1 170 972
	<b>2 479 658</b>	<b>2 887 625</b>

Revenue for the year included Rental income from facilities and equipment	956 388	<b>896 695</b>
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# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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<b>36. Operating (deficit)/surplus</b>		
Operating (deficit)/surplus for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Plant and equipment		
• Contractual amounts	1 727 215	1 229 726
Lease rentals on operating lease - Other		
• Contractual amounts	2 761 183	3 271 421
	<b>4 488 398</b>	<b>4 501 147</b>
(Loss)/gain on sale of property plant and equipment	(170 260)	(4 844 214)
Impairment on property, plant and equipment	377 898	570 890
Depreciation on property, plant and equipment	58 788 488	56 514 189
Employee costs	185 299 922	174 533 159
<b>37. Cash generated from operations</b>		
Surplus/(deficit)	53 030 043	55 563 091
<b>Adjustments for:</b>		
Depreciation and amortisation	58 788 488	56 514 189
Loss/(Gain) on sale of assets	630 263	4 844 214
Landfill site - additional interest landfill rehabilitation provision	1 392 806	938 265
Fair value adjustments - actuarial gains and losses	(10 519 340)	(5 880 154)
Fines withdrawn/reduced	1 855 200	3 722 022
Assets expensed - non cash donations	-	13 460 347
Impairment deficit	377 898	570 890
Debt impairment	61 327 066	13 957 048
Discount allowed - COVID 19 Relief to consumers	4 777 652	-
Additional service cost landfill rehabilitation	7 882 566	(233 330)
Movements in retirement benefit assets and liabilities	(1 611 946)	(5 164 364)
Movements in provision for long service awards	(1 404 714)	889 566
Eskom interest	(829 681)	(690 769)
Operating lease straight lined	124 205	13 605
Deferred Income movement	(192 983)	(192 983)
VAT Adjustments	46 963	81 522
Post Employment Medical Aid Benefits and Long Service Leave interest	3 396 000	3 754 884
Employee costs Contribution to provision for Leave and bonus pay	6 687 829	3 478 778
Post Employment Medical Aid Benefits and Long Service Leave current service cost	1 933 000	1 774 048
Fair Value Adjustments	(10 662 434)	(7 929 571)
<b>Changes in working capital:</b>		
Inventories	(2 117 927)	(2 719 093)
Receivables from exchange transactions	114 081	1 227 700
Consumer debtors	(35 653 531)	(31 096 411)
Receivables from non-exchange transactions	(4 243 049)	(15 123 519)
Payables from exchange transactions	(21 147 398)	(6 507 573)
VAT	(9 289 182)	2 786 240
Payables from non - exchange transactions	499 189	-
Unspent conditional grants and receipts	(4 409 809)	(18 235 012)
Consumer deposits	271 837	141 670
Debit orders to be recovered	(311 596)	-
	<b>100 741 496</b>	<b>69 945 300</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### 38. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	10 206 881	63 925 548
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##### Total capital commitments

Already contracted for but not provided for	10 206 881	63 925 548
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##### Total commitments

##### Total commitments

Authorised capital expenditure	10 206 881	63 925 548
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This committed expenditure relates to property, plant and equipment and will be financed by available grants, retained surpluses, existing cash resources and funds internally generated. The commitments disclosed amounts are VAT inclusive.

#### Finance leases - as lessee (expense)

Finance lease payments represent rentals payable by the municipality for its fleet. These rentals are negotiated for a three year term. No contingent rent is payable.

##### Minimum lease payments due

- within one year	2 480 665	11 844 451
- in second to fifth year inclusive	-	2 484 405
	<b>2 480 665</b>	<b>14 328 856</b>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	2 552 365	3 058 532
- in second to fifth year inclusive	4 394 859	-
	<b>6 947 224</b>	<b>3 058 532</b>

Operating lease payments represent rentals payable by the municipality for leased assets used in the day to day operations of the municipality. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### 39. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is +/- R 6 081 754 (June 2021); R5 845 745.44 (June 2020).

The litigation matters for the year under review are detailed below as follows:

Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
Nkadimeng Attorneys	EMLM/Maredi	The municipal manager was suspended for financial misconduct. The total estimated legal fees is R 300 000.00.	Matter finalised. The settlement was reached		300 000
SETSOALO MAHUBE ATTORNEYS	Elias Motsoaledi Local Municipality // Mtema Mashao Consulting Engineers (Pty) Ltd	The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is R125 336.30 and the total estimated legal fees is R 200 000.00.	Matter finalised. The court ordered the municipality to pay the service provider however the court order has not been given by the magistrate		325 336
Phambane Mokone Inc	Elias Motsoaledi Municipality v Mhlala Leonox	Description: Labour court application to set aside a contract of employment Unfair dismissal dispute (CCMA matter) JR 1077/18 Legal Counsel used: Adv Tshitereke	Matter pending: Matter set down on the 27th of July 2021	350 000	500 000
Phambane Mokone Inc	Elias Motsoaledi Local Municipality // Mhlala Leonox	Description: High Court matter. the plaintiff is suing the municipality for contravening its own Bylaws Legal Counsel used: Adv Ramatsekisa	Matter pending: filed answering affidavit and awaiting reply from the applicant	550 000	800 000
Phambane Mokone Inc	Masutha//EMLM	Ms Masutha is alleging that she was unfairly discriminated against due to the fact that she her position was a T16 yet she was not remunerated as such. Legal Counsel used: Adv Maphosa	Matter pending: We have served the applicant with our statement of defence and we are awaiting her replication.	600 000	

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Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
MASONDO KHUMALO INC	REKHUTSE CONTRACT AND CLEANING SERVICES // ELIAS MOTSOLEDI LOCAL MUNICIPALITY	The plaintiff was suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim was R1 250 409.14 and the total estimated legal fees was R 400 000.00. matter was finalised and we were instructed to oppose a bill of cost brought by Rekhutse for their legal cost, which were granted against the Municipality.	bill of cost opposed	258 403	1 650 409
MASONDO KHUMALO INC	MOFOKENG // ELIAS MOTSOLEDI LOCAL MUNICIPALITY	We were instructed to bring a review application against the Award made by the SALGBC regarding an alleged unfair dismissal of Mofokeng, an employee of the municipality.	Matter Pending: Awaiting matter to be argued on 06 July 2021.	820 000	820 000
MASONDO KHUMALO INC	PERI FORMWORK SCAFFOLDING AND ENGINEERING (PTY) LTD // ELIAS MOTSOLEDI LOCAL MUNICIPALITY ELI1/0016/YS	The Plaintiff claims an amount of R1 133 352.46 against the Municipality and one of its Contractors, jointly and severally.	Matter pending: filed a Special Plea and Plea. We have also just received the First and Second Defendants' Plea, which also bears denials pertaining to the Plaintiff's claim.	1 333 352	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
SETSOALO MAHUBE ATTORNEYS	Maboe Rachidi //Elias Motsoaledi Local Municipality // C Coetzee / Melinda Marshall	Rachidi is suing the Municipality for unlawful arrest under Case Number: MRCC 104/2011. The Plaintiff Mr. Maboe Rachidi is suing the municipality and two traffic officers in their personal capacity for damages he suffered as a result of an alleged assault. He is alleging that he was assaulted by two traffic officials who were on duty on the date in question. The matter went on trial which was partly heard.	We attended Court and the matter was postponed sine die. We are still awaiting judgment from Court	450 000	450 000
MPOYANA LEDWABA INC	MOHLANGANE K.J // EMLM	The plaintiff alleges that he fell on a ditch pit and sustain a fracture on his right hand and abrasions on the said hand. He is claiming an amount of R150 000.00 for damages.	Matter pending: filed plea and awaiting trial date	310 000	650 000
MPOYANA LEDWABA INC	Mohlala and Others vs EMLM and others	The Office of the Municipal Manager received a letter from Bolshevik Party informing the municipality that Mr. Mohlala is expelled from the party and further requesting the Municipality to declare a vacancy. The Municipality declared a vacancy and Mr. Mohlala filed application disputing the dismissal and requesting reinstatement.	Matter pending: matter was set down on the 23 April 2021, matter was struck off the roll. The applicant needed to file an affidavit. Received supplementary affidavit from the applicant, awaiting trial date.	580 000	
MPOYANA LEDWABA INC	EMLM // ILLEGAL OCCUPANTS OF MASAKANENG	There is invasion of land at Masakaneng, on the stands reserved for building schools. We have been instructed to evict the illegal occupants	The application documents are drafted and affidavit signed by the MM, we are preparing to file and serve the occupants.	480 000	

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Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
Mpoyane Ledwaba Inc	EMLM/ Illegal occupiers of Farms Maphochsgrone and Vlaklaagte	Maphochsgrone and Vlaklaagte Illegal dwellers The Municipality appointed attorneys to obtain an eviction order against the Maphochsgrone and Vlaklaagte Illegal dwellers.	Pending. The municipality to engage Mpumalanga provincial department for demarcation issues	350 000	350 000



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees and members of the public. The municipality is likely to receive an amount of +/- R 3 508 186 (June 2021); +/- R1 272 000 (June 2020). According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Contingent asset for the year under review are detailed below as follows:

Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
MASONDO KHUMALO INC	EMLM//BREED & J OOSTHUIZEN ELI1/0009/YS	The Municipality has a claim against the Lessees for outstanding rental in the amount of R1 018 186.39)	Matter pending: The Planning Department inspected the farm on the 18 March 2021 and discovered that the Lessee is still in the farm and has not vacated as his Legal Representative alleged it. The formal report and pictures taken were forwarded to the Municipal Legal Representative to proceed with the eviction case and pursue the litigation claim for the outstanding rent amount.	1 218 186	
Nkadimeng Attorneys	EMLM/ Maredi	The municipal manager was suspended for financial misconduct.	Matter finalised. The settlement was reached		320 000

## ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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Figures in Rand			2021	2020	
Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
Mohube Setsoalo Mabusela Inc	Maboe Rachidi //Elias Motsoaledi Local Municipality // C Coetzee / Melinda Marshall	The municipality filed a plea and a counterclaim of R 100 000.00. It is the municipality's plea defence that on that day, the applicant was violent and he assaulted one of the traffic officers. The matter went on trial and the municipality managed to get a Default judgement and a Warrant of Execution was granted in favour of the Municipality. The plaintiff made an urgent application praying that the Warrant of Execution be stayed and he afforded an opportunity to file a plea in respect of the counter claim	Matter finalised. The matter was set aside by the court.		100 000

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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Attorneys	Parties	Report or Management's description of matter (including current status; amount claimed and legal counsel's reference if known)	Status	Estimated claim 2021	Estimated claim 2020
MPOYANA LEDWABA INC	EMLM// YB MASHALABA & ASSOCIATES CONSULTANT S CC & DR. YANDISA BAVULELE MASHALABA	01 October 2014, the Municipality appointed the First Defendant to establish a township at Portion 39 of Klipbank 26 JS under the project PROPOSED TOWNSHIP ESTABLISHMENT ON PORTION 39 OF FARM KLIPBANK 26 JS ELIAS MOTSOLEDI LOCAL MUNICIPALITY, project number EMLM 16/2014. The project was for a duration of 12 months. According to the implied terms of the agreement, the Defendants were duty-bound to deliver and/or submit to the Plaintiff the Land Surveyor diagrams that ought to have been endorsed, commissioned and approved by the General Surveyor to unlock and advertise the proclamation and opening of a township register for purposes of establishing a township development for the benefit of the community of Groblersdal, within the demarcated area of the Plaintiff. Which the defendants failed to do.	Matter Pending: Consultation took place on the matter, awaiting the former attorney to withdraw as attorney of record and proceed with the matter.	2 290 000	852 000

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### 40. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note 30

Nature of related party transactions:

Remuneration of Councilors and Employee costs paid to councilors and s57 managers respectively during the year.

### Related party transactions

#### Transactions

Councillors - Councillor remuneration	53	24 845 266	25 064 899
Post employment benefit plan for employees and/or other related parties	7	24 324 000	33 047 000
s57 Employees remuneration	29	6 614 733	6 575 211

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### 41. Bids awarded to family of employees in service of state

In terms of SCM regulation – state that Awards to close family members of persons in the service of the state; sub-regulation - 45. State that; The notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state
- (c) the amount of the award..

The following is a list as recorded for the period July 2020 – June 2021

<b>No</b>	<b>Date of Expenditure/ Award</b>	<b>Supplier Name</b>	<b>Director's Name</b>	<b>Name of person in service of state &amp; Capacity</b>	<b>Amount</b>
01	06/12/2019	Assist Communication Agency	Dikeledi Bertha Ramphisa	Lebogang Ramphisa PA of Senior Manager Executive Support	R18 750.00
02	20/12/2019	Democratic Construction and Services	Buta Ntina Lizzy	Councillor Alfred Phatlane	R345 000.00
03	04/02/2020	Thato Katlegong Trading	Maepa Mogeru Veronica	Mary Mankate Maepa (IT Technician)	R5 100.00
04	24/02/2020	D.B Nkambule Business Enterprise	Dikeledi Bertha Ramphisa	Lebogang Ramphisa PA of Senior Manager Executive Support	R27 000.00
05	21/02/2020 07/02/2020 28/11/2019 23/10/2019 20/09/2019 04/09/2019	247 Travel and Tourism	Dikeledi Bertha Ramphisa	Lebogang Ramphisa PA of Senior Manager Executive Support	R708 500.00
06	17/10/2019 21/11/2019 11/12/2019 28/01/2020	Baupa Trading Enterprise	Precious Ratlou (Company Director)	Winter Ratlou Ward Councillor EMLM	R1 328 026.26
07	30/06/2020	Mwelase Thobs Construction and Projects	Precious Ratlou (Company Director)	Winter Ratlou Ward Councillor EMLM	R716 817.20

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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08	19/10/2020 17/12/2020 06/05/2021	Moutse Community Radio Station	Ramaesela Martha Matlala (Director)	Ramaesela Martha Matlala (Sekhukhune District Municipality)	R337 500.00
09	1/07 2020 to 30 June 2021	Gubis Solutions	Calvin Pontsho Mahlangu	Calvin Pontsho Mahlangu (City of Tshwane)	R20 927 172.00
10	11/05/2021 30/06/2021	Moipone Lebese Clinical Psychology	Moipone Veronicah Lebese	Department of Health	R2 600.00
11	1/07 2020 to 30 June 2021	Nedbank	Stanley Subramoney	Venisha Subramoney (Teacher – Department of Education)	R7 249 614.50
<b>TOTAL AWARD AMOUNT</b>					<b>R31 666 079.96</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### 42. Prior period errors

The following prior year errors were identified and adjusted retrospectively:

1. During the previous years all interest from consumer debtors were recognised as interest from exchange transactions, management reviewed the accounting so that Interest levied on transactions arising from exchange or non-exchange transactions be classified based on the nature of the underlying transaction. As a result the total interest from consumer debtors was split on the statement of financial performance to show as exchange and non exchange. The total reported interest revenue from debtors did not change from the audited balance. Note 24 was renamed to easily identify the interest from consumer debtors (from Interest charged on trade and other receivables to Interest charged on consumer debtors), also the note was slightly restructured to accommodate interest revenue from exchange and non-exchange transactions. Note 24 heading was renamed from Interest received to Interest revenue.

2. During the previous years interest consumer debtors were recognised as non-exchange consumer debtors. management reviewed the accounting so that Interest debtors on transactions arising from exchange or non-exchange transactions be classified based on the nature of the underlying transaction. As a result the total interest consumer debtors were reclassified on the statement of financial position to show as exchange and non exchange. The total reported interest debtors did not change from the audited balance. The effect is just to split the audited interest debtor into exchange and non exchange consumer debtors. This is just a disclosure and will have no journal adjustment on the financial statements since the total interest debtor balance does not change.

3. Repairs and maintenance, During the 2019/2020 audit by the Auditor General, AG noticed that a new fence has been installed at the Groblersdal Aerodrome and has been classified as maintenance instead of Property, Plant and Equipment. This mistake has caused an overstatement in Maintenance and understatement in Property, Plant and Equipment in the 2019/2020 financial statements.

4. The former employee owed SARS an amount of R17 986 (assessed tax, date of accrual was 2019-03-19) and was deducted from the settlement amount agreed upon between the municipality and former employee. The amount was never accounted for and is now being corrected.

5. An invoice was omitted from being raised as accruals, the correction was to raise an accruals.

6. The disclosure note 38 for Contingent liabilities was restructured to allow disclosure of comparative amounts per case.

7. At the time the previous assessment was calculated and entries finalised, the available information indicated that the Roossenekal Landfill licence had expired and therefore had no remaining lifetime remaining to legally operate. In December 2020 (after report finalisation) an amendment to the Roossenekal licence was issued which extended its validity until 2025. Due to this and for the purpose of the calculations below, the previous years entries were recalculated with the extended remaining lifetime for Roossenekal as opposed to a zero lifetime. The effect of the re-calculation is as follows.

8. During the 2020/2021 financial year we noticed that a 4-way T-switch which was held as an inventory item was requested by the Electrical department in 2019/2020 financial year as maintenance but was not installed until the 2020/2021 financial. The switch should have only been requested when the Electrical department was ready to install it and should have been classified as property, Plant and equipment. This mistake has caused an understatement in Inventory and overstatement in Maintenance expense in the 2019/2020 financial statements.

To correct the error, we have reversed the Stores requisition done in 2019/20 year and reprocessed the Requisition in 2020/2021 financial year. The financial Impact of the correction is stated below:

9. Non Current assets adjustments:

9.1 During the 2019/2020 audit by the Auditor General, AG noticed that some properties that were leased out by the municipality were incorrectly classified as Property, plant and Equipment instead of Investment Property. This mistake caused an overstatement in PPE, Depreciation expense while understating Investment property in the 2019/2020 financial statements.

### Correction

To correct the error, we have removed the cost and accumulated depreciation and depreciation expense of the properties affected from PPE. Transferred the cost of the properties to Investment properties and adjusted the value of the properties to fair value. The financial impact of the correction is stated below:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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9.2 During the 2019/2020 audit by the Auditor General, AG noticed that a new fence has been installed at the Groblersdal Aerodrome and has been classified as maintenance instead of Property, Plant and Equipment. This mistake has caused an overstatement in Maintenance and understatement in Property, Plant and Equipment in the 2019/2020 financial statements. The removal and disposal of the old fence had not been accounted for as well, which would result in Overstatement of Property, Plant and Equipment and Understatement of Losses in the 2019/2020 financial year.

### Correction

To correct the error, we have included the fence in Property, Plant and Equipment and reduced maintenance expense. We have also accounted for depreciation on the fence. We have also accounted for the disposal of the fence. The Financial impact on of the correction will be as stated below

9.3 During the 2020/2021 financial year we realised that the construction of Masakaneng Road had completed on the last day of the 2019/2020 financial year but was not transferred from Work-In-Progress to Property, Plant and Equipment. This error has caused an overstatement in Work-In-Progress and an understatement in Property, Plant and Equipment in the 2019/2020 financial year.

### Correction

To correct this error, we have added the Road to Property, plant and Equipment and removed it from Work-In-Progress. The financial impact of the correction is stated below:

9.4 During fixed assets verification process in 2020/2021 we identified that they are property, plant and equipment items that are not accounted for in our Fixed assets register. This error has caused an understatement in Property, Plant and Equipment in the 2019/2020 financial statements.

### Correction

To correct the error, we will add the omitted Fixed assets to the FAR, the value will be based on the price of similar items of similar conditions in the market. The financial impact of the correction will be as stated below:

9.5 During the 2020/2021 financial year we realised that the Refurbishment of Groblersdal Roads and Streets project was completed in the 2019/2020 financial year but was not transferred from Work-In-Progress to Property, Plant and Equipment. This error has caused an overstatement in Work-In-Progress and an understatement in Property, Plant and Equipment, as well as the depreciation Expense in the 2019/2020 financial year.

### Correction

To correct this error, we have added the Road to Property, plant and Equipment and removed it from Work-In-Progress. The financial impact of the correction is stated below:

9.6 During the preparation of 2020/2021 Financial Statements we realised that the depreciation expense of Roads was overstated in the 2019/2020 financial statements.

### Correction

To correct this error, we have reduced the depreciation expense for the relevant financial year. The financial impact of the correction is stated below:

9.7 A 2015/2016 land was donated to Ndlovu medical care centre and in 2016/2017 another land was transferred to The South African national Government, but both transactions were not accounted for in the financial records of the municipality. The error caused an overstatement in Property, plant and equipment and Investment properties.

### Correction

We have corrected the error by disposing the above mentioned property in the municipality's financial records. The impact of the correction is stated below:

9.8 Electrification of Tambo village was completed in 2019/2020 financial year and the Electrical infrastructure was transferred to Eskom. The transfer was not accounted for in the financial records of the municipality. The error caused an overstatement in Capital Work-in-progress and an understatement in donation Expenses, in the financial statements of the municipality.



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### Correction

We have corrected the error by transferring the project in the year which the project was completed. The financial impact of the correction is stated below:

10. An amount of R9 200.68 was a consumer deposit amount that was not transferred from the consumer deposit to accruals as at 30 June 2020. A payment in 2021 was made against accruals segment.

11. The building was burned down in 2018/19 and was written off after the insurance claim was repudiated, the lessee reconstructed and repaired the building at no cost to the Municipality and had continued paying rent.

### Correction

We have recognised the building in prior year.

**(The correction number is indicated in brackets next to the item adjusted. Brackets on amounts is for Credit adjustment and no brackets for Debit adjustment)**

### Statement of financial position

	June 2021	June 2020
Accumulated surplus (4) +(8) + (9) +(11)	-	(2 794 955)
Consumer debtors - From Exchange Transactions (2)	-	3 225 562
Consumer debtors - From Non Exchange Transactions (2)	-	(3 225 562)
Payables from non - exchange transactions - SARS tax directives (4)	-	(17 986)
Consumer deposits (10)	-	9 201
Non-Current Liabilities - Landfill Site Provision (7)	-	659 984
Current Liabilities - Landfill Site Provision (7)	-	119 357
Inventories (8)	-	773 580
Investment property (11)	-	937 165
Investment property (9)	-	8 699 999
Property Plant and Equipment - Buildings (9)	-	(1 334 615)
Property Plant and Equipment - Land (9)	-	(3 332 276)
Property Plant and Equipment Roads Infrastructure (9)	-	25 611 173
Property Plant and Equipment Electrical Infrastructure (9)	-	8 695
Property Plant and Equipment Capital - Work in Progress (9)	-	(39 143 361)
Payables from exchange transactions (10)	-	(9 201)
VAT receivable (5)	-	11 356
Payables from exchange transactions (5)	-	(75 702)
	-	<b>(9 877 586)</b>

### Statement of Financial Performance

Revenue from exchange transactions - Interest charged on consumer debtors (1)	-	9 473 716
Revenue from non-exchange transactions - Interest charged on consumer debtors (1)	-	(9 473 716)
Repairs and maintenance (3+8)	-	(935 080)
Additional service cost landfill rehabilitation (7)	-	(779 341)
Investment property fair value adjustment (9)	-	(4 219 456)
Profit/(Loss) on disposal of assets (9)	-	2 073 322
General Expenses - Assets expensed (9)	-	13 396 191
General Expenses - Telephone and fax (5)	-	64 346
Impairment loss/ Reversal of impairments (9)	-	106 564
Depreciation (9)	-	171 040
	-	<b>9 877 586</b>

As a result of prior period errors, the cash flow June 2020 was restated to reflect accurate figures per new calculations.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 43. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 14, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality's risk to liquidity is a result of the funds available to cover future commitments.

The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The municipality analyses its financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality have insignificant interest risk exposure in the form of finance costs from finance lease obligation, however the fluctuation in interest rates will not hinder any of the municipality operations.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### Credit risk

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

Receivables and consumer debtors comprise a widespread customer base and amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalent - The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider that to be any significant exposure to credit risk.

Financial instruments exposed to credit risk at year end were as follows positive for assets and negative for Liabilities:

Financial instrument	2021	2020
Receivables - From Exchange Transactions	2 289 663	2 528 347
Receivables - From Non Exchange Transactions	3 875 024	42 865 792
Consumer Debtors - From Exchange Transactions	32 284 493	17 729 038
Consumer Debtors - From Non Exchange Transactions	45 013 621	48 330 052
Deposit (Security held in advance)	16 177 516	15 347 834
Payables from exchange transactions	(82 817 994)	(98 948 519)
Payables from exchange transactions	(517 175)	(17 986)
Consumer deposits.	(5 782 261)	(5 515 652)
Finance lease obligation	(2 441 381)	(13 419 177)
VAT receivables	17 399 672	8 147 511
Cash and cash equivalent	6 778 025	1 929 384

The above financial instruments are measured at amortised cost.

### Other risks

The COVID-19 pandemic is having a devastating impact on the economy of the country, and the health and livelihoods of its citizens. During this crisis, municipalities still need to function and provide essential services such as access roads, electricity, licencing and solid waste removal.

The municipality had to suspend operation and work with reduced staff. While there was demand for PPE expenditure, revenue collection it was largely affected.

Property rates and services revenue collection is highly vulnerable to defaulting by households as a result of income losses.

The municipality is still struggling to recover from the impact of covi19.

### 44. Going concern

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

The COVID-19 pandemic is still having a devastating impact on the economy of the country, and the health and livelihoods of its citizens. During this crisis, municipalities still need to function and provide essential services such as access roads, electricity, licensing and solid waste removal.

The municipality had to suspend certain operation and work with reduced staff. While the was demand for PPE expenditure, revenue collection it was largely affected.

Property rates and services revenue collection is highly vulnerable to defaulting by households as a result of income losses.

COVID 19 had no significant impact on the municipality's going concern as grants were received as expected.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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### 45. Events after the reporting date

There were no adjusting events after the reporting period.

There will be change in municipal council after 27 October 2021 elections.

### 46. Unauthorised expenditure

Opening balance	118 739 185	110 842 906
Incurred during the year	-	7 896 279
	<b>118 739 185</b>	<b>118 739 185</b>

The total amount incurred in June 2020 is as a result of overspending on the approved budget at vote level and the following votes (Municipal Manager, Technical Services, Executive Support and Corporate Services contributed to the unauthorised expenditure.

The status is: Investigations not yet conducted.

### 47. Fruitless and wasteful expenditure

Opening balance	4 573 291	4 278 118
Incurred during the year	1 744 457	295 173
	<b>6 317 748</b>	<b>4 573 291</b>

The fruitless and wasteful expenditure resulted from late payment of suppliers (Eskom, SARS, Fleet horizon, Auditor General and Pension funds) due to late payments.

The status is: Investigations in progress.

### Analysis of fruitless and wasteful expenditure

Current year - to be investigated	1 744 457	294 930
Prior years - investigated	4 573 048	4 278 118
	<b>6 317 505</b>	<b>4 573 048</b>

### Details of fruitless and wasteful expenditure

Fruitless and wasteful expenditure - late payment on invoices	1 744 457
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# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 48. Irregular expenditure

Opening balance	299 582 071	216 975 283
Add: Irregular Expenditure - current year	58 681 973	82 606 788
	<b>358 264 044</b>	<b>299 582 071</b>

Amounts disclosed above for Irregular expenditure are VAT exclusive.

The irregular expenditure emanates from the following:

- Inappropriate application of Regulation 32 of SCM
- Tenders processed through the BAC that did not comply with the composition requirement
- Deviations without declaration of interest
- Expansion of scope of work in excess of 15%

The status is: Investigations not yet conducted.

### Analysis of Irregular expenditure

Current year - to be investigated	58 681 973	82 606 788
Prior year - investigated	299 582 071	216 975 283
	<b>358 264 044</b>	<b>299 582 071</b>

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

#### Electricity distribution losses

Losses incurred - units		13 637 954	13 345 371
% loss incurred		19,000 %	19,000 %
Purchased units		(70 427 777)	(70 236 766)
Sold units		56 789 823	56 891 395
		-	-
Losses incurred - Rand value	-	17 070 968	15 468 368
% Losses loss incurred	-	19,000 %	19,000 %
Purchased units Rand value	-	(88 182 176)	(81 427 527)
Sold units Rand value	-	71 111 209	65 959 159
	-	-	-

The above losses are as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, as a result the losses are not recoverable.

#### SALGA Fees

Current year subscription / fee	2 027 510	1 845 300
Amount paid - current year	(506 878)	(469 030)
Amount Accrued to creditors	(1 520 632)	(1 376 270)
	-	-

The financial year circle for SALGA differs from the municipality; the amount R2 027 510 is applicable for April 2021 to March 2022, whereas the municipal financial year runs from July 2020 to June 2021. R1 520 632 relates to 2020/21 financial year.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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### PAYE, SDL and UIF

Current year subscription / fee	26 271 687	25 705 866
Amount paid - current year	(26 271 687)	(25 705 866)
	-	-

### Pension and Medical Aid Deductions

Current year subscription / fee	38 072 686	35 853 363
Amount paid - current year	(38 072 686)	(35 853 363)
	-	-

### VAT

VAT receivable	17 401 086	8 158 867
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VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

The was no councilors arrear accounts outstanding for more than 90 days as at 30 June 2021:

### Audit Fees - Auditor general:

Audit fees paid to auditor general for the 2020 year was R 3 961 558 and for 2019 year was R4 097 311. There were no outstanding amounts due to Auditor General at year end.

Audit fees	5 433 649	3 961 558
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### 50. Deferred income

Operating lease payments received in advance	3 280 702	3 473 685
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Operating lease payment received in advance have been utilized in accordance with the Municipal Finance Management Act. Sufficient resources are set aside to ensure that the liability can be serviced in the future.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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### 51. Deviation from supply chain management regulations

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

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

Goods and services were procured through quotations totaling **R582 406** during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The table below reflects deviations for the year.

NO	SERVICES PROVIDER	DATE APPROVED BY MM	REASON	AMOUNT
1	K F Phetla	17/06/2020	Ratify any minor breach of the procurement process by an official or committee acting in terms of delegated power or duties which are purely of technical nature.	R 32 562.25
2	Nnese Medicals Inc	07/05/2020	Emergency (deviation from threshold)	R 166 800.00
3	Rena Batswako and Transport construction	28/04/2020	Emergency (deviation from threshold)	R 43 000.00
4	Great Focus Media	06/04/2020	Emergency (deviation from threshold)	R 47 662.56
5	Dr LG Nemukongwe Inc	03/04/2020	Emergency (deviation from threshold)	R 230 000.00
	SAGE SOUTH AFRICA (PTY) LTD	21/11/2019	Emergency (deviation from threshold)	R 62 380.80
				R 582 405.61

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

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### 52. Segment reporting

#### General information

##### Identification of segments

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

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

##### Aggregated segments

The municipality operates throughout the LIM 472 demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout LIM 472 were sufficiently similar to warrant aggregation.

The following segments were aggregated:

1	Core Function:Roads
2	Core Function:Solid Waste Removal
3	Electricity:Electricity - 601
4	Pollution Control:Pollution Control - 505
5	Project Management Unit:PMU - 603
6	Roads:Roads - 600
7	Solid Waste Removal:Solid Waste Removal - 500
8	Cemeteries Funeral Parlours and Crematoriums:Cemeteries - 501
9	Community Parks (including Nurseries):Parks - 502
10	Core Function:Police Forces Traffic and Street Parking Control
11	Libraries and Archives:Libraries - 504
12	Police Forces Traffic and Street Parking Control: Police Forces Traffic - 507
13	Road and Traffic Regulation:Traffic Regulation - 508
14	Sports Grounds and Stadiums:Sports Grounds and Stadiums - 506
15	Asset Management:Asset Management - 301
16	Core Function:Finance
17	Finance: Budget and Treasury - 302
18	Finance:Default
19	Finance:Finance - 300
20	Fleet Management:Fleet Management - 602
21	Human Resources:Human Resources - 400
22	Information Technology:Information Technology - 401
23	Property Services:Property Services - 402
24	Mayor and Council:Chief Whip 6.1
25	Mayor and Council:Council General - 101
26	Mayor and Council:Executive committee 6.1
27	Mayor and Council:Mayor - 100
28	Mayor and Council:Speaker - 102
29	Municipal Manager Town Secretary and Chief Executive:Municipal Manager - 200



# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Nature of Goods and/or services
Finance	Finance, human resource and IT services to facilitate service delivery
Community services	Police, parks and libraries
Basic services	Basic services, roads, sewage, refuse, electricity
Executive & Council	Community outreach

There are no non reportable segments.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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The following information will enable users of financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

Below are the reconciliation's of the amounts in the statement of financial position for reportable segments to the amounts in the entity's statement of financial position.

Line items	Basic services	Community services	Executive & Council	Finance	Surplus for the year
Revenue	273 411 295	38 784 518	56 129 182	217 235 240	585 560 235
-					
Exchange Revenue					
-					
Interest	829 681			13 454 867	14 284 548
Operational Revenue	6 001	2 112		690 541	698 654
Rental from Fixed Assets	1 080 991				1 080 991
Sales of Goods and Services	1 011 711	94 150		14 331	1 120 193
Service Charges	97 737 520				97 737 520
-					
Non-exchange Revenue					
-					
Fines Penalties and Forfeits	2 865 202				2 861 135
Interest				3 341 059	3 341 059
Licences or Permits		4 631 397			4 635 464
Property Rates				39 441 862	39 441 862
Transfers and Subsidies	169 880 189	34 056 858	56 129 182	160 292 580	420 358 809
-					
Expenditure	-237 259 726	-23 151 644	-43 306 972	-177 552 002	-481 270 344
-					
Bulk Purchases	-88 182 137				-88 182 137
Contracted Services	-13 538 365	-678	-4 745 026	-58 841 803	-77 125 873
Depreciation and Amortisation	-51 368 285	-1 152 954		-6 267 250	-58 788 489
Employee Related Cost	-50 353 420	-21 210 730	-4 414 444	-74 640 626	-150 619 221
Interest	-1 392 806			-2 122 948	-3 515 754
Inventory Consumed	-14 886 034	-374 496	-223 189	-10 937 000	-26 420 720
Operating Leases	-454 297			-4 034 100	-4 488 398
Operational Cost	-15 898 558	-412 786	-9 535 557	-20 602 037	-46 448 037
Remuneration of Councillors			-24 278 755		-24 278 755
Transfers and Subsidies	-1 185 823		-110 000	-106 237	-1 402 060
Gains and Losses	-2 097 036			-9 669 057	-11 766 093
Disposal of assets	-164 545			-5 715	-170 260
Fair Value Adjustment				9 459 600	9 459 600
Impairment Loss	-1 932 492			-19 122 941	-21 055 433
-					
Surplus for the year	34 054 533	15 632 874	12 822 210	30 014 181	92 523 798

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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Line items	Basic services	Community services	Executive & Council	Finance	Total
<b>Assets</b>	-	-	-	-	-
<b>Current Assets</b>	<b>2 283 144 818</b>	<b>538 761 330</b>	<b>256 195 566</b>	<b>6 650 392 142</b>	<b>9 728 493 856</b>
Cash and Cash Equivalents	1 738 258 779	236 481 467	244 711 152	5 749 479 437	7 968 930 835
Receivables	-	-	-	1 099 473	1 099 473
Deposits	14 712 882	-	-	-	14 712 882
Inventory	12 152 102	652 186	927 623	47 324 230	61 056 141
Operating Lease - Straight Linin	-	-	-	1 106 128	1 106 128
Receivables from Non-exchang	61 329 119	300 095 631	-	369 548 632	730 973 382
Trade and other Receivables fro	280 272 945	745 121	5 024 880	276 740 504	562 783 450
VAT Receivable	176 418 991	786 925	5 531 911	205 093 738	387 831 565
<b>Non-current Assets</b>	<b>2 619 340 061</b>	<b>90 491 871</b>	<b>49 150 268</b>	<b>333 812 355</b>	<b>3 092 794 555</b>
Construction Work-in-progress	321 222 360	1 462 034	-	2 035 070	324 719 464
Heritage Assets	463 463	-	-	100	463 563
Intangible Assets	-	-	-	3 086 620	3 086 620
Investment Property	127 274 232	-	-	8 544 989	135 819 221
Investments	1 464 634	-	-	-	1 464 634
Property Plant and Equipment	2 168 915 372	89 029 837	49 150 268	320 145 576	2 627 241 053
<b>Liabilities</b>	-	-	-	-	-
<b>Current Liabilities</b>	<b>344 700 853</b>	<b>18 709 766</b>	<b>15 146 757</b>	<b>2 889 317 748</b>	<b>3 267 875 124</b>
Consumer Deposits	9 473 658	1 439	18 695	466 316	9 960 108
Defined Benefit Obligations	-	-	-	4 230 867	4 230 867
Financial Liabilities	-	-	-	26 982 177	26 982 177
Provision and Impairment	630 774	-	-	2 585 126	3 215 900
Trade and Other Payable Excha	323 892 135	18 708 327	15 128 062	2 854 850 086	3 212 578 610
Trade and Other Payable Non-e	10 704 286	-	-	203 176	10 907 462
<b>Non-current Liabilities</b>	<b>74 538 572</b>	-	-	<b>62 588 047</b>	<b>137 126 619</b>
Defined Benefit Obligations	-	-	-	52 755 343	52 755 343
Financial Liabilities	385 965	-	-	1	385 966
Provision and Impairment	74 152 607	-	-	9 832 703	83 985 310
<b>Net Assets</b>	<b>4 483 245 454</b>	<b>610 543 435</b>	<b>290 199 077</b>	<b>4 032 298 702</b>	<b>9 416 286 668</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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### 53. Public Office Holders Remuneration

All Public Officers	Annual Remuneration	Travelling & Car Allowance	Skills contribution	Medical Aid	Pension Funds	Cellphone and Data	Grand Total
Cllr J Mathebe	507 263	223 463	6 232	87 035	76 089	44 400	944 482
Cllr A Phatlane	389 672	257 372	4 746	54 359	58 760	44 400	809 308
Cllr M Tladi	466 355	178 770	4 914		69 953	44 400	764 392
Cllr T Machipa	443 209	167 597	4 740		65 581	44 400	725 527
Cllr T Phahlamohlaka	388 226	168 667	4 766	57 354	57 606	44 400	721 019
Cllr G Matjomane	416 645	167 592	4 679	23 654	62 496	44 400	719 466
Cllr H Makunyane	424 383	162 680	4 505		63 657	44 400	699 626
Cllr M Mashilo	243 905	124 719	2 756		36 586	44 400	452 366
Cllr M Matsepe	184 480	188 586	2 178		27 672	44 400	447 316
Cllr J Mahlangu	184 480	185 265	2 174		27 672	44 400	443 992
Cllr S Ratlou	243 905	102 845	2 753		36 586	44 400	430 489
Cllr K Shai	280 491	93 497	3 331			44 400	421 719
Cllr J Kotze	280 491	93 497	3 331			44 400	421 719
Cllr A Maloba	245 726	93 497	3 331	34 765		44 400	421 719
Cllr M Phetla	243 905	93 497	2 746		36 586	44 400	421 134
Cllr M Phala	272 263	93 570	3 244			44 400	413 476
Cllr S Mehlaphe	174 390	93 579	2 824	71 349	26 523	44 400	413 066
Cllr T Phorothoe	236 749	92 713	2 677		35 514	44 400	412 052
Cllr S Maipushe	236 750	92 439	2 679		35 513	44 400	411 780
Cllr K Madisa	236 750	90 754	2 677		35 513	44 400	410 094
Cllr M Malatji	236 750	90 754	2 677		35 513	44 400	410 094
Cllr M Msiza	236 750	90 754	2 677		35 513	44 400	410 094
Cllr N Mahlangu	236 750	90 754	2 677		35 513	44 400	410 094
Cllr R Ndlovu	236 750	90 754	2 677		35 513	44 400	410 094
Cllr M Mokganyetsi	236 750	90 754	2 677		35 513	44 400	410 094
Cllr V Lecheko	212 152	75 082	2 610			44 400	334 244
Cllr P Masimula	184 480	74 341	2 169		27 672	44 400	333 063
Cllr L Moima	184 480	74 117	2 170		27 672	44 400	332 839
Cllr M Mosotho	212 152	72 272	2 609			44 400	331 434
Cllr T Ntheko	212 152	72 244	2 609			44 400	331 406
Cllr M Motlafe	161 217	72 558	2 222	26 617	24 318	44 400	331 332
Cllr G Namane	184 480	72 558	2 167		27 672	44 400	331 278
Cllr A Makweoane	184 480	72 558	2 167		27 672	44 400	331 278
Cllr R Makitla	184 480	72 558	2 167		27 672	44 400	331 278
Cllr B Zulu	184 480	72 390	2 167		27 672	44 400	331 109
Cllr M Mokwane	184 480	72 243	2 167		27 672	44 400	330 962
Cllr M Ranala	212 152	70 718	2 609			44 400	329 879
Cllr M Hlathi	212 152	70 718	2 609			44 400	329 879
Cllr M Ntuli	212 152	70 718	2 609			44 400	329 879
Cllr F Mogotji	171 408	70 718	2 609	40 744		44 400	329 879
Cllr S Ngwenya	212 152	70 718	2 609			44 400	329 879
Cllr C Matsepe	212 152	70 718	2 609			44 400	329 879
Cllr V Mthombeni	212 152	70 718	2 609			44 400	329 879
Cllr W Oosthuizen	212 152	70 718	2 609			44 400	329 879
Cllr T Matsepe	184 480	70 718	2 167		27 672	44 400	329 437
Cllr T Ratau	184 480	70 718	2 167		27 672	44 400	329 437
Cllr B Bogopa	184 480	70 718	2 167		27 672	44 400	329 437
Cllr D Mashego	184 480	70 718	2 167		27 672	44 400	329 437
Cllr M Ramphisa	184 480	70 718	2 167		27 672	44 400	329 437
Cllr M Tshivhula	184 480	70 718	2 167		27 672	44 400	329 437
Cllr K Kgopa	184 480	70 718	2 167		27 672	44 400	329 437
Cllr E Maphopha	184 480	70 718	2 167		27 672	44 400	329 437
Cllr H Bolotini	184 480	70 718	2 167		27 672	44 400	329 437
Cllr N Matunyane	184 480	70 718	2 167		27 672	44 400	329 437
Cllr W Skhosana	184 480	70 718	2 167		27 672	44 400	329 437
Cllr A Gulube	184 480	70 718	2 167		27 672	44 400	329 437

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

All Public Officers	Annual Remuneration	Travelling & Car Allowance	Skills contribution	Medical Aid	Pension Funds	Cellphone and Data	Grand Total
Cllr M Mamakoko	184 480	70 718	2 167		27 672	44 400	329 437
Cllr G Makeke	184 480	70 718	2 167		27 672	44 400	329 437
Cllr R Ratau	184 480	70 718	2 167		27 672	44 400	329 437
Cllr M Mphela	184 480	70 718	2 167		27 672	44 400	329 437
Cllr S Matsomane	141 435	47 145	2 088			29 600	220 268
Cllr C Mathebe	61 493	23 573	440		9 224	14 800	109 530
Grand Total	14 183 919	5 789 228	167 972	395 877	1 599 870	2 708 400	24 845 266