



**ELIAS MOTSOLEDI LOCAL MUNICIPALITY**  
(Registration number LIM 472)  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Office of the Auditor General (Polokwane) - Auditors

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

### 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 MD Tladi

#### Chief Whip

Cllr HJ Makunyane

#### Speaker

Cllr DM Mashego

#### New Councill:

Cllr MD Tladi (Mayor)  
Cllr DM Mashego (Speaker)  
Cllr HJ Makunyane (Chief Whip)  
Cllr GD Matjomane (Exco member)  
Cllr JP Kotze (Exco member)  
Cllr MG Phetla (Exco member)  
Cllr MP Msiza (Exco member)  
Cllr MW Ramphisa (Exco member)  
Cllr TA Machipa (Exco member)  
Cllr AL Gulube  
Cllr AN Limakwe  
Cllr CM Maphopha  
Cllr DJ Ganedi  
Cllr FK Lehungwane  
Cllr FS Mohlahlo  
Cllr GM Segope  
Cllr HMC Malapela  
Cllr J Letageng  
Cllr J Mahlangu  
Cllr JS Mogotlana  
Cllr K Mabelane  
Cllr KW Tlaka  
Cllr LS Komane  
Cllr LS Maibelo  
Cllr M Mampana  
Cllr MA Mafiri  
Cllr MC Phokwane  
Cllr ME Nduli  
Cllr ME Sithole  
Cllr ME Tshehla  
Cllr MG Mathabathe  
Cllr MNS Oosthuizen  
Cllr MR Msiza  
Cllr MS Mashilo  
Cllr MS Mthimunye  
Cllr MZ Buta  
Cllr NJ Ramongana  
Cllr NP Mohlala  
Cllr NS Makuwa  
Cllr P Masimula  
Cllr PK Tladi  
Cllr PT Koka  
Cllr RM Makuwa  
Cllr RN Ndlovu  
Cllr SB Nkosi  
Cllr SC Mmotla  
Cllr SD Morare  
Cllr SH Mmaboko

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

Cllr SH Radigwana  
Cllr SK Matsomane  
Cllr SM Malapela  
Cllr ST Matsomane  
Cllr SZ Ngwenya  
Cllr TA Phorothoe  
Cllr TC Sithole  
Cllr TE Mohlamonyane  
Cllr TM Phahlamohlaka  
Cllr TP Kgagara  
Cllr TS Malau  
Cllr TS Thethe  
Cllr VM Lecheko  
Cllr W De beer

Outgoing Council:

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 Mosotho  
Cllr MW Ramphisa  
Cllr MZ Hlathi  
Cllr NN Mahlangu  
Cllr NT Matunyane  
Cllr P Masimula  
Cllr RJ Makitla  
Cllr RM Ratau  
Cllr RN Ndlovu  
Cllr SH Mehlaphe

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

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 WJ Skhosana  
Cllr WN Oosthuizen  
Cllr Z Ngwenya  
Cllr D Mashego  
Cllr H Bolotni  
Cllr A Gulube  
Cllr VC Matsepas

**Accounting Officer**

Mr M M Kgwale

**Acting Chief Finance Officer (CFO)**

Mr ML Sebelemetja

**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)

**Grading of the Municipality**

Grade 3

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Index

---

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

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Audit Committee Report	6 - 7
Accounting Officer's Report	8 - 9
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12
Cash Flow Statement	13
Statement of Comparison of Budget and Actual Amounts	14 - 20
Accounting Policies	20 - 46
Notes to the Annual Financial Statements	47 - 93

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

### Abbreviations

PPPFA	Preferential Procurement Policy Framework Act
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 2022

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

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the 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 2023 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 10 to 108, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.

---

**Mr M M Kgwale**  
**Accounting Officer**

**Wednesday, 31 August 2022**

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Audit Committee Report

---

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

### 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. For 2021/2022 Financial year, 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.

New five (5) members were appointed for the period of three (03) years with effect from 12 January 2022 to 13 January 2025.

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, five (5) ordinary and ten (10) special Audit Committee meetings were held (Induction and strategic session included in special meetings held).

The Audit Committee consists of the members listed hereunder.

<b>Current Audit Committee members</b>	<b>Number of meetings attended</b>
Mr. TC Modipane (Chairperson)	3 Normal – 7 Special - 10 Total
Mr. MM Tshivule	3 Normal – 7 Special - 10 Total
Ms. MJ Masite	3 Normal – 6 Special - 9 Total
Ms. MJ Mabuza	3 Normal – 7 Special - 10 Total
Mr. MJ Rabalao	3 Normal – 7 Special - 10 Total

<b>Previous Audit Committee members</b>	<b>Number of meetings attended</b>
Mrs M.P Ramutsheli (Chairperson)	2 Normal - 3 Special - 5 Total
Mr V.K Chuene	2 Normal - 3 Special - 5 Total
Mr M.O Mojapelo	2 Normal - 3 Special - 5 Total
Adv M.M Thipe	2 Normal - 2 Special - 4 Total
Mr M.J Rabalao	2 Normal - 3 Special - 5 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 2022

## Audit Committee Report

---

### 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.

---

**Chairperson of the Audit Committee : Mr. TC Modipane**

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

---

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

### 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 effected 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.

The suspension of PPPFA negatively affected the procurement processes of the municipality and as a result, some conditional grants underperformed.

Net surplus of the municipality was R 51,639,924 (2021: surplus R 48,895,579).

### 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.

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 2022

## Accounting Officer's Report

---

### 7. Accounting Officer

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

<b>Name</b>	<b>Nationality</b>
Mr M M Kgwale	South African

### 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 Accounting Officer 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 2022

## Statement of Financial Position

Figures in Rand	Note(s)	2022	2021 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	20,354,683	11,081,710
Receivables from exchange transactions	10	2,657,511	2,238,764
Receivables from non-exchange transactions	11	3,684,827	3,875,024
VAT receivable	12	14,467,607	16,224,118
Consumer debtors - From Exchange Transactions	13	37,010,720	34,019,372
Consumer debtors - From Non Exchange Transactions	13	59,520,455	48,413,121
Cash and cash equivalents	14	14,710,030	6,815,700
		<b>152,405,833</b>	<b>122,667,809</b>
<b>Non-Current Assets</b>			
Investment property	3	96,398,574	81,077,025
Property Plant and Equipment	4	1,087,603,299	1,040,425,692
Heritage Assets	5	463,363	463,363
Intangible assets	6	14,161	22,562
Deposit (Security held in advance)	8	16,536,410	16,008,248
		<b>1,201,015,807</b>	<b>1,137,996,890</b>
<b>Total Assets</b>		<b>1,353,421,640</b>	<b>1,260,664,699</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Deferred income	17	192,983	192,983
Finance lease obligation	15	6,638,010	2,441,380
Landfill Site Provision	18	1,978,644	1,081,774
Payables from exchange transactions	19	96,037,249	84,859,196
Payables from non - exchange transactions	20	499,189	499,189
Consumer deposits	21	5,621,490	5,778,288
Employee benefit obligation	7	948,000	1,022,000
Unspent conditional grants and receipts	16	6,489,344	1,206,622
Provision for Long Service Leave	18	536,000	921,000
		<b>118,940,909</b>	<b>98,002,432</b>
<b>Non-Current Liabilities</b>			
Deferred income	17	2,942,982	3,135,964
Finance lease obligation	15	12,702,191	-
Landfill Site Provision	18	51,866,769	45,546,427
Employee benefit obligation	7	23,583,000	23,302,000
Provision for Long Service Leave	18	7,563,000	6,495,000
		<b>98,657,942</b>	<b>78,479,391</b>
<b>Total Liabilities</b>		<b>217,598,851</b>	<b>176,481,823</b>
<b>Net Assets</b>		<b>1,135,822,789</b>	<b>1,084,182,876</b>
<b>Net Assets</b>			
Accumulated surplus		1,135,822,790	1,084,182,876

\* See Note 40

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest revenue	24	5,833,788	4,555,567
Agency fees	49	5,966,441	4,635,464
Other income	23	1,415,317	1,276,755
Recoveries	23	639,276	557,523
Rental of facilities and equipment	34	1,018,944	1,007,428
Service charges	22	107,753,377	102,363,177
<b>Total revenue from exchange transactions</b>		<b>122,627,143</b>	<b>114,395,914</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	39,913,236	39,441,861
Interest charged on consumer debtors	24	15,229,408	12,870,041
<b>Transfer revenue</b>			
Government grants & subsidies	27	381,953,131	420,358,807
Fines, Penalties and Forfeits		2,236,200	2,861,136
<b>Total revenue from non-exchange transactions</b>		<b>439,331,975</b>	<b>475,531,845</b>
<b>Total revenue</b>		<b>561,959,118</b>	<b>589,927,759</b>
<b>Expenditure</b>			
Bulk purchases	32	(97,948,551)	(88,245,584)
Debt Impairment	31	(19,689,866)	(61,327,066)
Depreciation and amortisation	4&5&6	(57,069,878)	(59,117,720)
Employee related costs	28	(160,186,944)	(160,454,657)
Finance costs	30	(526,378)	(2,122,948)
General Expenses	33	(120,900,391)	(133,112,254)
Impairment loss/ Reversal of impairments		4,244,020	(377,898)
Lease rentals on operating lease		(5,545,249)	(4,637,254)
Remuneration of councillors	29	(25,567,078)	(24,845,265)
Repairs and maintenance		(37,886,110)	(24,229,910)
Transfers and Subsidies	26	(2,591,315)	(3,275,138)
<b>Total expenditure</b>		<b>(523,667,740)</b>	<b>(561,745,694)</b>
<b>Operating surplus/(deficit)</b>		<b>38,291,378</b>	<b>28,182,065</b>
Fair value adjustments - actuarial gains	18&7	1,472,347	10,519,340
Investment property fair value adjustment	3	16,701,549	10,514,434
Profit/(Loss) on disposal of assets		(4,825,350)	(320,260)
		<b>13,348,546</b>	<b>20,713,514</b>
<b>Surplus for the year</b>		<b>51,639,924</b>	<b>48,895,579</b>

\* See Note 40

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2020</b>	<b>1,042,058,619</b>	<b>1,042,058,619</b>
Changes in net assets		
Surplus for the year	48,895,579	48,895,579
Correction of errors June 2020 year	(6,771,322)	(6,771,322)
Total changes	42,124,257	42,124,257
Opening balance as previously reported	1,095,315,093	1,095,315,093
Adjustments		
Correction of errors June 2021 year	(4,360,896)	(4,360,896)
<b>Balance at 01 July 2021 as restated</b>	<b>1,084,182,873</b>	<b>1,084,182,873</b>
Changes in net assets		
Surplus for the year	51,639,924	51,639,924
Total changes	51,639,924	51,639,924
<b>Balance at 30 June 2022</b>	<b>1,135,822,797</b>	<b>1,135,822,797</b>
Note(s)	40	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fines		348,958	473,287
Sale of goods and services		135,574,314	109,009,608
Grants		387,235,853	415,948,998
Interest		1,779,822	584,827
Other receipts		2,461,807	3,280,935
Licences and Permits		5,966,441	4,635,464
		<u>533,367,195</u>	<u>533,933,119</u>
<b>Payments</b>			
Employee costs		(182,996,568)	(178,051,743)
Suppliers		(259,996,449)	(251,236,004)
Transfers and Subsidies		(1,547,315)	(1,523,138)
Finance cost		(526,378)	(2,122,948)
		<u>(445,066,710)</u>	<u>(432,933,833)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>88,300,485</u></b>	<b><u>100,999,286</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	4	(76,960,490)	(85,237,793)
Proceeds from sale of investment property	3	1,011,133	451,000
Purchase of Investment property		-	(348,381)
		<u>(75,949,357)</u>	<u>(85,135,174)</u>
<b>Cash flows from financing activities</b>			
Finance lease payments		(4,456,797)	(10,977,796)
		<u>(4,456,797)</u>	<u>(10,977,796)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,894,331</b>	<b>4,886,316</b>
Cash and cash equivalents at the beginning of the year		6,815,700	1,929,384
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>14,710,031</u></b>	<b><u>6,815,700</u></b>

\* See Note 40

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	113,490,125	17,420,509	<b>130,910,634</b>	107,753,377	<b>(23,157,257)</b>	
Rental of facilities and equipment	898,369	59,634	<b>958,003</b>	1,018,944	<b>60,941</b>	1
Licences and permits	5,240,278	785,642	<b>6,025,920</b>	5,966,441	<b>(59,479)</b>	
Recoveries	-	-	-	639,276	<b>639,276</b>	
Other income	663,678	6,164,974	<b>6,828,652</b>	1,415,317	<b>(5,413,335)</b>	2
Interest earned	14,760,009	6,031,635	<b>20,791,644</b>	5,833,788	<b>(14,957,856)</b>	
<b>Total revenue from exchange transactions</b>	<b>135,052,459</b>	<b>30,462,394</b>	<b>165,514,853</b>	<b>122,627,143</b>	<b>(42,887,710)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	38,865,439	3,750,094	<b>42,615,533</b>	39,913,236	<b>(2,702,297)</b>	
Interest charged on consumer debtors	-	-	-	15,229,408	<b>15,229,408</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	386,969,275	739,477	<b>387,708,752</b>	381,953,131	<b>(5,755,621)</b>	
Fines, Penalties and Forfeits	65,071,199	(34,085,259)	<b>30,985,940</b>	2,236,200	<b>(28,749,740)</b>	3
<b>Total revenue from non-exchange transactions</b>	<b>490,905,913</b>	<b>(29,595,688)</b>	<b>461,310,225</b>	<b>439,331,975</b>	<b>(21,978,250)</b>	
<b>Total revenue</b>	<b>625,958,372</b>	<b>866,706</b>	<b>626,825,078</b>	<b>561,959,118</b>	<b>(64,865,960)</b>	
<b>Expenditure</b>						
Employee related costs	(163,211,548)	4,596,124	<b>(158,615,424)</b>	(160,186,944)	<b>(1,571,520)</b>	
Remuneration of councillors	(27,334,311)	1,948,583	<b>(25,385,728)</b>	(25,567,078)	<b>(181,350)</b>	
Depreciation and amortisation	(58,392,453)	(1,980,987)	<b>(60,373,440)</b>	(57,069,878)	<b>3,303,562</b>	
Impairment loss/ Reversal of impairments	-	-	-	4,244,020	<b>4,244,020</b>	
Finance costs	(240,856)	(1,503,556)	<b>(1,744,412)</b>	(526,378)	<b>1,218,034</b>	4
Lease rentals on operating lease	(6,773,338)	1,562,997	<b>(5,210,341)</b>	(5,545,249)	<b>(334,908)</b>	8

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt Impairment	(48,632,094)	22,141,568	<b>(26,490,526)</b>	(19,689,866)	<b>6,800,660</b>	3
Repairs and maintenance	(22,058,612)	(12,818,306)	<b>(34,876,918)</b>	(37,886,110)	<b>(3,009,192)</b>	5
Bulk purchases	(110,034,993)	9,999,994	<b>(100,034,999)</b>	(97,948,551)	<b>2,086,448</b>	7
Transfers and Subsidies	(2,884,070)	(386,630)	<b>(3,270,700)</b>	(2,591,315)	<b>679,385</b>	6
General Expenses	(93,112,604)	(25,692,393)	<b>(118,804,997)</b>	(120,900,391)	<b>(2,095,394)</b>	9
<b>Total expenditure</b>	<b>(532,674,879)</b>	<b>(2,132,606)</b>	<b>(534,807,485)</b>	<b>(523,667,740)</b>	<b>11,139,745</b>	
<b>Operating surplus</b>	<b>93,283,493</b>	<b>(1,265,900)</b>	<b>92,017,593</b>	<b>38,291,378</b>	<b>(53,726,215)</b>	
Loss on disposal of assets and liabilities	-	-	-	(4,825,350)	<b>(4,825,350)</b>	10
Fair value adjustments	-	-	-	1,472,347	<b>1,472,347</b>	12
Investment property fair value adjustment	-	-	-	16,701,549	<b>16,701,549</b>	30
	-	-	-	<b>13,348,546</b>	<b>13,348,546</b>	
<b>Surplus/(Deficit) before taxation</b>	<b>93,283,493</b>	<b>(1,265,900)</b>	<b>92,017,593</b>	<b>51,639,924</b>	<b>(40,377,669)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>93,283,493</b>	<b>(1,265,900)</b>	<b>92,017,593</b>	<b>51,639,924</b>	<b>(40,377,669)</b>	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	8,605,587	220,000	<b>8,825,587</b>	20,354,683	<b>11,529,096</b>	13
Receivables from exchange transactions	-	118,702	<b>118,702</b>	2,657,511	<b>2,538,809</b>	14
Receivables from non-exchange transactions	60,917,402	1,848,100	<b>62,765,502</b>	3,684,827	<b>(59,080,675)</b>	15
VAT receivable	-	-	-	14,467,607	<b>14,467,607</b>	16
Consumer debtors	63,923,997	(1,427,677)	<b>62,496,320</b>	96,531,175	<b>34,034,855</b>	17
Cash and cash equivalents	8,536,434	8,578,431	<b>17,114,865</b>	14,710,030	<b>(2,404,835)</b>	18
	<b>141,983,420</b>	<b>9,337,556</b>	<b>151,320,976</b>	<b>152,405,833</b>	<b>1,084,857</b>	
<b>Non-Current Assets</b>						
Investment property	60,342,566	(4,502,908)	<b>55,839,658</b>	96,398,574	<b>40,558,916</b>	
Property Plant and Equipment	1,229,095,273	1,249,934	<b>1,230,345,207</b>	1,087,603,299	<b>(142,741,908)</b>	
Heritage Assets	463,363	-	<b>463,363</b>	463,363	-	19
Intangible assets	30,963	-	<b>30,963</b>	14,161	<b>(16,802)</b>	20
Deposit (Security held in advance)	15,502,418	(463,464)	<b>15,038,954</b>	16,536,410	<b>1,497,456</b>	21
Long term lease Debtor - restated	-	-	-	-	-	
	<b>1,305,434,583</b>	<b>(3,716,438)</b>	<b>1,301,718,145</b>	<b>1,201,015,807</b>	<b>(100,702,338)</b>	
<b>Total Assets</b>	<b>1,447,418,003</b>	<b>5,621,118</b>	<b>1,453,039,121</b>	<b>1,353,421,640</b>	<b>(99,617,481)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Deferred income	-	-	-	192,983	<b>192,983</b>	
Finance lease obligation	12,271,345	-	<b>12,271,345</b>	6,638,009	<b>(5,633,336)</b>	23
Landfill Rehabilitation Provision	-	-	-	1,978,644	<b>1,978,644</b>	
Payables from exchange transactions	87,165,237	1,598,238	<b>88,763,475</b>	96,037,249	<b>7,273,774</b>	25
Payables from non-exchanged transactions	-	-	-	499,189	<b>499,189</b>	25
Consumer deposits	5,700,293	-	<b>5,700,293</b>	5,621,490	<b>(78,803)</b>	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Employee benefit obligation	-	-	-	948,000	<b>948,000</b>	26
Unspent conditional grants and receipts	-	-	-	6,489,344	<b>6,489,344</b>	27
Provision for Long Service Leave	5,950,265	-	<b>5,950,265</b>	536,000	<b>(5,414,265)</b>	28
	<b>111,087,140</b>	<b>1,598,238</b>	<b>112,685,378</b>	<b>118,940,908</b>	<b>6,255,530</b>	
<b>Non-Current Liabilities</b>						
Deferred income	-	-	-	2,942,982	<b>2,942,982</b>	22
Finance lease obligation	19,467,500	-	<b>19,467,500</b>	12,702,191	<b>(6,765,309)</b>	24
Landfill Site Rehabilitation provision	-	-	-	51,866,769	<b>51,866,769</b>	24
Employee benefit obligation	-	-	-	23,583,000	<b>23,583,000</b>	26
Provision for Long Service Leave	95,439,029	-	<b>95,439,029</b>	7,563,000	<b>(87,876,029)</b>	28
	<b>114,906,529</b>	-	<b>114,906,529</b>	<b>98,657,942</b>	<b>(16,248,587)</b>	
<b>Total Liabilities</b>	<b>225,993,669</b>	<b>1,598,238</b>	<b>227,591,907</b>	<b>217,598,850</b>	<b>(9,993,057)</b>	
<b>Net Assets</b>	<b>1,221,424,334</b>	<b>4,022,880</b>	<b>1,225,447,214</b>	<b>1,135,822,790</b>	<b>(89,624,424)</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	1,211,424,334	4,022,880	<b>1,215,447,214</b>	1,135,822,790	<b>(79,624,424)</b>	41
<b>Total Net Assets</b>	<b>1,221,424,334</b>	<b>4,022,880</b>	<b>1,225,447,214</b>	<b>1,135,822,790</b>	<b>(89,624,424)</b>	

The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

The budget and accounting bases are the same.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved  
budget

Adjustments

Final 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 2021 to 30 June 2022. 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. Services Charges

The variance is attributed to over projected Adjustment Budget, that was informed by the bi-annual performance.

#### 2. Other income

The variance is as a result staff and council recoveries and insurance refunds that were not anticipated during Budget preparation.

#### 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 has been made during the year under review. Furthermore traffic fines system is not integrated with the core financial system therefore there is a delay in capturing fines on the core financial system.

#### 4. Finance charges

The underspending is as a result of budget provision for the new lease of vehicles that commenced later than projected. Therefore the budgeted interest were not realized.

#### 5. Repairs and maintenance

unforeseen road maintenance had to be had to be undertaken

#### 6. Lease rentals on operating lease

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

#### 7. General expenses

The variance is caused by those accounts that are presented separately in the National Treasury schedules whereas they are classified as other expenditure on the face of statement of financial performance (e.g. contracted services)

#### 8. Loss on disposal of assets and liabilities

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

#### 9. Additional contribution landfill rehabilitation

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

#### 10. Fair value adjustments

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

#### 12. Inventory

The municipality is embarking on a project of pre-paid meters installation therefore pre-paid meters form part of the inventory balance

#### 13. Receivables from exchange transaction

Please see explanation 14

#### 14. 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

#### 15. VAT receivables

Please see explanation 14.

#### 16. Consumer debtors

The variance is attributed to high debt impairment on consumer debtors

#### 17. Cash and cash equivalent

The variance is due to low revenue collection rate and other commitments that impacted negatively on the cash flow position

#### 18. Property plant and equipment

The PPE variance is attributed to transferred(donated) assets

#### 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. Deferred income

Please see explanation 28.

#### 22. Finance lease obligation

Finance lease planned to be taken up during the year were delayed and taken later on.

#### 23. Landfill Rehabilitation Provisions

Please see explanation 28.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Bu
--	-----------------	-------------	----------

Figures in Rand

### **24. Trade and other payables**

The variance is attributed to a significant amount for accruals retention.

### **25. Payables from exchange transactions**

The variance is attributed to a significant amount for creditors that were accrued in 2021/22 financial year

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

Please see explanation 28.

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

The budget for this account is included in the payable from exchange budget

### **28. Provisions**

Taking the employee benefit obligation; landfill rehabilitation and deferred income into consideration whose budget is 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 46 and the notes on page 47 form an integral part of the annual financial statements.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 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 2022

## 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 2022

## 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 measure 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 apply 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 2022

## 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

Major 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:

<b>Item</b>	<b>Average useful life</b>
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 2022

## 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 2022

## 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 2022

## Accounting Policies

---

### 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 unutilised 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 2022

## Accounting Policies

---

### 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:

<b>Class</b>	<b>Category</b>
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:

<b>Class</b>	<b>Category</b>
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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

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

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

#### 1.11 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 oversized or overcapacity asset. Oversized 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 2022

## Accounting Policies

---

### 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 result 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 37.

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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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 2022

## Accounting Policies

---

### 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-imbusement 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 2022

## Accounting Policies

---

### 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.

##### Binding arrangement

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

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

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

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

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

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

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

#### Recognition

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

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

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

#### 1.21 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.

All expenditure relating to operational unauthorised expenditure is initially recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure relating to capital expenditure is initially recognised as an asset in the statement of financial position in the year the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense or asset, and where council resolves on recovery, it is subsequently accounted for as revenue in the statement of financial performance and debtors in the statement of financial position. When the payment is subsequently received, the payment is receipted against the debtor.

For operational expenditure and capital assets the amounts are recognised excluding VAT.

The unauthorised expenditure note to the financial statements is disclosed excluding VAT.

#### 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.

Expenditure relating to fruitless and wasteful expenditure is initially 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 subsequently recovered, it is accounted for as revenue and debtor in the statement of financial performance and statement of financial position respectively.

For operational expenditure and capital assets the amounts are recognised excluding VAT.

Fruitless and wasteful expenditure note to the financial statements is disclosed excluding VAT

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### 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) Municipal Finance Management Act (Act No.56 of 2003); 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 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 that was incurred and identified during the current financial year and which was written off 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 write off 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 written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not written off by council 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 may account for it 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 written off 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 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 and debtor in the Statement of Financial Performance and Statement of Financial Position respectively.

Irregular expenditure note to the financial statements is disclosed including VAT.

#### 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.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### 1.26 Expenditure

The municipality uses the accrual basis of accounting and recognises expenditures when they occur and are recognised in the period to which they relate and not only recognised when cash is paid.

Expenditure is decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

#### 1.27 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.

#### 1.28 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

#### 1.29 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.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### 1.30 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.

#### 1.31 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.

#### 1.32 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.

#### 1.33 Trade payables

A liability is a present obligation of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist).

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 2. New standards and interpretations

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

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>Guideline: Guideline on Accounting for Landfill Sites</li><li>Guideline: Guideline on the Application of Materiality to Financial Statements</li></ul>	01 April 2021 01 April 2021	

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
----------------------------------	--	-------------------------

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

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
<ul style="list-style-type: none"><li>GRAP 25 (as revised 2021): Employee Benefits</li><li>iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction</li><li>GRAP 104 (amended): Financial Instruments</li><li>iGRAP 21: The Effect of Past Decisions on Materiality</li><li>GRAP 2020: Improvements to the standards of GRAP 2020</li><li>GRAP 1 (amended): Presentation of Financial Statements</li></ul>	01 April 2023 01 April 2023 01 April 2025 01 April 2023 01 April 2023 01 April 2023	Unlikely there will be a material impact Unlikely there will be a material impact

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	96,398,574	-	96,398,574	81,077,025	-	81,077,025

#### Reconciliation of investment property - June 2022

Investment property	Opening balance	Disposals	Fair value adjustments	Total
	81,077,025	(1,380,000)	16,701,549	96,398,574

#### Reconciliation of investment property - June 2021

Investment property	Opening balance	Additions	Disposals	Fair value adjustments	Total
	70,854,211	58,380	(350,000)	10,514,434	81,077,025

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand

2022

2021

---

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 2021 to June 2022. 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**

There were no direct operating expenses and repairs and maintenance for Investment property that generated rental revenue for the 2021 and 2022 year

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property Plant and Equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	173,835,386	-	173,835,386	184,335,386	(9,026,900)	175,308,486
Buildings	131,749,299	(72,588,049)	59,161,250	132,528,150	(69,083,990)	63,444,160
Leased assets capitalised	21,355,619	(1,028,004)	20,327,615	26,156,047	(6,799,130)	19,356,917
Roads Infrastructure	1,064,338,682	(487,978,210)	576,360,472	1,037,639,085	(449,787,094)	587,851,991
Solid Waste Infrastructure	37,552,709	(14,181,913)	23,370,796	31,457,391	(13,175,728)	18,281,663
Electrical Infrastructure	101,693,400	(46,562,028)	55,131,372	89,572,324	(44,346,436)	45,225,888
Community	30,273,423	(14,598,055)	15,675,368	32,108,366	(14,713,639)	17,394,727
Furniture and Office Equipment	9,222,778	(6,734,946)	2,487,832	9,014,534	(6,138,562)	2,875,972
Machinery and Equipment	26,986,214	(13,746,216)	13,239,998	13,239,807	(7,798,769)	5,441,038
Computer Equipment	5,859,018	(3,672,976)	2,186,042	4,883,285	(3,169,023)	1,714,262
Transport Assets	50,723,252	(32,955,432)	17,767,820	38,841,936	(27,107,009)	11,734,927
Capital - Work in Progress	131,883,906	(3,824,558)	128,059,348	91,795,661	-	91,795,661
<b>Total</b>	<b>1,785,473,686</b>	<b>(697,870,387)</b>	<b>1,087,603,299</b>	<b>1,691,571,972</b>	<b>(651,146,280)</b>	<b>1,040,425,692</b>

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

	Opening balance	Additions	Disposals	Transfers	Assets Expensed	Depreciation	Impairment loss	Total
Land	175,308,486	-	-	(10,500,000)	-	-	9,026,900	173,835,386
Buildings	63,444,160	33,382	(254,169)	-	-	(4,062,123)	-	59,161,250
Leased assets capitalised	19,356,917	21,355,619	-	(19,356,917)	-	(1,028,004)	-	20,327,615
Roads Infrastructure	587,851,991	-	(356,267)	27,430,701	-	(37,643,802)	(922,151)	576,360,472
Solid Waste Infrastructure	18,281,663	6,135,438	(12,706)	-	-	(1,033,599)	-	23,370,796
Electrical Infrastructure	45,225,888	-	(2,813,490)	17,548,770	-	(4,811,761)	(18,035)	55,131,372
Community	17,394,727	-	(569,389)	-	-	(1,149,970)	-	15,675,368
Furniture and Office Equipment	2,875,972	291,390	(5,280)	-	-	(659,759)	(14,491)	2,487,832
Machinery and Equipment	5,441,038	-	(22,125)	10,155,324	-	(2,333,303)	(936)	13,239,998
Computer Equipment	1,714,262	1,051,130	(22,937)	-	-	(553,704)	(2,709)	2,186,042
Transport Assets	11,734,927	1,079,482	(462,729)	9,201,592	-	(3,785,452)	-	17,767,820
Capital - Work in Progress	91,795,661	83,111,727	-	(43,023,482)	-	-	(3,824,558)	128,059,348
	<b>1,040,425,692</b>	<b>113,058,168</b>	<b>(4,519,092)</b>	<b>(8,544,012)</b>	<b>-</b>	<b>(57,061,477)</b>	<b>4,244,020</b>	<b>1,087,603,299</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

	Opening balance	Additions	Disposals	Transfers	Assets Expensed	Depreciation	Impairment loss	Total
Land	175,308,486	-	-	-	-	-	-	175,308,486
Buildings	60,547,784	6,858,209	-	-	-	(3,956,793)	(5,040)	63,444,160
Leased assets capitalised	21,776,301	-	-	-	-	(2,419,384)	-	19,356,917
Roads Infrastructure	570,533,515	-	(395,713)	58,410,523	-	(40,562,698)	(133,636)	587,851,991
Solid Waste Infrastructure	11,740,724	7,217,218	-	135,601	-	(811,880)	-	18,281,663
Electrical Infrastructure	46,741,258	-	(11,922)	3,009,399	-	(4,301,901)	(210,946)	45,225,888
Community	18,203,372	352,641	(7,909)	-	-	(1,152,954)	(423)	17,394,727
Furniture and Office Equipment	2,055,464	1,453,963	(559)	-	-	(625,385)	(7,511)	2,875,972
Machinery and Equipment	5,124,992	1,760,111	(5,155)	-	-	(1,438,849)	(61)	5,441,038
Computer Equipment	1,424,137	769,069	-	-	-	(458,663)	(20,281)	1,714,262
Transport Assets	15,115,726	-	-	-	-	(3,380,799)	-	11,734,927
Capital - Work in Progress	94,441,805	78,750,066	-	(66,221,782)	(15,174,428)	-	-	91,795,661
	<b>1,023,013,564</b>	<b>97,161,277</b>	<b>(421,258)</b>	<b>(4,666,259)</b>	<b>(15,174,428)</b>	<b>(59,109,306)</b>	<b>(377,898)</b>	<b>1,040,425,692</b>

### Changes to 2021 disclosure

The Reconciliation of property plant and equipment - June 2021 was amended by disclosing R3 009 399 under transfers instead of additions. This is because this amount relate to transfers from inventory.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

Below are halted 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	Reason for halting the construction	Impairment June 2022	Carrying value of halted projects June 2022	Impairment June 2021	Carrying value of halted projects June 2021
Electrification of Zenzele	Work in Progress	No	Projects implemented on land that is privately owned	-	2,907,494	-	2,907,494
Fencing of Elandsdoorn Cemetery	Work in Progress	Yes	The project was disrupted by community	648,202	216,067	-	864,269
<b>Total</b>		-		<b>648,202</b>	<b>3,123,561</b>		<b>3,771,763</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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	Reason for halting the construction	Impairment June 2022	Carrying value of halted projects June 2022	Impairment June 2021	Carrying value of halted projects June 2021
Kgaphamadi Bus Road Phase 1E	Work in Progress	No	The project had delays that negatively affected the finalization of the remaining snaglist on site	-	43,440,141	-	43,440,141
Groblersdal Landfill site	Work in Progress	No	Designs not compliant with new Department of Water and Sanitation standards/ requirements on landfill sites	-	9,795,810	-	9,795,810
<b>Total</b>	-	-	-	-	<b>53,235,951</b>	-	<b>53,235,951</b>

Expenditure incurred to repair and maintain property, plant and equipment

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

Expenditure

10,849,640

7,026,445

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

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 was performed during the 2022 and 2021 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:

<b>Description</b>	<b>Rating</b>
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 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Heritage Assets

	2022			2021		
	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 2022

Heritage Assets	Opening balance 463,363	Total 463,363
-----------------	-------------------------------	------------------

#### Reconciliation of heritage assets - June 2021

Heritage Assets	Opening balance 463,363	Total 463,363
-----------------	-------------------------------	------------------

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 6. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,554,591	(1,540,430)	14,161	1,554,591	(1,532,029)	22,562

#### Reconciliation of intangible assets - June 2022

	Opening balance	Amortisation	Total
Computer software	22,562	(8,401)	14,161

#### Reconciliation of intangible assets - June 2021

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

#### 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 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 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 -Opening balance	(24,324,000)	(33,047,000)
Interest charge	(2,378,000)	(3,210,000)
Net actuarial gains or losses recognised	2,084,200	11,258,054
Current Service Cost	(1,025,000)	(937,000)
Benefits paid out of the fund	1,111,799	1,611,946
	<b>(24,531,000)</b>	<b>(24,324,000)</b>
Non-current liabilities	(23,583,000)	(23,302,000)
Current liabilities	(948,000)	(1,022,000)
	<b>(24,531,000)</b>	<b>(24,324,000)</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening balance	15,601,000	24,324,000
Net expense recognised in the statement of financial performance	207,001	(8,723,000)
	<b>15,808,001</b>	<b>15,601,000</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1,025,000	937,000
Interest cost	2,378,000	3,210,000
Actuarial (gains) losses	(2,084,200)	(11,258,054)
Paid out to current members	(1,111,799)	(1,611,946)
	<b>207,001</b>	<b>(8,723,000)</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses	(2,084,201)	(11,258,054)
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used: Long service awards	11.03 %	9.27 %
General salary inflation (Long Term)	7.33 %	5.79 %
Nett effective discount rate - Long service awards	3.45 %	3.29 %
Discount rate used: Post employment benefits	11.82 %	9.98 %
Health care inflation rate	8.43 %	6.78 %
Net effective discount rate - Post employment benefits	3.13 %	3.00 %

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 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 (defined benefit obligation)	3,680,000	3,059,000
Effect on defined benefit obligation	26,033,000	22,633,000

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost ( Long service awards)	1,508,000	1,309,000
Effect on Long service awards obligation	8,596,000	7,645,000

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.

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	24,531,000	24,324,000	33,047,000	36,472,000	38,040,665
Experience adjustments on plan liabilities	(957,000)	(2,118,000)	174,000	(2,204,000)	(1,888,000)
	2022 R	2021 R	2020 R	2019 R	2018 R
Long service award	8,099,000	7,416,000	6,900,000	6,010,000	5,347,000
Experience adjustments on plan liabilities	750,854	774,714	455,307	582,882	287,873

### 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	16,536,410	16,008,248
--------------------------	------------	------------

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>9. Inventories</b>		
Consumables	9,854,683	11,081,710
Unsold Properties Held for Resale	10,500,000	-
	<b>20,354,683</b>	<b>11,081,710</b>
<b>9.1 Consumables expenses</b>		
<b>Statement of Financial Position</b>		
Opening stock	11,081,710	8,963,783
Add: Purchases	19,900,034	9,579,912
Less: Consumed	(21,127,060)	(7,461,986)
Closing stock	9,854,683	11,081,710
<b>Statement of Financial Performance</b>		
Repairs And Maintenance used	7,278,941	5,309,015
Printing And Stationery used	1,462,005	1,291,584
Advertising	-	32,807
Motor vehicle expenses	-	55,000
Materials and supplies	3,728,321	-
Inventories recognised as an expense during the year	<b>12,469,267</b>	<b>6,688,406</b>
Inventories Recognised as Non current assets	8,657,793	773,580
<b>Total inventory consumed</b>	<b>21,127,060</b>	<b>7,461,986</b>

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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>10. Receivables from exchange transactions</b>		
Prepayments	240,999	207,304
Trade debtors	2,416,512	2,031,460
	<b>2,657,511</b>	<b>2,238,764</b>
<b>11. Receivables from non-exchange transactions</b>		
Traffic fines	4,367,127	7,063,800
Less: Provision for irrecoverable debt traffic fines	(1,142,466)	(3,500,372)
Debit orders to be recovered	460,166	311,596
	<b>3,684,827</b>	<b>3,875,024</b>
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	3,500,372	143,722,460
Contribution to provision for traffic fines impairment	(2,357,906)	41,690,213
Bad debts traffic fines	-	(181,912,301)
	<b>1,142,466</b>	<b>3,500,372</b>

As of 30 June 2022, traffic fines debtors of R 4 367 127 (2021: R 7 063 800) were impaired and provided for.

The amount of the provision was R 1 142 466 as at 30 June 2022 (2021: R 3 500 372).

Debt impairment written off against allowance was R 0 as at 30 June 2022 (2021: R 181 912 301)

## 12. VAT receivable

VAT Accrual	12,514,107	8,883,151
VAT Cash basis	1,953,500	7,340,967
	<b>14,467,607</b>	<b>16,224,118</b>

VAT receivable is a statutory receivable per GRAP 108.

In terms of the VAT Act, 1991 (Act No. 89 of 1991) and its amendments, municipalities must be VAT registered and must declare Output tax on the taxable supply of goods and services and claim Input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies).

That VAT balance accumulates every time the municipality transact in taxable supplies.

The transaction amount is determined by multiplying the standard-rated supplies by 15% and Zero-rated supplies by 0%.

Statutory receivable are impaired only when SARS reduces an assessment, and the municipality objection is denied by SARS.

There are no VAT balances that are past due as at year end.

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.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	61,774,080	51,790,625
Electricity	16,699,890	16,365,855
Refuse	21,020,711	16,883,656
Interest exchange	10,827,701	7,564,089
Interest non-exchange	46,721,071	33,279,221
VAT	6,368,905	5,643,469
Other	2,304,905	2,627,809
	<b>165,717,263</b>	<b>134,154,724</b>
<b>Less: Allowance for impairment</b>		
Rates	(27,321,349)	(21,700,172)
Electricity	(1,768,649)	(1,300,854)
Refuse	(10,169,026)	(7,672,508)
Interest exchange	(5,232,810)	(3,399,500)
Interest non-exchange	(21,653,347)	(14,956,553)
VAT	(2,074,402)	(1,679,555)
Other	(966,505)	(1,013,089)
	<b>(69,186,088)</b>	<b>(51,722,231)</b>
<b>Net balance</b>		
Rates	34,452,731	30,090,453
Electricity	14,931,241	15,065,001
Refuse	10,851,685	9,211,148
Interest exchange	5,594,891	4,164,589
Interest non-exchange	25,067,724	18,322,668
VAT	4,294,503	3,963,914
Other	1,338,400	1,614,720
	<b>96,531,175</b>	<b>82,432,493</b>
<b>Rates</b>		
Current (0 -30 days)	3,158,222	3,120,892
31 - 60 days	1,724,169	1,886,687
61 - 90 days	1,327,826	1,367,626
91 - 120 days	1,267,561	1,318,771
121 - 365 days	7,895,706	7,981,843
> 365 days	46,400,596	36,114,806
	<b>61,774,080</b>	<b>51,790,625</b>
<b>Electricity</b>		
Current (0 -30 days)	11,246,717	11,212,054
31 - 60 days	1,810,208	2,292,233
61 - 90 days	177,449	167,532
91 - 120 days	135,003	124,031
121 - 365 days	779,848	614,165
> 365 days	2,550,665	1,955,840
	<b>16,699,890</b>	<b>16,365,855</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>Refuse</b>		
Current (0 -30 days)	772,691	752,178
31 - 60 days	571,740	540,104
61 - 90 days	421,746	413,344
91 - 120 days	393,500	406,750
121 - 365 days	2,744,676	2,767,246
> 365 days	16,116,358	12,004,034
	<b>21,020,711</b>	<b>16,883,656</b>
<b>Interest</b>		
Current (0 -30 days)	1,765,514	1,368,119
31 - 60 days	1,693,265	1,495,270
61 - 90 days	1,650,851	1,444,199
91 - 120 days	1,609,403	1,396,787
121 - 365 days	10,172,882	8,722,783
> 365 days	40,656,858	26,416,152
	<b>57,548,773</b>	<b>40,843,310</b>
<b>VAT</b>		
Current (0 -30 days)	1,192,631	1,794,483
31 - 60 days	363,848	427,891
61 - 90 days	94,377	90,944
91 - 120 days	80,904	98,832
121 - 365 days	549,071	530,484
> 365 days	3,468,679	2,700,836
	<b>5,749,510</b>	<b>5,643,470</b>
<b>Other</b>		
Current (0 -30 days)	74,097	59,043
31 - 60 days	50,016	58,550
61 - 90 days	29,784	28,426
91 - 120 days	28,630	149,850
121 - 365 days	154,529	202,517
> 365 days	1,967,849	2,129,423
	<b>2,304,905</b>	<b>2,627,809</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	10,031,740	4,805,076
31 - 60 days	3,060,173	2,933,042
61 - 90 days	2,067,983	1,827,595
91 - 120 days	1,991,573	1,760,440
121 - 365 days	12,897,554	11,316,059
> 365 days	64,839,826	42,761,628
	<hr/>	<hr/>
	94,888,849	65,403,840
Less: Allowance for impairment	(40,975,482)	(28,011,592)
	<hr/>	<hr/>
	<b>53,913,367</b>	<b>37,392,248</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	8,080,105	7,299,415
31 - 60 days	2,855,205	3,000,993
61 - 90 days	1,510,078	1,248,205
91 - 120 days	1,436,586	1,210,236
121 - 365 days	8,832,640	6,972,489
> 365 days	42,265,441	29,338,273
	<hr/>	<hr/>
	64,980,055	49,069,611
Less: Allowance for impairment	(26,040,195)	(18,386,956)
	<hr/>	<hr/>
	<b>38,939,860</b>	<b>30,682,655</b>
<b>National and provincial government</b>		
Current (0 -30 days)	717,423	1,067,900
31 - 60 days	297,868	766,701
61 - 90 days	123,973	436,270
91 - 120 days	86,842	524,344
121 - 365 days	566,518	2,530,488
> 365 days	4,055,737	9,221,191
	<hr/>	<hr/>
	5,848,361	14,546,894
Less: Allowance for impairment	(2,170,412)	(5,323,684)
	<hr/>	<hr/>
	<b>3,677,949</b>	<b>9,223,210</b>
<b>Total</b>		
Consumers	94,888,848	70,538,219
Commercial / industrial / agricultural	64,980,055	49,069,613
National, Provincial and other government organisations	5,848,360	14,546,894
	<hr/>	<hr/>
	165,717,263	134,154,726
Less: Allowance for impairment	(69,186,088)	(51,722,233)
	<hr/>	<hr/>
	<b>96,531,175</b>	<b>82,432,493</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(51,722,229)	(46,833,837)
Contributions to allowance	(17,463,859)	(19,636,852)
Debt impairment written off against allowance	-	14,748,458
	<hr/>	<hr/>
	<b>(69,186,088)</b>	<b>(51,722,231)</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### Consumer debtors impaired

As of 30 June 2022, consumer debtors of R 165 717 263 (2021: R 134 154 726) were impaired and provided for.

The amount of the provision was R 69,186,088 as at 30 June 2022 (2021: R (51,722,231)). 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 zero as at 30 June 2022 and 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	59,520,455	48,413,121
Consumer debtors from exchange transactions	<u>37,010,720</u>	<u>34,019,372</u>
Total	<u><b>96,531,175</b></u>	<u><b>82,432,493</b></u>

### 14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,799	1,180
Bank balances	14,703,231	6,814,520
	<u><b>14,710,030</b></u>	<u><b>6,815,700</b></u>

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 2022	30 June 2021	30 June 2022	30 June 2021
Nedbank Limited: Cheque Account (Acc no 1137278765)	4,581,155	- 6,723,762	4,703,231	- 6,813,520
Nedbank Limited: Call Account (1211262103)	9,999,575	-	10,000,000	-
<b>Total</b>	<u><b>14,580,730</b></u>	<u><b>- 6,723,762</b></u>	<u><b>14,703,231</b></u>	<u><b>- 6,813,520</b></u>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	8,117,986	2,480,665
- in second to fifth year inclusive	13,810,318	-
	<hr/>	<hr/>
	21,928,304	2,480,665
less: future finance charges	(2,588,102)	(39,284)
<b>Present value of minimum lease payments</b>	<hr/> <b>19,340,202</b> <hr/>	<hr/> <b>2,441,381</b> <hr/>
Non-current liabilities	12,702,191	-
Current liabilities	6,638,010	2,441,380
	<hr/>	<hr/>
	<b>19,340,201</b>	<b>2,441,380</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:**

<b>Unspent conditional grants and receipts</b>		
Land Affairs Grant	466,250	466,250
Integrated National Electrification Programme (Municipal Grant)	5,396,288	440,611
Municipal Infrastructure Grant	60,192	-
CoGHSTA - Development of Masakaneng	299,762	299,762
Education Training and Development Practices SETA	266,853	(1)
	<hr/>	<hr/>
	<b>6,489,345</b>	<b>1,206,622</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 27 for reconciliation of grants from National/Provincial Government.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>17. Deferred income</b>		
<b>At amortised cost</b>		
Deferred income - Long term portion	2,942,982	3,135,964
<b>At amortised cost</b>		
Deferred income - Short term portion	192,983	192,983
<b>Non-current liabilities</b>		
Deferred income	2,942,982	3,135,964
<b>Current liabilities</b>		
Deferred income	192,983	192,983

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).

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 18. Provisions

#### Reconciliation of provisions - June 2022

	Opening Balance	Current Service Cost/Change in provision	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	46,628,201	6,135,438	-	1,081,774	-	53,845,413
Provision for Long Service Leave	7,416,000	757,000	(1,331,854)	646,000	611,854	8,099,000
	<b>54,044,201</b>	<b>6,892,438</b>	<b>(1,331,854)</b>	<b>1,727,774</b>	<b>611,854</b>	<b>61,944,413</b>

#### Reconciliation of provisions - June 2021

	Opening Balance	Current Service Cost/Change in provision	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	37,898,820	7,217,218	-	1,512,163	-	46,628,201
Provision for Long Service Leave Bonus	6,900,000	707,000	(1,404,714)	475,000	738,714	7,416,000
	<b>44,798,820</b>	<b>7,924,218</b>	<b>(1,404,714)</b>	<b>1,987,163</b>	<b>738,714</b>	<b>54,044,201</b>

Non Current Portion Landfill site provision	51,866,769	45,546,427
Current Portion Landfill site provision	1,978,644	1,081,774
Non-current portion of long service leave provision	7,563,000	6,495,000
Current portion of long service leave provision	536,000	921,000
	<b>61,944,413</b>	<b>54,044,201</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 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 2022

#### Rates and information used:

Discount rate (D): 8.58%

Price inflation (I): 5.76%

Net discount rate  $(1+D)/(1+I)-1 = 5.11\%$

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 2021

#### 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 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

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 2022	Remaining life in yrs on 30 June 2021
Groblersdal	7/4/2011	7/4/2027	16	4.77	5.77
Roosenekal	17/12/2020	16/4/2025	5	2.8	3.8

### 19. Payables from exchange transactions

Trade payables	43,896,395	31,347,251
Payments received in advanced Consumer Accounts	3,255,220	4,008,936
Accrued leave pay	20,977,717	20,955,479
Accrued bonus	8,456,229	7,663,003
Retention Creditors	16,574,051	17,235,470
Unallocated deposits	2,877,637	3,630,362
Reimbursements	-	18,695
	<b>96,037,249</b>	<b>84,859,196</b>

### 20. Payables from non - exchange transactions

SARS tax directives	499,189	499,189
---------------------	---------	---------

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	5,621,490	5,778,288
-------------	-----------	-----------

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.

### 22. Service charges

Sale of electricity	98,370,604	93,437,504
Refuse removal	9,382,773	8,925,673
	<b>107,753,377</b>	<b>102,363,177</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>23. Other income</b>		
Staff Recoveries	639,276	557,523
Other income	1,415,317	1,276,755
	<b>2,054,593</b>	<b>1,834,278</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 and Advertisements.

### 24. Interest revenue

#### Interest revenue

Bank and investments	1,779,822	584,827
Interest charged on exchange consumer debtors	3,525,804	3,341,059
Interest charged on non-exchange consumer debtors	15,229,408	12,870,041
Interest received on Eskom deposits	528,162	629,681
	<b>21,063,196</b>	<b>17,425,608</b>

### 25. Property rates

#### Rates billed

Rates levied	47,634,929	47,281,286
Less: Income forgone (Property rates rebates)	(7,721,693)	(7,839,425)
	<b>39,913,236</b>	<b>39,441,861</b>

#### Valuations

Residential	2,451,732,500	2,366,495,500
Commercial	1,080,581,000	1,067,861,000
State	219,497,050	385,036,050
Municipal	316,749,100	270,912,100
Small holdings and farms	4,354,758,725	4,291,338,725
Social	59,886,000	59,816,000
	<b>8,483,204,375</b>	<b>8,441,459,375</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.

### 26. Grants and subsidies paid

#### Other subsidies

Electricity Subsidies	1,232,051	1,311,550
Bursaries	315,264	211,588
Post Employment Medical Aid Benefits - Interest Charge	1,044,000	1,752,000
	<b>2,591,315</b>	<b>3,275,138</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
--	------	------

### 27. Government grants and subsidies

#### Operating grants

Equitable share	302,788,000	347,525,830
Expanded Public Works Programme Integrated Grant for Municipalities	2,199,000	1,681,000
Local Government Financial Management Grant	2,650,000	2,600,000
Education Training and Development Practices SETA	-	101,588
	<b>307,637,000</b>	<b>351,908,418</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	57,923,808	53,891,000
Integrated National Electrification Programme Grant (INEP)	16,392,323	14,559,389
	<b>74,316,131</b>	<b>68,450,389</b>
	<b>381,953,131</b>	<b>420,358,807</b>

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	4,690,394
Current-year receipts	57,984,000	53,891,000
Conditions met - transferred to revenue	(57,923,808)	(53,891,000)
Amount paid back to NRF	-	(4,690,394)
	<b>60,192</b>	<b>-</b>

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

#### Financial Management Grant (FMG)

Current-year receipts	2,650,000	2,600,000
Conditions met - transferred to revenue	(2,650,000)	(2,600,000)
	<b>-</b>	<b>-</b>

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

#### Land Affairs Grant

Balance unspent at beginning of year	466,250	466,250
--------------------------------------	---------	---------

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
--	------	------

### INEP-Integrated national Electrification Programme Grant

Balance unspent at beginning of year	440,611	58,342
Current-year receipts	21,348,000	15,000,000
Conditions met - transferred to revenue	(16,391,937)	(14,559,389)
Amount paid to NRF	-	(58,342)
	<b>5,396,674</b>	<b>440,611</b>

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

### Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)

Current-year receipts	2,199,000	1,681,000
Conditions met - transferred to revenue	(2,199,000)	(1,681,000)
	-	-

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

### Education Training and Development Practices SETA

Balance unspent at beginning of year	-	101,588
Conditions met - transferred to revenue	-	(101,588)
Current-year receipts	266,852	-
	<b>(266,852)</b>	-

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

### COGHSTA - Development of Masakaneng

Balance unspent at beginning of year	299,762	299,762
--------------------------------------	---------	---------

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>28. Employee related costs</b>		
Acting allowances	524,057	697,830
Basic salary	98,264,765	93,585,230
Bonus	7,813,884	7,661,486
Defined contribution plans	19,954,081	18,358,318
Housing benefits and allowances	219,908	206,404
Contribution to provision for Leave and bonus pay	1,439,117	6,687,829
Medical aid - company contributions	5,442,199	5,227,775
Directors' remuneration as disclosed below	3,847,153	6,614,733
Overtime payments	2,024,967	2,150,339
Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge	1,737,981	1,644,001
Post Employment Medical Aid Benefits and Long Service Leave - Interest Charge	1,980,000	1,933,000
SDL	1,241,199	997,869
Car, Cellphone and other allowances	14,935,174	14,019,902
UIF	719,880	629,024
WCA	42,579	40,917
	<b>160,186,944</b>	<b>160,454,657</b>

Included in the above balances is (unless stated otherwise) the remuneration for the following 57 municipal employees:

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### Remuneration of Municipal Manager - R Maredi

Annual Remuneration	-	177,933
Retirement settlement	-	1,386,637
Car Allowance	-	20,000
Cell Phone Allowance	-	5,000
Contributions to Medical and Pension Funds	-	13,345
Contribution to UIF and SDL	-	297
Annual Bonus	-	59,311
Contribution to Bargaining Council	-	20
N.P.A	-	5,000
	-	<b>1,667,543</b>

### Director Planning and Development - N Phala

Annual Remuneration	-	84,455
Car Allowance	-	10,000
Cellphone allowance	-	2,300
Contribution to Bargaining Council	-	10
Contribution to UIF and SDL	-	149
	-	<b>96,914</b>

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

Acting allowance (July 2021 to June 2022)	24,357	78,619
---	--------	--------

### Remuneration of Municipal Manager - M Kgwale

Annual Remuneration	1,081,664	551,930
Car Allowance	108,000	54,000
Contributions to Medical and Pension Funds	106,334	41,395
Contribution to UIF and SDL	14,463	6,608
Annual Bonus	91,988	-
Contribution to Bargaining Council	124	59
Cellphone allowance	30,000	15,000
	<b>1,432,573</b>	<b>668,992</b>

### Remuneration of Acting Chief Financial Officer - Tjiane M C

Acting allowances - (July 2020 to November 2020)	-	10,171
--	---	--------

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>Remuneration of Director of Community Services - G Kegopotsemang</b>		
Annual Remuneration	940,045	953,818
Car Allowance	60,000	60,000
Contributions to Medical and Pension Funds	55,005	49,910
Cellphone allowance	27,600	27,600
Contribution to UIF and SDL	14,012	11,611
Contribution to Bargaining Council	124	119
Annual Bonus	117,976	78,819
	<b>1,214,762</b>	<b>1,181,877</b>
<b>Remuneration of Acting Directors Community Services</b>		
Acting Allowance (M Mathebe - January 2021)	-	5,523
Acting Allowance (C Coetzee - 2022) (September 2021)	2,832	-
Acting Allowance (N Mahlangu - 2022) (January 2022)	3,739	-
	<b>6,571</b>	<b>5,523</b>
<b>Remuneration of Director of Corporate Services - N Matumane</b>		
Annual Remuneration	1,115,463	1,115,463
Car Allowance	42,902	45,961
Annual Bonus	-	77,181
Cellphone allowance	27,600	27,600
Contribution to Bargaining Council	124	119
Contribution to UIF and SDL	13,729	12,257
	<b>1,199,818</b>	<b>1,278,581</b>
<b>Remuneration of Acting Director Infrastructure - J Maboa</b>		
Acting Allowance (April - 2022)	8,794	-
<b>Director Executive Support - M Kgwale</b>		
Annual Remuneration	-	442,646
Car Allowance	-	54,000
Cellphone allowance	-	13,800
Contributions to Medical and Pension Funds	-	33,198
Annual Bonus	-	73,774
Contribution to UIF and SDL	-	5,052
Contribution to Bargaining Council	-	59
	-	<b>622,529</b>
<b>Remuneration of Acting Municipal Manager - M M Kgwale</b>		
Acting Allowance (July to December 2021)	-	46,825
<b>Director of Infrastructure - N Makgata</b>		
Annual Remuneration	-	620,264
Annual Bonus	-	81,715
Leave pay	-	32,993
Car Allowance	-	204,184
Contributions to Medical and Pension Funds	-	76,606

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
Cell Phone Allowance	-	23,000
Contribution to UIF and SDL	-	9,016
Contribution to Bargaining Council	-	99
Acting Allowance - Acting Municipal Manager (January 2021)	-	3,594
	-	<b>1,051,471</b>
<b>Remuneration of Acting Director of Infrastructure - Malaka Jk</b>		
Acting Allowance (July and June 2022)	74,891	3,378

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 29. Remuneration of councillors

Mayor	964,015	944,482
Speaker	776,758	764,394
Executive Committee Councillors	5,005,548	4,823,446
Ordinary Councillors	18,076,637	17,591,927
Chief Whip	744,120	721,019
	<b>25,567,076</b>	<b>24,845,268</b>

#### In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and four (MMC Finance, MMC Infrastructure, MMC Corporate services and MMC Development planning) part time Exco councillors. The aforementioned 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 29 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 52.

#### Remuneration of Mayor

Car Allowance	226,213	223,463
Annual Remuneration	580,919	507,263
Contributions to Medical and Pension Funds	113,364	163,124
SDL	7,319	6,232
Cellphone and other	36,200	44,400
	<b>964,015</b>	<b>944,482</b>

#### Remuneration of Speaker

Car Allowance	184,432	178,770
Annual Remuneration	474,003	466,355
Contributions to Medical and Pension Funds	71,629	69,953
SDL	5,894	4,914
Cellphone and other	40,800	44,400
	<b>776,758</b>	<b>764,392</b>

#### Remuneration of Executive Committee

Annual bonus	36,000	-
Car Allowance	1,165,694	1,194,113
Annual Remuneration	2,982,656	2,787,950
Contributions to Medical and Pension Funds	423,979	409,371
SDL	39,418	32,413
Cellphone and other	357,800	399,600
	<b>5,005,547</b>	<b>4,823,447</b>

#### Remuneration of Chief Whip

Car Allowance	182,853	168,667
Annual Remuneration	424,611	388,226
Contributions to Medical and Pension Funds	90,243	114,960
Cellphone and other	40,800	44,400
SDL	5,613	4,766
	<b>744,120</b>	<b>721,019</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### Remuneration of Ordinary Councillors

Car Allowance	4,038,728	4,024,217
Annual Remuneration	10,439,624	10,034,124
Contributions to Medical and Pension Funds	1,404,408	1,238,338
Cellphone and other	2,050,519	2,175,600
SDL	143,357	119,649
	<b>18,076,636</b>	<b>17,591,928</b>

### 30. Finance costs

Finance leases	523,929	850,672
Late payment of creditors	2,449	1,272,276
	<b>526,378</b>	<b>2,122,948</b>

Total Lease interest expense R523 929 for 2022 financial year and R850 671.52 for 2021 financial year, calculated using the effective interest rate of 10.25% and 10% on finance leases. The amount that relate to late payment of creditors is R2 449 and R1 272 276 for 2022 and 2021 financial years respectively.

### 31. Debt impairment

Contributions to debt impairment consumers	17,463,857	19,636,853
Contributions to debt impairment traffic fines	2,226,009	41,690,213
	<b>19,689,866</b>	<b>61,327,066</b>

### 32. Bulk purchases

Electricity	97,948,551	88,245,584
-------------	------------	------------

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>33. General expenses</b>		
Administration and management fees	1,581,046	1,467,910
Advertising	450,621	462,478
Assets expensed	96,310	15,259,247
Audit Committee	992,975	811,134
Auditors remuneration	5,553,965	5,433,649
Bank charges	414,394	544,658
Bursaries	483,875	579,613
Community services - developmental and outreach programmes	140,117	23,412
Conferences and seminars	6,837,955	4,911,791
Consulting and professional fees	22,643,428	21,417,467
Consumables	7,754,951	6,651,569
Discount allowed - COVID 19 Relief to consumers	-	4,777,652
Electricity Water and Refuse - Municipal Consumption	8,454,688	12,902,845
Entertainment	22,040	722
Eskom Connection Fees	-	160,146
IT expenses	10,835,054	9,508,580
Insurance	4,840,552	3,608,570
Landfill site - interest landfill rehabilitation provision	1,081,774	1,512,163
Motor vehicle expenses	764,871	568,373
Operation of landfill site	1,236,357	2,220,024
Postage and courier	48,748	13,909
Printing and stationery	4,390,094	4,823,218
Resettlement Cost	858	20,750
Remuneration to Ward Committees	3,257,600	5,097,500
SARS Adjustments	884,685	563,649
Security (Guarding of municipal property)	22,023,806	20,927,172
Staff welfare	1,303,164	1,271,738
Subscriptions and membership fees	2,018,209	1,900,468
Telephone and fax	2,023,831	2,912,619
Town planning - Valuation costs	6,635,407	784,970
Travel and Subsistance reimbursement	2,338,021	1,385,181
Uniforms	1,790,995	589,077
	<b>120,900,391</b>	<b>133,112,254</b>

During the 2021 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.

### 34. Operating lease Income

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

##### Minimum lease payments due

- within one year	396,040	249,506
- in second to fifth year inclusive	416,773	748,840
- later than five years	-	495,820
	<b>812,813</b>	<b>1,494,166</b>

Revenue for the year included Rental income from facilities and equipment **1,018,944** **1 007 428**

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. Cash generated from operations</b>		
Surplus/(deficit)	51,639,924	48,895,579
<b>Adjustments for:</b>		
Depreciation and amortisation	57,069,878	59,117,720
Loss/(Gain) on sale of assets	4,825,350	658,508
Landfill site - additional interest landfill rehabilitation provision	1,081,774	1,512,163
Fair value adjustments - actuarial gains and losses	(1,472,347)	(10,519,340)
Fines withdrawn/reduced	1,473,950	1,855,200
Impairment	(4,244,020)	377,898
Debt impairment	19,689,866	61,327,066
Discount allowed - COVID 19 Relief to consumers	-	4,777,652
Movements in retirement benefit assets and liabilities	(1,111,800)	(1,611,946)
Movements in provision for long service awards	(1,331,854)	(1,404,714)
Eskom interest	(528,162)	(629,681)
Deferred Income movement	(192,983)	(192,983)
VAT Adjustments	884,685	563,649
Post Employment Medical Aid Benefits and Long Service Leave interest	2,781,981	3,396,000
Employee costs Contribution to provision for Leave and bonus pay	1,483,136	6,687,829
Post Employment Medical Aid Benefits and Long Service Leave current service cost	1,980,000	1,933,000
Fair Value Adjustments	(16,701,549)	(10,494,434)
<b>Changes in working capital:</b>		
Inventories	(9,272,982)	(2,117,927)
Receivables from exchange transactions	(418,747)	265,485
Consumer debtors	(31,562,539)	(31,188,854)
Receivables from non-exchange transactions	(3,361,192)	(4,243,049)
Payables from exchange transactions	9,738,936	(14,231,616)
VAT	871,826	(9,783,540)
Payables from non - exchange transactions	-	499,189
Unspent conditional grants and receipts	5,282,722	(4,409,809)
Consumer deposits	(156,798)	271,837
Debit orders to be recovered	(148,570)	(311,596)
	<b>88,300,485</b>	<b>100,999,286</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
--	------	------

### 36. Commitments

#### Authorised capital expenditure

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

• Property, plant and equipment	70,984,259	8,646,469
---------------------------------	------------	-----------

##### Total capital commitments

Already contracted for but not provided for	70,984,259	8,646,469
---	------------	-----------

##### Total commitments

##### Total commitments

Authorised capital expenditure	70,984,259	8,646,469
--------------------------------	------------	-----------

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	8,117,986	2,480,665
- in second to fifth year inclusive	13,810,318	-
	<b>21,928,304</b>	<b>2,480,665</b>

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

##### Minimum lease payments due

- within one year	4,860,611	2,552,365
- in second to fifth year inclusive	5,779,256	4,394,859
	<b>10,639,867</b>	<b>6,947,224</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.

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 37. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is +/- R 5 478 425.03 (June 2022); +/- R 6 081 754 (June 2021)

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 2022	Estimated claim 2021
Phambane Mokone Inc	Elias Motsoaledi Municipality v Mohlala 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 is finalised. It was finalised in favour of the Municipality. The employee's application was dismissed. No cost order on the matter.		350,000.00
Phambane Mokone Inc	Elias Motsoaledi Local Municipality // Mohlala Leonox	Description: High Court matter. the plaintiff is suing the municipality for contavening its own Bylaws Legal Counsel used: Adv Ramatsekisa	Matter pending: applicant has not yet filed his papers. we are awaiting for the applicant to respond.	550,000.00	550,000.00
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: Municipality still awaiting for the applicant to reply.	600,000.00	600,000.00
MASONDO KHUMALO INC	REKHUDITSE CONTRACT AND CLEANING SERVICES // ELIAS MOTSOALEDI 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 matter was finalised and we were instructed to oppose a bill of cost brought by Rekhuditse for their legal cost, which were granted against the Municipality.	Bill of cost opposed and the amount billed and reduced to R85 133,58;	145,133.58	258,403.00
MASONDO KHUMALO INC	MOFOKENG // ELIAS MOTSOALEDI 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 finalised. The application was dismissed and the Council resolved to reinstate the employee.		820,000.00

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021		
MASONDO KHUMALO INC	PERI FORMWORK SCAFFOLDING AND ENGINEERING (PTY) LTD // ELIAS MOTSOALEDI 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.	Municipality was removed as party to the matter by the Plaintiff. Municipality is in the process of making an application to recover legal costs incurred thus far.	200,000.00	1,333,352.00
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	450,000.00	450,000.00
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: awaiting for the applicant to set down the matter.	310,000.00	310,000.00
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 finalised and order was granted in favour of the municipality with costs.		580,000.00
MPOYANA LEDWABA INC	MPHELA ATTORNEYS// EMLM Case 374/2020	The Plaintiff alleges that the Municipality owes them the legal fees of the matter they worked for on behalf of the Municipality in January 2013.	Matter pending. Parties are in the process of exchanging documents	333,482.58	
MPOYANA LEDWABA INC	MPHELA ATTORNEYS// EMLM Case 384/2020	The Plaintiff alleges that the Municipality owes them the legal fees of the matter they worked for on behalf of the Municipality in September 2013.	Matter pending. Parties are in the process of exchanging documents	339,808.87	
MPOYANA LEDWABA INC	Masakwameng Trading// EMLM	The Plaintiff claims that the Municipality appointed them on the tender and could not resume work and the tender was advertised and someone else was appointed.	Matter pending. Parties are in the process of exchanging documents	2,200,000.00	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand				2022	2021
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	Matter finalised and order was granted in favour of the municipality.		480,000.00
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	350,000.00	350,000.00
				<b>5,478,425.03</b>	<b>6,081,755.00</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 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 2022); +/- R 3 508 186 (June 2021). 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 2022	Estimated claim 2021
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. Matter pending: application documents drafted and still to be served.	1,218,186.39	1,218,186.39
MPHOKE MAGANE P.K INC	EMLM// JQ FAMILY TRUST	The Municipality filed an application to compel the Respondent to comply with the Municipal By-Law.	Matter not finalised as at year-end.	500,000.00	

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
MPOYANA LEDWABA INC	EMLM// YB MASHALABA & ASSOCIATES CONSULTANTS 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 finalised.the Respondent submitted the documents required for the establishment of the township. Council resolved to withdraw the matter.	2,290,000.00
		<b>1,718,186.39</b>	<b>3,508,186.39</b>	

### 38. Related parties

Relationships  
Accounting Officer

Refer to accounting officer's report note 29

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	29	25,567,078	24,845,266
Section 57 Managers remuneration	28	3,847,153	6,614,733

##### Balances

Post employment benefit plan for employees and/or other related parties	7	24,531,000	24,324,000
---	---	------------	------------

# ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

In terms of SCM regulation 45 – 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 2022 and 2021 financial years.

Number	Company information		Person in employ of state			Financial Year	
	Service Provider	Director of the company	Department	Employee	Relationship	2,022	2021
1	Mogalemole Consulting Engineer	Njipa Herman Mankga	Road Agency Limpopo	Paulina Mankga (Project Manager)	Wife	669,199	781,257
2	Makgonatsohle Trading Entreprise	Gift Nkabang Mawela	Department of Education	Masehoane Mawela (Teacher - Department of Education)	Wife	2,184,378	
3	Assist Communication Agency	Dikeledi Bertha Ramphisa	Elias Motsoaledi Local Municipality	Legogang Ramphisa (PA of Snr Manager Executive Support - EMLM)	Daughter		29,600
4	Just breeze	Christopher Ntladi	Department of Health	Matshidiso Ntladi (Dentist - Department of Health)	Wife	7,576,661	6,784,783
5	Democratic Construction and Services	Buta Ntina Lizzy	Elias Motsoaledi Local Municipality	Alfred Patlane (Ward Councillor)	Wife	16,500	165,300
6	Nedbank	Stanley Subramoney	Department of Education	Venisha Subramoney (Teacher - Department of Education)	Wife	7,286,788	6,081,398
7	247 Travel and Tourism	Dikeledi Bertha Ramphisa	Elias Motsoaledi Local Municipality	Legogang Ramphisa (Secretary of Municipal Manager - EMLM)	Daughter		55,000

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

Number	Company information		Person in employ of state			Financial Year	
8	Moipone Lebeso Clinical Psychology	Moipone Veronicah Lebeso	Department of Education	Moipone Veronicah Lebeso (Doctor - Department of Education)	Director		2,600
<b>Total</b>						<b>17,733,526</b>	<b>13,899,938</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Prior period errors

The following prior year errors were identified and adjusted retrospectively:

1. VAT reduced assessment was incorrectly accounted for in previous year as a result of errors on SARS statement of accounts, the error was corrected by accounting for the reduced assessment.

2. EPWP payment of R1 000 was double captured in previous period and was corrected by reversing the transaction.

There was an error on petty cash reconciliations a result on inaccurate recording of petty cash, there error was result by correctly captured in 2021 year transactions amounting to R33,211.00 reducing petty cash and increasing some line items of general expenditure as disclosed below.

3. Recognising last year accrual on operating expenses that was not correctly classified in 2021, an adjustment was done to correct classification.

4. There were casting errors on bulk purchases amounts per ESKOM debit orders, the errors were corrected by correctly casting the amounts per ESKOM invoices and accrued for.

5. During the year management noticed that there were ESKOM security deposits that were incorrectly classified, these deposits were corrected by correctly increasing the eskom security deposits.

#### 6. Prior period errors: Non-current Assets

##### 6.1.

During the 2021/2022 financial year an invoice was received for R40 000 relating to an installation of Pavement at the Municipal main office which had been capitalised in the 2020/2021 financial year. The late receipt of the invoice has caused an understatement in the value of the pavement capitalised, depreciation expensed, and the Payables recognised.

##### Correction

To correct the error, we have recognised the expenditure and the payable in the 2020/2021 Financial year, we have adjusted the cost of Pavement by R40 000.00 and we have also accounted for the increase in depreciation expense. The Financial impact is stated below:

PPE: Buildings: Cost: (2020/2021) (Movement)	+R 40 000.00
Liabilities: Payable: (2020/2021) (Movement)	+R40 000.00
PPE: Buildings: Acc Depreciation: (2020/2021) (Movement)	+R 5.47
Depreciation expense: Buildings: (2020/2021)	+R 5.47

##### 6.2.

During the preparation of the 2021/2022 Fixed assets Register we noticed that Land classified as Property, plant and Equipment

and land classified as Investment property were duplicated in the records of the municipality. The duplication has caused an overstatement in Property, plant, and equipment and in Investment property.

##### Correction

To correct the error, we have removed the duplicated lands from the FAR and adjusted General ledger of the municipality accordingly. The financial Impact is stated below:

PPE: Land: Cost(2020/2021) (O/B)	-R 8 850 000
Investment Property (2020/2021) (O/B)	-R 26
Net Assets: Accumulated Surplus (2020/2021)	-R8 850 026

Investment Property (2020/2021) (Movement)	-R 1
Profit/Loss: Investment property (2020/2021) (Movement)	-R1

##### 6.3.

During Fixed assets verification conducted in the 2021/2022 financial year we noticed that there are Fixed assets owned by the municipality that were omitted from the records of the municipality.

##### Correction

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

To correct the error, we have added the assets to the FAR using Depreciated Replacement Cost and, also made corresponding adjustments on the General Ledger. The financial impact is stated below:

PPE: Buildings: (2020/2021) (O/B)	+R 267 711.35
PPE: Buildings: Acc Depreciation: (2020/2021) (O/B)	+R 26 750.65
PPE: Buildings: Acc Depreciation: (2020/2021) (Movement)	+R 22 063.92
PPE: Electricity: (2020/2021) (O/B)	+R 434 923.79
PPE: Electricity: Acc Depreciation: (2020/2021) (O/B)	+R 44 680.94
PPE: Electricity: Acc Depreciation: (2020/2021) (Movement)	+R 21 790.84
PPE: Roads: (2020/2021) (O/B)	+R 352 447.04
PPE: Roads: Acc Depreciation: (2020/2021) (O/B)	+R 153 556.09
PPE: Roads: Acc Depreciation: (2020/2021) (Movement)	+R 21 208.16
PPE: Solid Waste: (2020/2021) (O/B)	+R 32 683.68
PPE: Solid Waste: Acc Depreciation: (2020/2021) (Movement)	+R 2 849.22
PPE: Machinery: (2020/2021) (O/B)	+R 5 925.08
PPE: Machinery: Acc Depreciation: (2020/2021) (O/B)	+R 888.76
PPE: Machinery: Acc Depreciation: (2020/2021) (Movement)	+R 1 187.45
Depreciation Expense (2020/2021)(Movement)	+R 70 522.82
Net Assets: Accumulated surplus	+R 877 039.61
PPE: Furniture: (2020/2021) (O/B)	+R 10 805.74
PPE: Furniture: Acc Depreciation: (2020/2021) (O/B)	+R 1 580.64
PPE: Furniture: Acc Depreciation: (2020/2021) (Movement)	+R 1 423.24

6.4.

According to the GRAP guideline on landfill assets, the change in obligation is supposed to be adjusted against the cost of the landfill asset. In the 2021 year the change in obligation was accounted for via profit and loss resulting in misstatement of landfill assets.

The correction was done in current year to reclassify the change in obligation from profit and loss to landfill asset.

The effect of the correction is shown below.

PPE: Infrastructure solid waste (2020/2021) (Movement)	+R 7 212 217.75
Liability: Provisions (2020/2021) (Movement)	+R 7 212 217.75
Depreciation Expense (2020/2021) (Movement)	+R 257 595.95
PPE: Solid Waste: acc Depreciation (2020/2021) (Movement)	+R 257 595.95

### 6.5. Investment Properties

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

---

Figures in Rand

---

During verification and reconciliation of investment properties, management noticed that 18 stands in Roosenekal were not recorded in the Fixed Assets Register.

### Correction

The properties were recorded into the Assets Register in the prior period and the effect of the correction is indicated below: Investment properties fair value increased by R1,215 509 in as far back as 2008 Land to the value of R322,509 was recorded as PPE which was previously omitted from the fixed asset register resulting in overstatement of Investment properties and understatement of PPE. Fair value adjustment loss to the value of (R148,000) was recorded in 2021 which is a decrease in value of investment properties. Twenty five RDPs which were already valued at R1 by the municipality have been transferred to private owners

In the financial year 2021, ERF 910 was sold through competitive bidding and the buyer requested extension of the payment deadline beyond the end of the financial year and was granted. An amount of R290 000 plus R20 000 FV adjustment was disposed as cost against an amount of R460 000 as the purchase price and profit/loss of R150 000. When reversing the transaction, only R290 000 was erroneously reversed

### Correction

Decreased profit on sale of assets by R20 000 in the prior year and increased the fair value of the property by the same R20 000.

### 6.6. Work in Progress

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

During the 2021 financial year, three electrification projects (Electrification of Ntshwelemotse, Zuma park and Mashemong) were completed and were erroneously not expensed in the financial year in question.

Correction

Transferred the completed projects to ESKOM as we are not licensed to provide electricity in these areas.

The Impact

Increase general expenses by debiting expenses with an amount of R15 174 428.95 and decreasing or writing off our projects by crediting our projects with the same amount of R15 174 428.95.

### 6.7 Furniture and Office Equipment

During 2021-2022 audit process, management realized that a Shredder that was bought and accounted for in 2021 financial year, was duplicated in 2022 financial year.

Correction

Management request adjustment to remove the duplication as presented below -

Remove the duplication from the GL and the Fixed Assets Register as follows:

JNL

Debit	Accumulated Net Surplus	R27 000
Credit	Furniture and Office Equipment	R27 000

The Impact

The correction reduces the Furniture and Equipment opening balance in 2022 and reduces our accumulated net surplus by R27 000.00.

7. Software license was incorrectly expensed in one financial year without pro- rata for the next financial year resulting in an error where prepayment was not recognised, this error was corrected as a prior period error.

8. In the previous year of 2021 it was noted that the the revenue accrual from unbilled transactions was not captured in the GL due to timing differences bewtween billing cycles, this error was corrected by recognising accruals on revenue unbilled increasing consumer debtors from exchange transactions and sale of electricity revenue.

9. During 2021 financial year ,online sale transactions for prepaid electricity as at 30 June 2021 amounting to (160 979(excl vat) was mistakenly included as revenue for 2022 fiancial year.This resulted in revenue being understated by R160 979 in 2021 and overstated in 2022 by R160 979.It was also noted that the GL was under recipted by R6 470 from ISUM total sales vending report.

10. A payment for tax directive was incorrectly allocated to expenditure in the previous period and the payables was not cleared. To correct the error the amount for correction was reclassified to non exchange payables.

11. Comparative amounts were restated as per council resolution and the amount disclosed is inclusive of VAT in terms of MFMA circular 68. This resulted in restatement of 2021 opening balance however, it was impractical to determine cumulative effects of the change in MFMA circular 68 and the municipality then applied the earliest period that was practical.

12. Council resolved on recovery of amount incurred in 2016/17 financial year amoun ting to R100,746 and 2017/18 financial year amoun ting to R421,359 and in addition, the closing fruitless and wasteful expenditure for 2021 financial year has been restated with amount actual recovered in that financial year and this amount was ommitted for disclosure.

(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)

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:V

### Statement of financial position

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 2021

	As previously reported	Correction of error	Restated
Investment property (6.5)	80,312,052	764,973	81,077,025
VAT receivable (1) + (3) + (4) +(6.6) + (8) + (9)	17,401,086	(1,176,968)	16,224,118
Payables from exchange transactions (2) + (3) + (4)	(84,574,047)	(285,149)	(84,859,196)
Cash and cash equivalents - Bank (2)	6,847,911	(32,211)	6,815,700
Consumer debtors - From Exchange Transactions (8)	28,884,994	5,134,378	34,019,372
Property Plant and Equipment (6.1) + (6.2) + (6.3) + (6.6) + (6.7)	1,056,321,478	(15,895,786)	1,040,425,692
Deposit (Security held in advance) (5)	15,977,515	30,733	16,008,248
Non-Current Liabilities - Deferred income (7)	(3,087,719)	(48,245)	(3,135,964)
Accumulated surplus (5) + (7) + (6.1) + (6.2) + (6.3) + (6.5) + (6.7)	(1,095,315,093)	11,132,218	(1,084,182,875)
Receivables from exchange transactions (9)	1,880,703	358,061	2,238,764
Payables from non - exchange transactions (10)	(517,175)	17,986	(499,189)
	-	-	-

### Statement of financial performance

### 2021

	As previously reported	Correction of error	Restated
Operating surplus/(deficit) - Additional service cost landfill rehabilitation (6.4)	7,217,218	(7,217,218)	-
General expenses - SARS Adjustments (1)	46,963	516,686	563,649
Service charges (8) + (9)	(97,737,520)	(4,625,657)	(102,363,177)
Lease rentals on operating lease (3)	4,488,398	148,856	4,637,254
Depreciation and amortisation (6.1) + (6.2) + (6.3)	58,788,488	329,232	59,117,720
Bulk purchases (4)	88,182,137	63,447	88,245,584
Other income (5)	(1,261,323)	(15,432)	(1,276,755)
Repairs and maintenance (2)	24,224,503	5,407	24,229,910
Operating surplus/(deficit) - Investment property fair value adjustment (6.5)	(10,662,434)	148,000	(10,514,434)
General expenses - Consumables (2)	6,640,188	11,381	6,651,569
General expenses - Motor vehicle expenses (2)	563,829	4,544	568,373
General expenses - Printing and stationery (2)	4,821,080	2,138	4,823,218
General expenses - Assets expensed (2) + (6.6)	79,678	15,179,569	15,259,247
General expenses - Conferences and seminars (2)	4,908,913	2,878	4,911,791
General expenses - IT expenses (7)	9,681,515	(172,935)	9,508,580
Profit/(Loss) on disposal of assets (6.5)	340,260	(20,000)	320,000
<b>Surplus for the year</b>	<b>-</b>	<b>4,360,896</b>	<b>-</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

---

### 41. 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.

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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 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	2022	2021
Receivables - From Exchange Transactions	2,657,511	2,238,764
Receivables - From Non Exchange Transactions	3,684,827	3,875,024
Consumer Debtors - From Exchange Transactions	37,010,720	34,019,372
Consumer Debtors - From Non Exchange Transactions	59,520,455	48,413,121
Deposit (Security held in advance)	16,536,410	16,008,248
Payables from exchange transactions	(96,037,249)	(84,859,196)
Payables from non - exchange transactions	(499,189)	(499,189)
Consumer deposits.	(5,621,490)	(5,778,288)
Finance lease obligation	(19,340,201)	(2,441,380)
Cash and cash equivalent	14,710,030	6,815,700

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.

### 42. 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, licencing 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 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Events after the reporting date

After year end there was an adjusting post balance sheet event where council approved resolution MPAC22/23-02

1. That Council rescinds the Budget Overriding function.
2. That the irregular register be compiled in line with MFMA Circular 68.
3. That the report is adopted by council.

The resolution affected the amounts disclosed for irregular under note 46.

### 44. Unauthorised expenditure

Opening balance	48,842,202	118,739,185
Incurred during the year	2,763,256	40,945,923
Written off: 2017/18 - Resolution: MPAC20/21-01	-	(75,392,906)
Written off: 2018/19 - Resolution: MPAC 19/20-02	-	(35,450,000)
Written off: 2019/20 - Resolution: MPAC 22/23-02	(834,000)	-
	<b>50,771,459</b>	<b>48,842,203</b>

Comparative amounts were restated as per council resolution

The total amount incurred for 2022 financial year is as a result of overspending on the approved budget at vote level.

The status for 2022 is: Investigations not yet conducted.

The status for 2021 is: Investigations in progress.

### 45. Fruitless and wasteful expenditure

Opening balance	6,162,328	4,573,291
Incurred during the year	826,237	2,184,677
Recovered during the year	(212,651)	-
Written off: 2018/19 - Resolution: MPAC 19/20-02	-	(595,640)
Written off: 2019/20 - Resolution: MPAC 22/23-02	(237,595)	-
	<b>6,538,319</b>	<b>6,162,328</b>

Comparative amounts were restated as per council resolution.

Current year fruitless and wasteful expenditure resulted from unauthorised debit orders, late payments of invoices and double payments, 2021 amount was as a result of late payment of suppliers (Eskom, SARS, Fleet horizon, Auditor General and Pension funds), unauthorised debit orders and double payments.

The status for 2022 is: Investigations not yet conducted.

The status for 2021 is: Investigations in progress.

Council resolved on recovery of amount incurred in 2016/17 financial year amounting to R100,746 and 2017/18 financial year amounting to R421,359 and in addition, the closing fruitless and wasteful expenditure for 2021 financial year has been restated with amount actual recovered in that financial year and this amount was omitted for disclosure.

### Details of fruitless and wasteful expenditure

Unauthorised debit orders	691,052
Double payment	132,737
Late payment	2,449
	<b>826,238</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 46. Irregular expenditure

Opening balance	349,015,324	339,325,027
Add: Irregular Expenditure - current year	76,739,211	88,986,307
Written off: 2017/18 - Resolution: MPAC 20/21-01	-	(18,593,201)
Written off: 2018/19 - Resolution: MPAC 19/20-02	-	(60,702,809)
Written off: 2019/20 - Resolution: MPAC 22/23-02	(39,337,067)	-
	<b>386,417,468</b>	<b>349,015,324</b>

Reason for irregular	2022	2021
Additional schedules added to transversal tender scope of work		8,969,644
Biased specification	8,323,809	24,052,738
Bidder did not meet minimum requirements	463,431	1,894,592
Deviation from BEC recommendation		378,313
Incorrect allocation of functionality points	39,881,668	24,066,248
Incorrect application of regulation 32		665,155
Technical expert not part of BAC	15,462,484	28,959,618
Local content declaration not done	9,588,430	
Failure to address subcontracting	3,019,389	
<b>Total</b>	<b>76,739,211</b>	<b>88,986,307</b>

The status for 2022 is: Investigations not yet conducted.

The status for 2021 is: Investigations in progress.

Comparative amounts were restated as per council resolution and the amount disclosed is inclusive of VAT in terms of MFMA circular 68. This resulted in restatement of 2021 opening balance however, it was impractical to determine cumulative effects of the change in MFMA circular 68 and the municipality then applied the earliest period that was practical.

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

#### Electricity distribution losses

Losses incurred - units		14,308,276	14,451,968
% loss incurred		21.000 %	20.000 %
Purchased units		(68,175,996)	(71,845,975)
Sold units		53,867,720	57,394,007
		-	-
Losses incurred - Rand value	-	20,519,274	17,744,528
% Losses loss incurred	-	21.000 %	20.000 %
Purchased units Rand value	-	(97,948,551)	(88,182,176)
Sold units Rand value	-	77,429,276	70,437,649
	-	-	-

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

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

Current year subscription / fee	2,017,214	2,027,510
Amount paid - current year	(1,519,412)	(1,520,632)
Amount accrued to creditors	(497,802)	(506,878)
	<u>-</u>	<u>-</u>

The financial year cycle for SALGA differs from the municipality; the amount R2 017 214 is applicable for April 2021 to March 2022, whereas the municipal financial year runs from July 2020 to June 2021.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### PAYE, SDL and UIF

Current year subscription / fee	28,904,456	28,905,124
Amount paid - current year	(28,904,456)	(28,905,124)
	<u>-</u>	<u>-</u>

### Pension and Medical Aid Deductions

Current year subscription / fee	26,466,379	38,459,618
Amount paid - current year	(26,466,379)	(38,459,618)
	<u>-</u>	<u>-</u>

### VAT

VAT receivable	<u>14,467,607</u>	<u>16,224,118</u>
----------------	-------------------	-------------------

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.

### Councilors arrear

The was no councilors arrear accounts outstanding for more than 90 days as at 30 June 2022:

### Audit Fees - Auditor general:

Audit fees paid to auditor general for the 2022 year was R5,293,690 and for 2021 year was R5,433,649. There were no outstanding amounts due to Auditor General at year end.

### Non-compliance with MFMA

The municipality did not comply with MFMA section 99 (2) (b)

Audit fees	<u>5,553,965</u>	<u>5,433,649</u>
------------	------------------	------------------

### 48. Deferred income

Operating lease payments received in advance	<u>3,135,965</u>	<u>3,328,947</u>
--	------------------	------------------

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 2022

## Notes to the Annual Financial Statements

Figures in Rand

---

### 49. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) are as follows:

#### Entity as agent

The municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance as Licences and permits. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is **5,966,441** for 2022 year and **4,635,464** for 2021 year.

#### Liabilities recognised:

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity are R1 865 569 at as 30 June 2022 and R1 532 913 for 30 June 2021.

#### Entity as principal

Municipality is the Principal in arrangements with service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

Commission paid to agent during the year was R363 014 for 2022 year and R94 620 for 2021 year

### 50. 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.

There was no procurement that deviated from the provisions of paragraph 12(1)(d)(i) as stated above.

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 51. 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 2022

## Notes to the Annual Financial Statements

Figures in Rand

---

### 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:

<b>Reportable segment</b>	<b>Nature of Goods and/or services</b>
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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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.

	Basic services	Community services	Executive & Council	Finance	Grand Total
<b>Statement of Financial Performance</b>					
<b>Revenue</b>	<b>273,375,592</b>	<b>32,376,157</b>	<b>55,019,241</b>	<b>201,188,128</b>	<b>561,959,119</b>
Revenue from exchange transactions	113,456,122	6,074,121	-	3,096,901	122,627,143
<b>Revenue from exchange transactions</b>	<b>113,456,122</b>	<b>6,074,121</b>	<b>-</b>	<b>3,096,901</b>	<b>122,627,143</b>
Interest revenue	4,053,966	-	-	1,779,822	5,833,788
Licences and Permits	-	5,966,441	-	-	5,966,441
Other Income	629,833	107,681	-	677,803	1,415,317
Recoveries	-	-	-	639,276	639,276
Rental Of Facilities And Equipment	1,018,944	-	-	-	1,018,944
Service Charges	107,753,379	-	-	-	107,753,379
<b>Revenue from non-exchange transactions</b>	<b>159,919,471</b>	<b>26,302,036</b>	<b>55,019,241</b>	<b>198,091,228</b>	<b>439,331,975</b>
<b>Taxation revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,142,645</b>	<b>55,142,645</b>
Interest revenue	-	-	-	15,229,408	15,229,408
Property Rates	-	-	-	39,913,237	39,913,237
<b>Transfer revenue</b>	<b>159,919,471</b>	<b>26,302,036</b>	<b>55,019,241</b>	<b>142,948,583</b>	<b>384,189,330</b>
Fines, Penalties And Forfeits	2,245,316	9,116	-	-	2,236,200
Government Grants & Subsidies	157,674,154	26,311,152	55,019,241	142,948,583	381,953,130
<b>Expenditure</b>	<b>- 284,263,250</b>	<b>- 29,046,562</b>	<b>- 41,974,798</b>	<b>- 168,383,127</b>	<b>- 523,667,737</b>
Expenditure	- 284,263,250	- 29,046,562	- 41,974,798	- 168,383,127	- 523,667,737
Bulk Purchases	- 97,948,551	-	-	-	- 97,948,551
Employee Related Costs	- 62,299,695	- 22,433,458	- 4,596,664	- 70,857,127	- 160,186,944
Finance Costs	-	-	-	- 526,378	- 526,378
General expenses	- 25,134,440	- 338,732	- 11,125,720	- 84,301,496	- 120,900,387
Lease Rentals On Operating Lease	- 943,085	-	-	- 4,602,164	- 5,545,249
Remuneration Of Councillors	-	-	- 25,567,077	-	- 25,567,077
Repairs And Maintenance	- 32,091,829	- 522,452	- 370,073	- 4,901,757	- 37,886,112
Transfers And Subsidies	- 1,069,798	-	- 315,264	- 1,206,253	- 2,591,315
Depreciation	- 50,543,434	- 1,149,970	-	- 5,376,474	- 57,069,878
Debt Impairment	- 9,484,774	- 4,583,915	-	- 5,621,177	- 19,689,866
Impairment loss/ Reversal of impairments	- 4,747,645	- 18,035	-	- 9,009,700	- 4,244,019
<b>Operating surplus/(deficit)</b>	<b>12,736,013</b>	<b>- 1,358,437</b>	<b>-</b>	<b>1,970,968</b>	<b>13,348,545</b>
Fair value adjustments - actuarial gains	-	-	-	1,472,347	1,472,347
Profit/(Loss) on disposal of assets	- 3,965,536	- 1,358,437	-	498,621	- 4,825,351
Investment property fair value adjustment	16,701,549	-	-	-	16,701,549
	<b>1,848,356</b>	<b>1,971,158</b>	<b>13,044,443</b>	<b>34,775,969</b>	<b>51,639,926</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Basic services	Community services	Executive & Council	Finance	Grand Total
<b>Assets</b>	<b>1,419,770,890</b>	<b>115,764,944</b>	<b>171,973,462</b>	<b>354,087,644</b>	<b>1,353,421,652</b>
<b>Current Assets</b>	<b>363,942,618</b>	<b>84,502,131</b>	<b>171,972,418</b>	<b>468,011,329</b>	<b>152,405,837</b>
Inventories	28,952,392	895,158	1,532,036	51,734,271	20,354,685
Receivables from exchange transactions	48,247	-	211,881	2,397,384	2,657,511
Receivables from non-exchange transactions	28,222,311	24,997,650	-	460,166	3,684,827
VAT receivables	41,528,988	222,220	3,345,620	30,184,779	14,467,608
Cash and cash equivalents	289,924,660	119,903,488	156,154,239	551,272,357	14,710,031
Consumer Debtors : Exchange	33,170,804	9,286,328	13,741,603	615,358	37,010,720
Consumer Debtors :Non-Exchange	-	-	51,112	59,469,344	59,520,456
<b>Non-Current Assets</b>	<b>1,055,828,272</b>	<b>31,262,813</b>	<b>1,044</b>	<b>113,923,685</b>	<b>1,201,015,814</b>
Investment property	103,885,755	-	-	7,487,179	96,398,575
Property Plant and Equipment	934,942,644	31,262,813	1,044	121,396,804	1,087,603,305
Intangible assets	-	-	-	14,161	14,161
Deposit (Security held in advance)	16,536,410	-	-	-	16,536,410
Heritage assets	463,463	-	-	100	463,363
<b>Liabilities</b>	<b>74,208,205</b>	<b>6,651,307</b>	<b>0</b>	<b>136,739,337</b>	<b>217,598,850</b>
<b>Current Liabilities</b>	<b>22,920,384</b>	<b>6,651,307</b>	<b>0</b>	<b>89,369,217</b>	<b>118,940,908</b>
Deferred income	192,983	-	-	-	192,983
Finance Lease Obligation	-	-	-	6,638,009	6,638,009
Landfill Site Provision	1,978,644	-	-	-	1,978,644
Payable Exchange Transactions	8,829,244	6,649,868	0	80,558,138	96,037,249
Consumer deposits	5,697,020	1,439	-	76,970	5,621,489
Employee benefit obligation	-	-	-	948,000	948,000
Unspent conditional grants and receipts	6,222,493	-	-	266,852	6,489,345
Provision for Long Service Leave	-	-	-	536,000	536,000
Payables from non - exchange transactions	-	-	-	499,189	499,189
<b>Non - Current Liabilities</b>	<b>51,287,822</b>	<b>-</b>	<b>-</b>	<b>47,370,120</b>	<b>98,657,942</b>
Deferred income	578,947	-	-	3,521,929	2,942,982
Finance Lease Obligation	-	-	-	12,702,191	12,702,191
Landfill Site Provision	51,866,769	-	-	-	51,866,769
Employee benefit obligation	-	-	-	23,583,000	23,583,000
Provision for Long Service Leave	-	-	-	7,563,000	7,563,000
	<b>1,345,562,684</b>	<b>109,113,637</b>	<b>171,973,462</b>	<b>490,826,981</b>	<b>1,135,822,802</b>

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Public Office Holders Remuneration

All public officers	Annual Remuneration	Travelling and Car Allowance	Skills contribution	Medical aid	Pension Funds	Cell phone and Data	Grand Total
Cllr A Gulube	190,015	73,953	2,601		28,502	40,800	335,872
Cllr A Limakwe	122,427	49,283	1,694		18,967	27,200	219,572
Cllr A Makweoane	70,289	24,329	932		9,224	13,600	118,373
Cllr A Maloba	93,284	32,165	1,419	11,841		13,600	152,309
Cllr A Phatlane	150,560	57,683	2,053	18,513	19,445	13,600	261,854
Cllr B Bogopa	70,289	24,329	932		9,224	13,600	118,373
Cllr B Zulu	70,289	24,329	932		9,224	13,600	118,373
Cllr C Maphopha	123,543	50,464	1,695		19,135	27,200	222,037
Cllr C Matsepe	79,513	24,329	1,109			13,600	118,550
Cllr D Ganedi	74,228	29,996	1,043		11,530	17,600	134,398
Cllr D Mashego	380,045	148,414	4,795		57,535	40,800	631,590
Cllr E Maphopha	68,020	23,573	932		9,224	14,800	116,549
Cllr F Lehungwane	122,427	49,899	1,695		18,967	27,200	220,189
Cllr F Mogotji	65,931	24,329	1,109	13,581		13,600	118,550
Cllr F Mohlahlo	103,592	41,252	1,477		16,142	25,900	188,362
Cllr G Makeke	70,289	24,329	932		9,224	13,600	118,373
Cllr G Matjomane	424,177	183,149	5,603	24,594	64,426	40,800	742,749
Cllr G Namane	70,289	24,329	932		9,224	13,600	118,373
Cllr G Segope	122,427	49,283	1,694		18,967	27,200	219,572
Cllr H Bolotini	70,289	24,329	932		9,224	13,600	118,373
Cllr H Makunyane	442,951	181,292	5,512		66,908	40,800	737,464
Cllr H Malapela	161,674	65,376	2,156		25,077	27,200	281,483
Cllr J Kotze	288,906	96,302	3,997			40,800	430,005
Cllr J Letageng	122,427	49,283	1,721		18,967	27,200	219,600
Cllr J Mahlangu	225,308	90,552	3,013		33,832	40,800	393,504
Cllr J Mathebe	196,325	76,876	2,700	29,648	25,280	13,600	344,428
Cllr J Mogotlana	157,656	66,622	2,104		24,288	27,200	277,870
Cllr J Thethe	157,656	67,106	2,101		24,288	27,200	278,351
Cllr K Kgopa	70,289	24,329	932		9,224	13,600	118,373
Cllr K Mabelane	122,427	49,550	1,694		18,967	27,200	219,839
Cllr K Madisa	90,204	31,222	1,154		11,838	13,600	148,018
Cllr K Shai	105,125	32,165	1,419			13,600	152,309
Cllr K Tlaka	122,427	53,601	1,697		18,967	27,200	223,893
Cllr L Komane	122,427	48,472	1,694		18,967	27,200	218,761
Cllr L Maibelo	122,427	49,721	1,694		18,967	27,200	220,010
Cllr L Moima	70,289	24,329	932		9,224	13,600	118,373
Cllr M Buta	157,656	67,236	2,105		24,288	27,200	278,485
Cllr M Hlathi	79,513	24,329	1,109			13,600	118,550
Cllr M Mafiri	123,543	51,522	1,695		19,135	27,200	223,094
Cllr M Malatji	90,204	31,222	1,154		11,838	13,600	148,018
Cllr M Mamakoko	70,289	24,329	932		9,224	13,600	118,373
Cllr M Mampana	126,449	48,472	1,734		18,967	27,200	222,823
Cllr M Mashilo	210,417	86,208	2,835		31,563	40,800	371,823
Cllr M Mathabathe	153,036	60,204	2,041		23,558	27,200	266,039
Cllr M Matsepe	70,289	25,970	935		9,224	13,600	120,018
Cllr M Mokganyetsi	90,204	31,222	1,154		11,838	13,600	148,018
Cllr M Mokwane	70,289	24,329	932		9,224	13,600	118,373
Cllr M Mosotho	79,513	24,329	1,109			13,600	118,550
Cllr M Motlape	62,331	26,371	957	9,151	8,030	13,600	120,441
Cllr M Mphela	70,289	24,329	932		9,224	13,600	118,373
Cllr M Msiza	500,904	194,766	6,466		76,213	68,000	846,349
Cllr M Mthimunye	122,427	49,283	1,694		18,967	27,200	219,572
Cllr M Nduli	157,656	64,720	2,102		24,288	27,200	275,966
Cllr M Nkopo	46,120	17,679	650		6,918	11,100	82,468

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

Cllr M Ntuli	79,513	24,329	1,109			13,600	118,550
Cllr M Phala	102,042	32,683	1,383			13,600	149,707
Cllr M Phetla	380,932	148,046	4,800		57,614	40,800	632,192
Cllr M Phokwane	122,427	49,283	1,694		18,967	27,200	219,572
Cllr M Ramphisa	225,868	89,296	3,009		33,880	40,800	392,853
Cllr M Ranala	97,722	30,399	1,370		208	17,000	146,698
Cllr M Sithole	122,427	49,283	1,694		18,967	27,200	219,572
Cllr M Tladi	555,420	214,820	6,801		84,060	40,800	901,901
Cllr M Tshehla	122,427	48,472	1,694		18,967	27,200	218,761
Cllr M Tshivhula	70,289	24,329	932		9,224	13,600	118,373
Cllr N Mahlangu	90,204	33,267	1,157		11,838	13,600	150,066
Cllr N Makuwa	157,656	65,093	2,102		24,288	27,200	276,339
Cllr N Matunyane	70,289	24,329	932		9,224	13,600	118,373
Cllr N Mohlala	122,427	49,957	1,695		18,967	27,200	220,246
Cllr N Ramongana	162,417	66,897	2,158		25,077	27,200	283,749
Cllr P Koka	122,427	49,780	1,695		18,967	27,200	220,070
Cllr P Masimula	225,308	90,981	3,008		33,832	40,800	393,929
Cllr P Tladi	122,427	51,094	1,695		18,967	27,200	221,384
Cllr R Makitla	70,289	24,329	932		9,224	13,600	118,373
Cllr R Makuwa	123,543	53,205	1,695		19,135	27,200	224,778
Cllr R Ndlovu	369,173	152,087	4,679		55,826	40,800	622,565
Cllr R Ratau	70,289	24,329	932		9,224	13,600	118,373
Cllr S Maipushe	90,204	33,264	1,157		11,838	13,600	150,062
Cllr S Malapela	122,427	49,283	1,694		18,967	27,200	219,572
Cllr S Matsomane	336,652	119,984	4,825		19,278	70,400	551,139
Cllr S Mehlaphe	69,070	32,859	1,217	24,304	8,667	13,600	149,718
Cllr S Mmaboko	122,427	48,472	1,694		18,967	27,200	218,761
Cllr S Mmotta	122,427	49,783	1,695		18,967	27,200	220,073
Cllr S Morare	122,427	49,762	1,695		18,967	27,200	220,051
Cllr S Ngwenya	215,381	73,650	3,087		3,136	40,800	336,054
Cllr S Nkosi	123,543	54,100	1,697		19,135	27,200	225,674
Cllr S Radigwana	121,392	51,915	1,695		19,775	30,119	224,897
Cllr S Ratlou	92,930	32,165	1,185		12,195	13,600	152,076
Cllr T Kgagara	122,427	52,391	1,696		18,967	27,200	222,682
Cllr T Machipa	448,136	176,260	5,560		64,970	40,800	735,726
Cllr T Malau	122,427	49,762	1,695		18,967	27,200	220,051
Cllr T Matsepe	70,289	24,329	932		9,224	13,600	118,373
Cllr T Mohlamonyan	122,427	49,657	1,694		18,967	27,200	219,946
Cllr T Ntheko	79,513	24,329	1,109			13,600	118,550
Cllr T Phahlamohlak	251,881	119,980	4,084	62,214	38,624	40,800	517,583
Cllr T Phorothoe	243,253	100,544	3,216		36,524	40,800	424,337
Cllr T Ratau	70,289	24,329	932		9,224	13,600	118,373
Cllr T Sithole	157,656	65,260	2,102		24,288	27,200	276,506
Cllr V Lecheko	232,804	81,047	3,311			40,800	357,962
Cllr V Mthombeni	79,513	24,329	1,109			13,600	118,550
Cllr W De Beer	122,427	48,472	1,721		18,967	27,200	218,789
Cllr W Oosthuizen	218,517	74,315	3,132			40,800	336,765
Cllr W Skhosana	70,289	24,329	932		9,224	13,600	118,373
	<b>14,937,814</b>	<b>5,797,920</b>	<b>201,600</b>	<b>193,846</b>	<b>1,909,777</b>	<b>2,526,119</b>	<b>25,567,077</b>