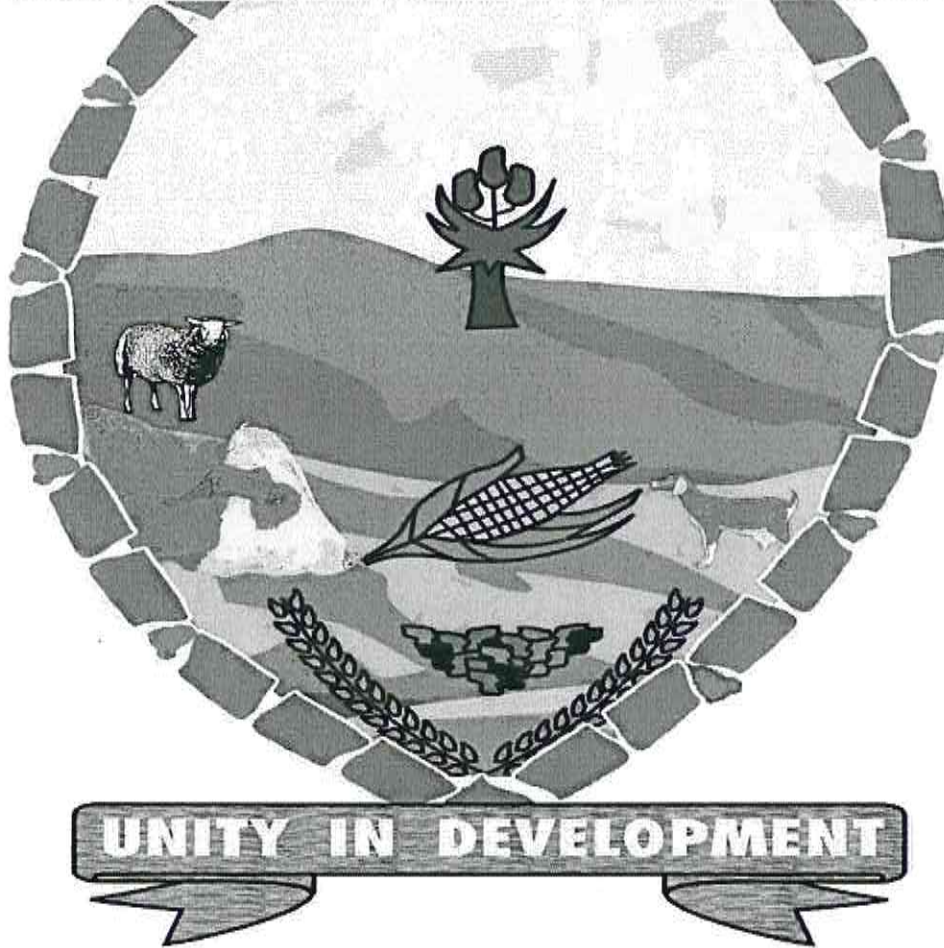


# EMALAHLENI MUNICIPALITY



[These financial statements have been audited]

## FINANCIAL STATEMENTS

30 JUNE 2012

# EMALAHLENI MUNICIPALITY

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# EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## GENERAL INFORMATION

### NATURE OF BUSINESS

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

### COUNTRY OF ORIGIN AND LEGAL FORM

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

### JURISDICTION

The Emalahleni Municipality includes the following towns and surrounding rural areas:

*Dordrecht*  
*Indwe*  
*Lady Frere*

### MUNICIPAL MANAGER

NJ Kwepile

### CHIEF FINANCIAL OFFICER

*GP De Jager*

### REGISTERED OFFICE

*Emalahleni Municipality; 37 Indwe Road; Lady Frere; 5410*

### AUDITORS

*Office of the Auditor General*

### PRINCIPLE BANKERS

*Standard Bank; 92 Cathcart RD; Queenstown; 5320*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# EMALAHLENI MUNICIPALITY

## MEMBERS OF THE EMALAHLENI MUNICIPALITY

### COUNCILLORS

Nyukwana, N.	Executive Mayor	ANC	Proportional
Kalolo, D.S.	Speaker	ANC	Proportional
Liwani, S.	Chief Whip	ANC	Proportional
Jordaan, V.	Councillor	ANC	Proportional
Koni, N.F.	Councillor	ANC	Ward
Mnyuko, S.	Councillor	ANC	Ward
Dlikilili, N.	Councillor	ANC	Proportional
Holana, N.	Councillor	ANC	Proportional
Mapete, P.	Councillor	ANC	Ward
Godla, M.	Councillor	ANC	Ward
Mooi, L.	Councillor	ANC	Ward
Lali, N.	Councillor	ANC	Proportional
Phendu, N.	Councillor	ANC	Proportional
Qashani, N.	Councillor	ANC	Ward
Twala, B.P.	Councillor	ANC	Proportional
Dudumashe, T.R.	Councillor	ANC	Ward
Ziduli, N.	Councillor	ANC	Ward
Teka, Z.H.	Councillor	ANC	Ward
Ndlela, T.R.	Councillor	ANC	Proportional
Peter, N.	Councillor	ANC	Ward
Kulashe, T.	Councillor	ANC	Proportional
Mani, M.	Councillor	ANC	Proportional
Dyonase, Z.	Councillor	ANC	Ward
Bobotyana, H.C.	Councillor	ANC	Ward
Kraqa, N.	Councillor	ANC	Ward
Mjezu, K.	Councillor	UDM	Proportional
Nkasela, K.	Councillor	ANC	Proportional
Greyling, P.	Councillor	DA	Proportional
Nobaza, P.	Councillor	ANC	Ward
Gwegwana, L.	Councillor	ANC	Ward
Komani, B.	Councillor	ANC	Ward
Papiso, Z.	Councillor	ANC	Ward
Mketsu, Z.	Councillor	COPE	Proportional
Kwatshana, T.	Councillor	PAM	Proportional

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

  
\_\_\_\_\_  
NJ Kwepile  
MUNICIPAL MANAGER

21/09/2012  
Date



EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>449,466,802</b>	<b>503,000,587</b>
Accumulated Surplus/(Deficit)		449,466,802	503,000,587
<b>Non-Current Liabilities</b>		<b>7,331,944</b>	<b>5,191,906</b>
Long-term Liabilities	1	1,104,842	-
Employee benefits	2	3,518,623	2,613,884
Non-Current Provisions	3	2,708,478	2,578,022
<b>Current Liabilities</b>		<b>15,956,901</b>	<b>11,258,649</b>
Consumer Deposits	4	152,813	34,428
Current Employee benefits	5	5,874,146	3,003,348
Payables from exchange transactions	6	6,498,802	3,737,969
Unspent Conditional Government Grants and Receipts	7	3,138,174	4,397,734
Current Portion of Long-term Liabilities	1	292,965	85,169
<b>Total Net Assets and Liabilities</b>		<b>472,755,646</b>	<b>519,451,142</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>392,436,469</b>	<b>409,540,810</b>
Property, Plant and Equipment	9	367,142,242	384,000,517
Investment Property	10	25,008,529	25,112,735
Intangible Assets	11	285,698	427,558
<b>Current Assets</b>		<b>80,319,178</b>	<b>109,910,332</b>
Inventory	12	373,402	247,775
Receivables from exchange transactions	13	27,137,665	29,227,349
Receivables from non-exchange transactions	14	1,565,449	1,925,808
Unpaid Conditional Government Grants and Receipts	7	5,663,272	22,581,392
Operating Lease Asset	15	76,042	48,042
Taxes	8	3,075,757	12,122,970
Cash and Cash Equivalents	16	42,427,590	43,756,996
<b>Total Assets</b>		<b>472,755,646</b>	<b>519,451,142</b>

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 Actual R	2011 Restated R	2011 Correction of Error R	2011 Previously reported R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		77,066,196	85,859,269	30,082,508	53,712,189
Taxation Revenue		3,397,136	2,264,464	(1,032,286)	1,232,178
Property rates	17	3,397,136	2,264,464	(1,032,286)	1,232,178
Transfer Revenue		73,573,763	83,554,205	31,074,194	52,480,011
Government Grants and Subsidies - Capital	18	1,425,468	23,016,997	(29,463,014)	52,480,011
Government Grants and Subsidies - Operating	18	72,148,295	60,537,208	60,537,208	-
Other Revenue		95,297	40,600	40,600	-
Actuarial Gains		-	40,600	40,600	-
Fines		632	-	-	-
Reversal of Debt Impairment		94,665	-	-	-
Revenue from Exchange Transactions		49,654,748	11,805,788	(218,903)	12,024,691
Service Charges	19	14,743,226	6,873,927	(446,107)	7,320,034
Rental of Facilities and Equipment		739,147	606,473	(15,689)	622,162
Interest Earned - external investments		1,911,317	1,588,615	-	1,588,615
Interest Earned - outstanding debtors		5,610,555	2,185,868	(12,300)	2,198,167
Licences and Permits		4,783	2,137	2,137	-
Agency Services		324,512	233,633	209,873	23,760
Other Income	20	26,321,208	315,135	43,182	271,953
<b>Total Revenue</b>		<b>126,720,943</b>	<b>97,665,056</b>	<b>29,863,605</b>	<b>65,736,879</b>
<b>EXPENDITURE</b>					
Employee related costs	21	40,637,379	27,039,501	398,629	26,640,872
Remuneration of Councillors	22	8,269,699	6,654,362	(6,960)	6,661,323
Debt Impairment	23	45,237,255	7,791,769	-	7,791,769
Depreciation and Amortisation	24	20,118,519	19,480,249	19,480,249	-
Impairments		577,880	-	-	-
Repairs and Maintenance		5,927,343	2,438,136	30,668	2,407,468
Actuarial losses	2	348,806	197,974	197,974	-
Finance Charges	25	340,445	216,303	195,505	20,798
Bulk Purchases	26	9,699,328	7,290,551	-	7,290,551
Other Operating Grant Expenditure	27	11,199,724	10,842,446	10,842,446	-
Administration and Management Fees paid		-	-	283,870	(283,870)
General Expenses	28	37,898,351	14,644,633	(10,049,691)	24,694,324
<b>Total Expenditure</b>		<b>180,254,728</b>	<b>96,595,924</b>	<b>21,372,689</b>	<b>75,223,235</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(53,533,785)</b>	<b>1,069,132</b>	<b>8,490,915</b>	<b>(9,486,355)</b>

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2010	255,114,781	255,114,781
Correction of error/Change in accounting policy	246,816,673	246,816,673
<b>Restated Balance at 1 JULY 2010</b>	<b>501,931,454</b>	<b>501,931,454</b>
Net Surplus for the year	1,069,132	1,069,132
<b>Balance at 30 JUNE 2011</b>	<b>503,000,587</b>	<b>503,000,587</b>
Net Deficit for the year	(53,533,785)	(53,533,785)
<b>Balance at 30 JUNE 2012</b>	<b>449,466,802</b>	<b>449,466,802</b>

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		18 468 657	16 176 033
Government - operating		72 148 295	60 537 208
Government - capital		1 425 468	23 016 997
Interest		7 521 872	3 774 483
<b>Payments</b>			
Suppliers and employees		(98 392 218)	(73 331 700)
Finance charges	25	(340 445)	(216 303)
<b>Cash generated by operations</b>	<b>30</b>	<b>831 629</b>	<b>29 956 718</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(2 998 199)	(25 938 563)
<b>Net Cash from Investing Activities</b>		<b>(2 998 199)</b>	<b>(25 938 563)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(125 431)	(105 609)
New loans raised		844 210	-
(Decrease)/Increase in Consumer Deposits		118 385	(52 290)
<b>Net Cash from Financing Activities</b>		<b>837 164</b>	<b>(157 898)</b>
<b>NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>-1 329 406</b>	<b>3 860 257</b>
Cash and Cash Equivalents at the beginning of the year		43 756 996	39 896 739
Cash and Cash Equivalents at the end of the year	31	42 427 590	43 756 996
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-1 329 406</b>	<b>3 860 257</b>



**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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

**1.1. BASIS OF PREPARATION**

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 2 (Revised – Feb 2010)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised – Feb 2010)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised – Feb 2010)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 10 (Revised – Feb 2010)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised – Feb 2010)	Construction Contracts	1 April 2011
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 14 (Revised – Feb 2010)	Events after the reporting date	1 April 2011
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 19 (Revised – Feb 2010)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 100 (Revised – Feb 2010)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 20	Related Parties	Unknown

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

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

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

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

**1.2. PRESENTATION CURRENCY**

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

**1.3. GOING CONCERN ASSUMPTION**

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



**1.4. COMPARATIVE INFORMATION**

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

**1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

**1.6. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<b>1 April 2011</b>
<b>GRAP 7 (Revised – Mar 2012)</b>	<p><b>Investments in Associate</b></p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where</p>	<b>Unknown</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<p>the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	
<p><b>GRAP 8</b> (Revised – Nov 2010)</p>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p><b>1 April 2011</b></p>
<p><b>GRAP 18</b> (Original – Feb 2011)</p>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 24</b> (Original – Nov 2007)</p>	<p><b>Presentation of Budget Information in Financial Statements</b></p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	<p><b>1 April 2012</b></p>
<p><b>GRAP 103</b> (Original – July 2008)</p>	<p><b>Heritage Assets</b></p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP</p>	<p><b>1 April 2012</b></p>



**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	17.	
<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<b>Unknown</b>
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<b>Unknown</b>
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<b>Unknown</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.8. RESERVES**

### **1.8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

### **1.8.2 Valuations Reserve**

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

## **1.9. LEASES**

### **1.9.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

### **1.9.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the



sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

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

#### **1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

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

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

#### **1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

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

#### **1.10 UNSPENT PUBLIC CONTRIBUTIONS**

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

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Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

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

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

#### **1.12. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality 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.



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The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

**1.13. EMPLOYEE BENEFITS**

**(a) *Post Retirement Medical Obligations***

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

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

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

**(b) *Long Service Awards***

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

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

**(c) *Provision for Staff Leave***

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

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

Accumulated leave is vesting.

**(d) Staff Bonuses Accrued**

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

**(e) Provision for Performance Bonuses**

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

**(f) Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**(g) Other Short-term Employee Benefits**

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

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



#### **1.14. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

#### **1.15. PROPERTY, PLANT AND EQUIPMENT**

##### **1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### **1.15.2 Subsequent Measurement – Cost Model**

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

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

**1.15.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	30	Buildings	100
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	
Buildings	100	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-100	Landfill sites	15
Libraries	20-100	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<b><u>Finance lease assets</u></b>			
Office equipment	5		
Other assets	5		

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

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

**1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property,



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plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.16. INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

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

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

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

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the

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useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

**1.16.4 De-recognition**

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

**1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.17. INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

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

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

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

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



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the date of acquisition. The cost of self-constructed investment property is measured at cost.

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

**1.17.2 Subsequent Measurement – Cost Model**

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

**1.17.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	100

**1.17.4 De-recognition**

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

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

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

**1.18. NON-CURRENT ASSETS HELD FOR SALE**

**1.18.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management



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must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**1.18.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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

**1.19.1 Cash-generating assets**

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

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

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

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

**1.19.2 Non-cash-generating assets**

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

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



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

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

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

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

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

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

**1.20. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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

**1.21. INVENTORIES**

**1.21.1 Initial Recognition**

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

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

**1.21.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the first in first out method.

Cost of land held for sale is assigned by using specific identification of their individual costs.



## **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

### **1.22.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

### **1.22.2 Subsequent Measurement**

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

#### **1.22.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

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

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



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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

**1.22.2.2**      *Payables and Annuity Loans*

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

**1.22.2.3**      *Cash and Cash Equivalents*

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

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

**1.22.3**      ***De-recognition of Financial Instruments***

**1.22.3.1**      *Financial Assets*

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

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

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

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

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



the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.22.3.2**      *Financial Liabilities*

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

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

**1.22.4**      ***Offsetting of Financial Instruments***

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

**1.23. REVENUE**

**1.23.1**      ***Revenue from Non-Exchange Transactions***

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).



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

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

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

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

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

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

#### **1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of



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purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

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

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

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

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

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

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

#### **1.24. RELATED PARTIES**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. The following are regarded as related parties of the reporting entity:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the management of the reporting entity or its controlling entity.

(b) An entity is related to the reporting entity if any of the following conditions apply:

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

Management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the entity, including:

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



**1.25. UNAUTHORISED EXPENDITURE**

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

**1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

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

**1.28. CONTINGENT LIABILITIES**

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

Management judgement is required when recognising and measuring contingent liabilities.

**1.29. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

**1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

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

The cost of post retirement medical obligations, long service awards and ex-gartia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 2 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

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

***Property, Plant and Equipment***

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

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

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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

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

***Intangible Assets***

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

Management referred to the following when making assumptions regarding useful lives of intangible assets:

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

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

***Investment Property***

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

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

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

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

***Provisions and Contingent Liabilities***

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

***Revenue Recognition***

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

***Provision for Landfill Sites***

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

Management referred to the following when making assumptions regarding provisions:

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

***Provision for Staff leave***

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

***Provision for Performance bonuses***

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

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of



electricity sold at year end; that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days worth of unused electricity.

***Componentisation of Infrastructure assets***

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

**1.31. TAXES – VALUE ADDED TAX**

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

**1.32. CAPITAL COMMITMENTS**

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

**1.33. AMENDED DISCLOSURE POLICY**

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

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<b>1</b>	<b>LONG-TERM LIABILITIES</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
	Capitalised Lease Liability - At amortised cost	562,849	85,169
	Hire Purchase	834,959	-
		<hr/>	<hr/>
		1,397,808	85,169
	Less: Current Portion transferred to Current Liabilities	292,985	85,169
	Capitalised Lease Liability - At amortised cost	151,406	85,169
	Hire Purchase	141,560	-
		<hr/>	<hr/>
	<b>Total Long-term Liabilities - At amortised cost</b>	<b>1,104,842</b>	<b>-</b>
	Balance previously reported		95,505
	Correction of error Lease liability - Refer to note 29.01		(10,336)
			<hr/>
			<b>85,169</b>

The obligations under finance leases are scheduled below:

	<b>Minimum</b>
	<b>lease payments</b>
Amounts payable under finance leases:	
Payable within one year	310,526
Payable within two to five years	543,421
Payable after five years	-
	<hr/>
	853,947
Less: Future finance obligations	(291,098)
Present value of lease obligations	<hr/>
	<b>562,849</b>
	<hr/>
	<b>85,169</b>

Leases are secured by property, plant and equipment - Note 9

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Stannic	Olivetti - D Copia 800	13.75%	10%	5 Years	01/02/2012
NRG Office Solutions (Pty) Ltd	3 x Kyocera FS 3640	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	2 x Powis Fastback Model 20	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	2 x Taskalfa 3500i	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	1 x Taskalfa 6550ci	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	1 x Taskalfa 8000i	32.04%	0%	3 Years	20/03/2015

The obligations under hire purchase agreements are scheduled below:

	<b>Minimum</b>
	<b>hire purchase payments</b>
Amounts payable under hire purchase agreements:	
Payable within one year	210,976
Payable within two to five years	825,324
Payable after five years	-
	<hr/>
	1,036,300
Less: Future finance obligations	(201,341)
Present value of hire purchase obligations	<hr/>
	<b>834,959</b>
	<hr/>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.



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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2	<b>EMPLOYEE BENEFITS</b>	2012 R	2011 R
	Post Retirement Benefits - Refer to Note 2.1	2,697,236	2,195,155
	Long Service Awards - Refer to Note 2.2	821,387	418,729
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>3,518,623</b>	<b>2,613,884</b>
	Balance previously reported		-
	Correction of error - Refer to note 29.02		2,613,884
			<b>2,613,884</b>
	<b><u>Post Retirement Benefits</u></b>	2012 R	2011 R
	Balance 1 July	2,218,688	1,720,963
	Contribution for the year	307,648	173,123
	Interest Cost	196,505	155,387
	Expenditure for the year	(23,533)	(28,759)
	Actuarial Loss/(Gain)	18,928	197,974
	<b>Total post retirement benefits 30 June</b>	<b>2,718,236</b>	<b>2,218,688</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(21,000)	(23,533)
	<b>Balance 30 June</b>	<b>2,697,236</b>	<b>2,195,155</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	807,042	675,901
	Contribution for the year	212,044	168,023
	Interest Cost	54,696	41,789
	Expenditure for the year	(388,313)	(38,071)
	Actuarial Loss/(Gain)	329,878	(40,600)
	<b>Total long service 30 June</b>	<b>1,016,347</b>	<b>807,042</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(193,960)	(388,313)
	<b>Balance 30 June</b>	<b>821,387</b>	<b>418,729</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	3,025,730	2,396,864
	Contribution for the year	519,692	341,146
	Interest cost	251,201	197,176
	Expenditure for the year	(411,846)	(66,830)
	Actuarial Loss/(Gain)	348,806	157,374
	<b>Total employee benefits 30 June</b>	<b>3,733,583</b>	<b>3,025,730</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(214,960)	(411,846)
	<b>Balance 30 June</b>	<b>3,518,623</b>	<b>2,613,884</b>

2.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	62	62
In-service (employee) non-members	111	111
Continuation members (e.g. Retirees, widows, orphans)	1	2
<b>Total Members</b>	<b>174</b>	<b>175</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	2,477,293	2,022,025
Continuation members	240,943	196,663
<b>Total Liability</b>	<b>2,718,236</b>	<b>2,218,688</b>

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

	2010 R	2009 R	2008 R
In-service members	1,568,418		
Continuation members	152,545		
<b>Total Liability</b>	<b>1,720,963</b>	-	-

2 EMPLOYEE BENEFITS (CONTINUE)

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

Bonitas;  
Hosmed  
LA Health  
Samwumed; and  
Key health.

Key actuarial assumptions used:

I) Rate of Interest

	2012 %	2011 %
Discount rate	8.44%	
Health Care Cost Inflation Rate	7.15%	
Net Effective Discount Rate	1.20%	

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

It has been assumed that in-service members will retire at age 60 for females and 65 for males, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,718,236	2,218,688
<b>Total Liability</b>	<b>2,718,236</b>	<b>2,218,688</b>

The fund is entirely unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

	2012	2011
Present value of fund obligation at the beginning of the year	2,218,688	1,720,963
Total expenses	480,620	299,751
Current service cost	307,648	173,123
Interest Cost	196,505	155,387
Benefits Paid	(23,533)	(28,759)
Actuarial (gains)/losses	18,928	197,974
Present value of fund obligation at the end of the year	2,718,236	2,218,688
<b>Less:</b> Transfer of Current Portion - Note 5	(21,000)	(23,533)
<b>Balance 30 June</b>	<b>2,697,236</b>	<b>2,195,155</b>

Sensitivity Analysis on the Accrued Liability

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption				
Central Assumptions	2.477	0.241	2.718	

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	2.986	0.259	3.245	19%
Health care inflation	-1%	2.073	0.224	2.297	-15%
Post-retirement mortality	-1 year	2.567	0.253	2.820	4%
Average retirement age	-1 year	2.752	0.241	2.993	10%
Withdrawal Rate	-50%	2.714	0.241	2.955	9%



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2 EMPLOYEE BENEFITS (CONTINUE)**

2012                      2011

**2.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

185                      185

Key actuarial assumptions used:

2012                      2011  
%                              %

**i) Rate of Interest**

Discount rate	6.16%
General Salary Inflation (long-term)	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.18%

2012                      2011  
R                              R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,015,347	807,042
Net liability	<u>1,015,347</u>	<u>807,042</u>

The liability in respect of periods commencing prior to the comparative year has been

2010                      2009                      2008  
R                              R                              R

Total Liability	<u>675,901</u>	<u>-</u>	<u>-</u>
-----------------	----------------	----------	----------

Reconciliation of present value of fund obligation:

2012                      2011  
R                              R

Present value of fund obligation at the beginning of the year	807,042	675,901
Total expenses	(121,573)	171,741
Current service cost	212,044	168,023
Interest Cost	54,696	41,769
Benefits Paid	(388,313)	(38,071)
Actuarial (gains)/losses	329,878	(40,600)
Present value of fund obligation at the end of the year	<u>1,015,347</u>	<u>807,042</u>
<u>Less:</u> Transfer of Current Portion - Note 5	<u>(193,960)</u>	<u>(388,313)</u>
Balance 30 June	<u>821,387</u>	<u>418,729</u>

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1,015	
General salary inflation	1.00%	1,072	6%
General salary inflation	-1.00%	0,964	-5%
Average retirement age	-2 yrs	0,918	-10%
Average retirement age	+2 yrs	1,089	7%
Withdrawal rates	-50.00%	1,229	21%

2 EMPLOYEE BENEFITS (CONTINUE)

2.3 Retirement funds

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

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

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

<u>CAPE JOINT PENSION FUND</u>	Contributing members
The contribution rate payable is 9% by members and 18% by Council.	40

Contributions paid recognised in the Statement of Financial Performance

2012 R	2011 R
923,187	803,672

<u>CAPE RETIREMENT FUND</u>	Contributing members
The contribution rate payable is 9% by members and 18% by Council.	-

Contributions paid recognised in the Statement of Financial Performance

2012 R	2011 R
-	184,528

DEFINED CONTRIBUTION FUNDS

Council contribute to the South African Local Authorities Pension Fund, Municipal Councillors Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	Last Actuarial Valuation	Contributing members
South African Local Authorities Pension Fund	2011/06/30	64
Municipal Councillors Pension Fund	2009/06/30	34
SAMWU National Provident Fund	2008/06/30	75

The funding level for SALA pension fund had improved from the previous valuation date (96% as at 30 June 2010) to 98% as at 30 June 2011. The fund's actuary recommended that the participating employers continue to contribute at the rate of 20.78% which prevailed prior to the 30 June 2011 valuation.

Note: The results of the actuarial valuations dated 30 June 2008 for SAMWU National Provident Fund and 30 June 2009 for Municipal Councillors Pension Funds are not yet available.

Contributions paid recognised in the Statement of Financial Performance

Sala Pension Fund	987,355	893,976
Municipal Councillors Pension Fund	617,295	610,439
SAMWU National Provident Fund	1,006,124	819,145
	2,610,773	2,323,560



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>3</b>	<b>NON-CURRENT PROVISIONS</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>
	Provision for Rehabilitation of Landfill-sites	2,708,478	2,578,022
	<b>Total Non-current Provisions</b>	<b>2,708,478</b>	<b>2,578,022</b>
	Balance previously reported		8,823,336
	Correction of error - Refer to note 29.03		(6,245,314)
			<b>2,578,022</b>

The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial position. The provision is calculated in order to finance the rehabilitation cost of each cell when it reaches 100% capacity. The expected cash flow outflow; within one year; relates to all three sites of the case of all three sites there is already a shortcoming in the day to day operations of the sites these cost is represented by the short-term portion of the non-current provision.  
 The landfill sites in operation are Lady Frere; Dordrecht and Indwe.

<u>Landfill Sites</u>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Balance 1 July	2,578,022	2,447,566
Contribution for the year	130,456	130,456
<b>Total provision 30 June</b>	<b>2,708,478</b>	<b>2,578,022</b>
<u>Less:</u> Transfer of Current Portion to Current Provisions - Note	-	-
<b>Balance 30 June</b>	<b>2,708,478</b>	<b>2,578,022</b>

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

	<b>Lady Frere</b>	<b>Dordrecht</b>	<b>Indwe</b>
Total area (m <sup>2</sup> )	7,772	36,956	71,468
Capacity use of total area (%)	50,0%	23,6%	2,7%
Current cell in operation (m <sup>2</sup> )	7,772	17,453	3,847
Capacity use of existing cell (%)	50,0%	50,0%	50,0%

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life. Total cost of rehabilitation of the current cell in operation and estimated date of decommission of the cell are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Rehabilitation cost of cell in use</u>
		<u>2012</u>
		<b>R</b>
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	2017	1,624,823
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	2017	2,921,468
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	2027	870,665
		<b>5,416,957</b>

<b>4</b>	<b>CONSUMER DEPOSITS</b>		
	Electricity	-	34,428
	Water	152,813	-
	<b>Total Consumer Deposits</b>	<b>152,813</b>	<b>34,428</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5	CURRENT EMPLOYEE BENEFITS	2012 R	2011 R
	Current Portion of Post Retirement Benefits - Note 2	21,000	23,533
	Current Portion of Long-Service Provisions - Note 2	193,960	388,313
	Provision for Staff Leave	3,119,600	1,066,568
	Provision for Performance Bonuses	1,865,244	1,183,423
	Staff Bonuses accrued	674,343	341,512
	<b>Total Current Employee Benefits</b>	<b>5,874,146</b>	<b>3,003,348</b>
	Balance previously reported		-
	Correction of error - Refer to note 29.04		3,003,348
			<b>3,003,348</b>

The movement in current employee benefits is reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	1,066,568	1,066,568
Contribution to current portion	2,606,294	582,798
Expenditure Incurred	(553,262)	(582,798)
<b>Balance at end of year</b>	<b>3,119,600</b>	<b>1,066,568</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is a possibility of reimbursement based on trends in the past.

Provision for Performance Bonuses

Balance at beginning of year	1,183,423	827,652
Contribution to current portion	681,821	610,337
Expenditure incurred	-	(254,566)
<b>Balance at end of year</b>	<b>1,865,244</b>	<b>1,183,423</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. The evaluations for 2010; 2011 and 2012 are outstanding.

Staff Bonuses accrued

Balance at beginning of year	341,512	341,512
Contribution to current portion	1,509,755	1,497,099
Expenditure Incurred	(1,176,924)	(1,497,099)
<b>Balance at end of year</b>	<b>674,343</b>	<b>341,512</b>

Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

6 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	3,627,185	488,557
Third party payables (Payroll)	(159,986)	23,605
Payments received in advance	339,227	61,757
Sundry Deposits	22,823	11,216
Sundry Creditors	2,669,552	3,152,834
<b>Total Trade Payables</b>	<b>6,498,802</b>	<b>3,737,969</b>
Balance previously reported		26,162,967
Correction of error - Refer to note 29.05		(22,424,998)
		<b>3,737,969</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Sundry deposits include hall, tender and other general deposits. The Municipality did not default on any of their payables



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

7	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>
	<b>Unspent Grants</b>	3,138,174	4,397,734
	National Government Grants	893,176	1,294,200
	Provincial Government Grants	1,781,400	2,098,215
	District Municipality	463,598	499,469
	Other Grants	-	505,850
	<b>Less: Unpaid Grants</b>	5,663,272	22,581,392
	National Government Grants	3,931,248	21,534,018
	Provincial Government Grants	1,047,374	1,047,374
	District Municipality	-	-
	Other Grants	684,650	-
	<b>Total Conditional Grants and Receipts</b>	<b>(2,525,098)</b>	<b>(18,183,658)</b>
	<b>Balance previously reported</b>		26,442,858
	Correction of error - Refer to note 29.06		(44,626,516)
			<b>(18,183,658)</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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

8	<b>TAXES</b>		
	<b>VAT RECEIVABLE/(PAYABLE)</b>	11,819,772	14,862,925
	Less: Provision for impairment of receivables	(6,744,015)	(2,739,955)
	<b>NET VAT RECEIVABLE/(PAYABLE)</b>	<b>3,075,757</b>	<b>12,122,970</b>
	<b>VAT is receivable/payable on the cash basis.</b>		
	<b>Balance previously reported</b>		9,491,665
	Correction of error - Refer to note 29.13		(2,631,305)
			<b>12,122,970</b>

9 PROPERTY, PLANT AND EQUIPMENT

See attached sheets and replace



See attached sheets and replace

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## 9 PROPERTY, PLANT AND EQUIPMENT

9.1 30 JUNE 2012

Reconciliation of Carrying Value	Land and Buildings		Infrastructure		Community		Leased Assets		Other Assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	R
Carrying value at 1 July 2011	14,211,455	286,126,714	77,611,809	49,114	5,999,425	384,000,517						
Cost	14,651,066	337,365,434	79,746,162	368,860	7,224,873	439,356,395						
Original Cost	14,651,066	337,365,434	79,746,162	368,860	7,224,873	439,356,395						
Accumulated Depreciation	(439,611)	(51,236,721)	(2,134,353)	(319,746)	(1,225,448)	(55,355,878)						
Original Cost	(439,611)	(51,236,721)	(2,134,353)	(319,746)	(1,225,448)	(55,355,878)						
Acquisitions	-	1,492,150	-	593,860	1,506,048	3,592,058						
Impairments	(118,731)	-	-	-	(459,149)	(577,880)						
Impairments	(118,731)	-	-	-	(459,149)	(577,880)						
Depreciation	(151,706)	(18,688,363)	(778,436)	216,284	(470,232)	(19,872,453)						
Normal Depreciation	(151,706)	(18,688,363)	(778,436)	216,284	(470,232)	(19,872,453)						
Carrying value at 30 June 2012	13,941,018	268,932,501	76,833,373	859,257	6,576,092	367,142,242						
Cost	14,651,066	338,857,585	79,746,162	962,719	8,730,921	442,948,453						
Original Cost	14,651,066	338,857,585	79,746,162	962,719	8,730,921	442,948,453						
Accumulated Impairments	(118,731)	-	-	-	(459,149)	(577,880)						
Original Cost	(118,731)	-	-	-	(459,149)	(577,880)						
Accumulated Depreciation	(591,317)	(69,925,084)	(2,912,769)	(103,462)	(1,695,679)	(75,228,331)						
Original Cost	(591,317)	(69,925,084)	(2,912,769)	(103,462)	(1,695,679)	(75,228,331)						



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## 9 PROPERTY, PLANT AND EQUIPMENT

9.2 30 JUNE 2011

Reconciliation of Carrying Value	Land and Buildings		Infrastructure		Community		Leased Assets		Other Assets		Total	
	R	R	R	R	R	R	R	R	R	R	R	
Carrying value at 1 July 2010	14,232,391	279,656,505	77,253,336	122,886	6,031,691	377,296,809						
Cost	14,523,366	313,027,785	78,643,939	368,860	6,853,882	413,417,832						
Original Cost	353,017	163,057,084	29,392,548	368,860	4,718,476	197,889,984						
Correction of Error - Note - 29.07	(353,017)	(137,614,291)	(22,393,993)	-	(3,737,476)	(164,098,776)						
Deemed cost - Note - 29.07	14,523,366	287,584,992	71,645,384	-	5,872,882	379,626,624						
Accumulated Depreciation	(290,975)	(33,371,280)	(1,390,603)	(245,974)	(822,192)	(36,121,023)						
Original Cost	-	-	-	-	-	-						
Correction of Error - Note - 29.07	(290,975)	(33,371,280)	(1,390,603)	(245,974)	(822,192)	(36,121,023)						
Acquisitions	127,700	10,117,570	1,102,223	-	370,990	11,718,583						
Capital under Construction	-	14,219,980	-	-	-	14,219,980						
Depreciation	(148,636)	(17,865,441)	(743,750)	(73,772)	(403,256)	(19,234,855)						
Depreciation previously not recorded	(148,636)	(17,865,441)	(743,750)	(73,772)	(403,256)	(19,234,855)						
Carrying value at 30 June 2011	14,211,455	286,128,714	77,611,809	49,114	5,999,425	384,000,517						
Cost	14,651,066	337,365,434	79,746,162	368,860	7,224,873	439,356,395						
Original Cost	14,651,066	337,365,434	79,746,162	368,860	7,224,873	439,356,395						
Accumulated Depreciation	(439,611)	(51,236,721)	(2,134,353)	(319,746)	(1,225,448)	(55,355,878)						
Original Cost	(439,611)	(51,236,721)	(2,134,353)	(319,746)	(1,225,448)	(55,355,878)						

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9	<b>PROPERTY, PLANT AND EQUIPMENT (CONTINUE)</b>	<b>2012</b> R	<b>2011</b> R
	No assets pledged as security.		
	<b>Impairment of property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	(118,731)	-
	Other	(459,149)	-
		<u>(577,880)</u>	<u>-</u>
	The impairments occurred due assets not found when performing the asset count. The value of the impairment is equal to the carrying value as at the end of the reporting date.		
	No Reversal of Impairment charges took place during the year of reporting.		
	<b>Cumulative Impairment charges included in major balances</b>		
	Land and Buildings	(118,731)	-
	Other	(459,149)	-
		<u>(577,880)</u>	<u>-</u>
	<b>Effect of changes in accounting estimates</b>		
	No effect change in accounting estimate took place.		

10	<b>INVESTMENT PROPERTY</b>	<b>2012</b> R	<b>2011</b> R
	<b>Net Carrying amount at 1 July</b>	<b>25,112,735</b>	<b>25,216,657</b>
	Cost	25,424,500	25,424,500
	Accumulated Depreciation	(311,765)	(207,843)
	Accumulated Impairment	-	-
	Acquisitions	-	-
	Disposals	-	-
	Depreciation for the year	(104,206)	(103,922)
	Impairment	-	-
	Transfers to/from other classes	-	-
	<b>Net Carrying amount at 30 June</b>	<b>25,008,529</b>	<b>25,112,735</b>
	Cost	25,424,500	25,424,500
	Accumulated Depreciation	(415,971)	(311,765)
	Accumulated Impairment	-	-
	Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:		
	Cost	25,424,500	25,424,500
	Accumulated Depreciation	-415,971	-311,765
	<b>Total not previously recognised now restated retrospectively</b>	<b>25,008,529</b>	<b>25,112,735</b>

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.



EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11	INTANGIBLE ASSETS	2012 R	2011 R
	Computer Software		
	Net Carrying amount at 1 July	427,558	569,030
	Cost	707,359	707,359
	Accumulated Amortisation	(279,801)	(138,329)
	Amortisation	(141,859)	(141,472)
	Net Carrying amount at 30 June	285,698	427,558
	Cost	707,359	707,359
	Accumulated Amortisation	(421,660)	(279,801)
	Balance previously reported		690,480
	Correction of error - Refer to note 29,08		(262,922)
			<u>427,558</u>

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2012 R	2011 R
ABBD Creative Suite 4 (software)	3 years	8,685	12,070
Document management system	2 years	277,014	415,488

No intangible asset was assessed having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

12	INVENTORY	2012 R	2011 R
	Maintenance Materials - At cost	217,555	247,775
	Water - at cost	155,847	-
	Total Inventory	<u>373,402</u>	<u>247,775</u>

The FIFO method was applied. The inventory system is currently manually operated and all calculations for that matter were performed manually. An implementation plan for a computerised inventory system was developed and implementation has commenced. The system will be fully operational by the end of June 2013.

No inventory assets were pledged as security for liabilities.

13	RECEIVABLES FROM EXCHANGE TRANSACTIONS	2012 R	2011 R
	Electricity	1,977,227	1,594,624
	Water	20,357,942	-
	Refuse	21,508,191	17,490,809
	Sewerage	25,023,687	-
	Rental	311,278	221,104
	Other Consumer Debtors	3,963,238	4,098,097
	Chris Hani Debtor	25,018,837	28,099,531
	Sundry Receivables	357,379	62,883
	Total Receivables from Exchange Transactions	98,517,779	51,567,048
	Less: Provision for Impairment	(71,380,114)	(22,339,699)
	Total Net Receivables from Exchange Transactions	<u>27,137,665</u>	<u>29,227,349</u>
	Balance previously reported		1,117,112
	Correction of error - Refer to note 29,1		28,110,237
			<u>29,227,349</u>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. The outstanding consumer accounts are secured by the consumer deposits paid only.

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13

RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continue)

	2012 R	2011 R
Ageing of Receivables from Exchange Transactions:		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	72,390	51,778
31 - 60 Days	61,384	50,417
61 - 90 Days	58,533	58,009
+ 90 Days	1,784,920	1,474,446
<b>Total</b>	<b>1,977,227</b>	<b>1,634,650</b>
<i>(Water): Ageing</i>		
Current (0 - 30 days)	376,976	
31 - 60 Days	366,797	
61 - 90 Days	357,735	
+ 90 Days	19,256,435	
<b>Total</b>	<b>20,357,942</b>	<b>-</b>
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	359,098	321,951
31 - 60 Days	346,408	332,507
61 - 90 Days	340,249	328,248
+ 90 Days	20,462,436	16,971,613
<b>Total</b>	<b>21,508,191</b>	<b>17,954,319</b>
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	479,300	
31 - 60 Days	463,223	
61 - 90 Days	457,398	
+ 90 Days	23,623,766	
<b>Total</b>	<b>25,023,687</b>	<b>-</b>
<i>(Rental): Ageing</i>		
Current (0 - 30 days)	13,628	-
31 - 60 Days	9,928	-
61 - 90 Days	9,524	-
+ 90 Days	278,198	221,104
<b>Total</b>	<b>311,278</b>	<b>221,104</b>
<i>(Other): Ageing</i>		
Current (0 - 30 days)	0	-
31 - 60 Days	0	-
61 - 90 Days	0	-
+ 90 Days	3,962,847	4,098,097
<b>Total</b>	<b>3,962,848</b>	<b>4,098,097</b>
<i>(Total): Ageing</i>		
Current (0 - 30 days)	1,301,392	373,730
31 - 60 Days	1,247,740	382,924
61 - 90 Days	1,223,440	386,257
+ 90 Days	69,368,601	22,765,260
<b>Total</b>	<b>73,141,173</b>	<b>23,908,170</b>
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	22,339,699	18,219,955
Contribution to provision/(Reversal of provision)	43,207,137	5,023,178
VAT portion of Contribution/(Reversal)	5,833,279	(903,434)
Bad Debts Written Off	(0)	(0)
<b>Balance at end of year</b>	<b>71,380,114</b>	<b>22,339,699</b>
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	1,276,298	1,370,963
Water	17,407,579	(33,262)
Refuse	18,673,233	14,899,624
Sewerage	21,654,067	(14,219)
VAT	8,744,015	2,739,955
Other	3,624,922	3,376,638
<b>Total</b>	<b>71,380,114</b>	<b>22,339,699</b>

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



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

14	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2012 R	2011 R
	Rates	15,842,045	14,172,286
	Other Receivables	36,109	36,109
	Other Receivables	36,109	36,109
	Total Receivables from Non-Exchange Transactions	15,878,153	14,208,395
	Less: Provision for Impairment	(14,312,704)	(12,282,586)
	Total Net Receivables from Non-Exchange Transactions	1,565,449	1,925,808

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

Ageing of Receivables from Non-Exchange Transactions:

*(Rates): Ageing*

Current (0 - 30 days)	851,032	191,753
31 - 60 Days	304,181	347,825
61 - 90 Days	291,408	342,613
+ 90 Days	14,395,424	12,072,899
Total	15,842,045	12,955,089

Reconciliation of Provision for Impairment

Balance at beginning of year	12,282,586	9,513,996
Contribution to provision/(Reversal of provision)	2,030,118	2,768,591
Bad Debts Written Off	-	-
Balance at end of year	14,312,704	12,282,586

The entire provision for bad debts relates to the outstanding rates balance.

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

**15 OPERATING LEASE ARRANGEMENTS**

The Municipality as Lessor (Asset)

Balance on 1 July	48,042	10,381
Movement during the year	28,000	37,661
Balance on 30 June	76,042	48,042

At the Statement of Financial Position date, where the municipality acts as a Lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	378,037	342,864
1 to 5 Years	383,463	669,768
More than 5 Years	326,198	417,929
Total Operating Lease Arrangements	1,087,698	1,430,562

Balance previously reported
 64,010 |

Correction of error - Refer to note 29.12

(15,968) |

48,042 |

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not receive any contingent rent during the year

Certain of the Municipality's properties are leased to third parties to generate rental income. Lease receipts escalate annually on average by 10%. Lease agreements are non-cancellable and have terms from 3 to 10 years.

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16	<b>CASH AND CASH EQUIVALENTS</b>	2012 R	2011 R
	<u>Assets</u>		
	Call Investments Deposits	26,516,748	36,375,592
	Bank Accounts	15,904,328	7,374,889
	Cash Floats	6,515	6,515
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>42,427,590</b>	<b>43,756,996</b>

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality has the following bank accounts:

<u>Current Accounts</u>	2012 R	2011 R
Standard Bank - Current Account - 082-665-958	14,233,412	6,682,509
Standard Bank - Current Account - 082-630-631	480,761	519,760
First National Bank - Current Account - 620-4898-6428	1,190,154	172,619
	<b>15,904,328</b>	<b>7,374,889</b>

All accounts is cleared daily to Primary Bank Account; current account 082-665-958.

*Standard Bank - Current Account - 082-665-958*

Cash book balance at beginning of year	6,682,509	13,778,803
Cash book balance at end of year	14,233,412	6,682,509

Bank statement balance at beginning of year	6,915,554	13,778,803
Bank statement balance at end of year	14,233,412	6,915,554

*Standard Bank - Current Account - 082-630-631*

Cash book balance at beginning of year	519,760	170,618
Cash book balance at end of year	480,761	519,760

Bank statement balance at beginning of year	520,452	946,813
Bank statement balance at end of year	470,464	520,452

*First National Bank - Current Account - 620-4898-6428*

Cash book balance at beginning of year	172,619	529,311
Cash book balance at end of year	1,190,154	172,619

Bank statement balance at beginning of year	124,388	529,311
Bank statement balance at end of year	1,412,947	124,388

17 **PROPERTY RATES**

Actual

Rateable Land and Buildings	3,901,445	5,267,942
Residential, Commercial Property, State Agricultural	3,901,445	5,267,942
	-	-
Less: Rebates	(504,309)	(3,003,478)
<b>Total Assessment Rates</b>	<b>3,397,136</b>	<b>2,264,464</b>

Valuations

Rateable Land and Buildings:	
Residential	305,855,050
Agricultural	8,486,200
Government	75,524,000
Business & Commercial	107,474,400
Municipal	64,496,000
Exempt Properties	13,302,400
<b>Total Assessment Rates</b>	<b>575,138,050</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

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



18	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
	Unconditional Grants	61,056,000	51,329,916
	Equitable Share	61,056,000	51,329,916
	Conditional Grants	12,517,763	32,224,289
	Grants and subsidies	12,517,763	32,224,289
	Subsidies	-	-
	<b>Total Government Grants and Subsidies</b>	<b>73,573,763</b>	<b>83,554,205</b>
	Government Grants and Subsidies - Capital	1,425,468	23,016,997
	Government Grants and Subsidies - Operating	72,148,295	60,537,208
		<b>73,573,763</b>	<b>83,554,205</b>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	61,056,000	51,329,916
	Budget and Treasury	2,765,626	2,586,073
	Community Services	55,871	36,500
	Corporate Services	90,236	113,986
	Council	480,163	1,213,057
	Electricity	5,134,100	4,345,900
	Executive	120,000	-
	IPED	1,574,490	258,776
	Roads Transport	1,867,704	23,669,997
	Water and Sanitation	429,573	-
		<b>73,573,763</b>	<b>83,554,205</b>
	The municipality does not expect any significant changes to the level of grants.		
18.1	Equitable share		
	Opening balance	-	-
	Grants received	61,056,000	51,329,916
	Conditions met - Operating	(61,056,000)	(51,329,916)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
18.2	Local Government Financial Management Grant (FMG)		
	Opening balance	290,100	35,315
	Grants received	1,500,000	1,250,000
	Conditions met - Operating	(1,911,202)	(995,215)
	Conditions met - Capital	-	-
	Conditions still to be met	(121,102)	290,100
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
18.3	Municipal Systems Improvement Grant (MSIG)		
	Opening balance	-	840,858
	Grants received	790,000	750,000
	Conditions met - Operating	(854,424)	(1,590,858)
	Conditions met - Capital	-	-
	Conditions still to be met	(64,424)	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
18.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	(21,534,018)	(1,557,021)
	Grants received	19,217,000	3,040,000
	Conditions met - Operating	(3,236)	-
	Conditions met - Capital	(1,425,468)	(23,016,997)
	Conditions still to be met	(3,745,722)	(21,534,018)
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2012 R	2011 R
18.5	<b>Housing Grant</b>		
	Opening balance		
	Grants received	(1,017,968)	(1,017,968)
	Conditions met - Operating	-	0
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	<u>(1,017,968)</u>	<u>(1,017,968)</u>
	Housing grants was utilised for the development of even; erection of top structures and the installing of basic service Infrastructure; for example Water; Streets and Sewerage.		
18.6	<b>Integrated National Electrification Grant (INEP)</b>		
	Opening balance	1,004,100	2,350,000
	Grants received	4,480,000	3,000,000
	Conditions met - Operating	(5,134,100)	(4,345,900)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	<u>350,000</u>	<u>1,004,100</u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
18.7	<b>Other Grants</b>		
	Opening balance	3,074,128	2,951,547
	Grants received	2,189,323	53,727,817
	Conditions met - Operating	(3,189,333)	(53,605,235)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>2,074,119</u>	<u>3,074,128</u>
	Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
18.8	<b>Total Grants</b>		
	Opening balance	(18,183,658)	3,602,731
	Grants received	89,232,323	113,097,732
	Conditions met - Operating	(72,148,295)	(111,867,124)
	Conditions met - Capital	(1,425,468)	(23,016,997)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>(2,525,098)</u>	<u>(18,183,658)</u>
	<i>Disclosed as follows:</i>		
	Unspent Conditional Government Grants and Receipts	3,138,174	4,397,734
	Unpaid Conditional Government Grants and Receipts	<u>(5,663,272)</u>	<u>(22,561,392)</u>
		<u>(2,525,098)</u>	<u>(18,183,658)</u>
19	<b>SERVICE CHARGES</b>		
	Electricity	5,817,222	5,373,374
	Water	3,101,353	(7,424)
	Refuse removal	2,686,094	2,559,099
	Sewerage and Sanitation Charges	<u>3,815,148</u>	<u>(440,610)</u>
	Less: Rebates	15,419,817	7,484,439
	Total Service Charges	<u>(676,591)</u>	<u>(610,512)</u>
		<u>14,743,226</u>	<u>6,873,927</u>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
20	<b>OTHER INCOME</b>		
	Administration charges	191,576	1,619
	Cemetery Fees	29,437	26,796
	Chris Hani DM (Water & Sanitation)	25,969,634	-
	Duplicate documents	21,963	12,319
	Pound Fees	41,015	39,222
	Registrations	1,264	1,422
	Sundry Income	66,319	233,757
	Total Other Income	<u>26,321,208</u>	<u>315,135</u>
	Sundry income represents sundry income such as cleaning of sites, private work and		

21	EMPLOYEE RELATED COSTS	2012 R	2011 R
	Salaries and Wages	25,605,034	17,316,514
	Annual bonus	1,604,078	1,024,866
	Contributions for UIF, pensions and medical aids	4,948,041	3,776,430
	Housing Subsidy	584,722	451,993
	Leave Reserve Fund	2,635,835	582,798
	Long service awards	212,044	168,023
	Overtime	1,313,739	823,717
	Post Employment Health	307,648	173,123
	Performance bonus	681,821	610,337
	Skills development levy	303,273	202,170
	Travel, motor car, telephone, assistance and other allowances	2,441,143	1,909,531
		<u>40,637,379</u>	<u>27,039,501</u>
	<b>Less:</b> Employee Costs allocated elsewhere	-	-
	<b>Total Employee Related Costs</b>	<u><b>40,637,379</b></u>	<u><b>27,039,501</b></u>
	Municipal Manager and all other Senior Managers are appointed on fixed term contracts.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<i>Remuneration of the Municipal Manager</i>		
	Annual Remuneration	517,882	489,068
	Performance Bonuses	-	56,229
	Back dated remuneration	37,414	34,809
	Leave encashment	63,685	-
	Travel, motor car, telephone, assistance and other allowances	203,375	192,096
	Contributions to UIF, Medical and Pension Funds	132,925	123,528
	<b>Total</b>	<u><b>955,281</b></u>	<u><b>895,730</b></u>
	<i>Remuneration of the Manager Technical Services</i>		
	Annual Remuneration	472,050	414,775
	Performance Bonuses	-	35,850
	Back dated remuneration	-	30,489
	Leave encashment	29,380	-
	Travel, motor car, telephone, assistance and other allowances	172,786	163,200
	Contributions to UIF, Medical and Pension Funds	136,888	127,581
	<b>Total</b>	<u><b>811,104</b></u>	<u><b>771,895</b></u>
	<i>Remuneration of the Manager Corporate Services</i>		
	Annual Remuneration	469,256	414,775
	Performance Bonuses	-	50,283
	Back dated remuneration	32,880	30,489
	Travel, motor car, telephone, assistance and other allowances	172,786	163,200
	Contributions to UIF, Medical and Pension Funds	136,887	127,581
	<b>Total</b>	<u><b>811,810</b></u>	<u><b>786,328</b></u>
	<i>Remuneration of the Chief Financial Officer</i>		
	Annual Remuneration	327,975	465,373
	Performance Bonuses	-	44,696
	Back dated remuneration	15,563	30,489
	Leave encashment	82,851	-
	Travel, motor car, telephone, assistance and other allowances	109,513	132,719
	Contributions to UIF, Medical and Pension Funds	84,114	107,468
	<b>Total</b>	<u><b>620,015</b></u>	<u><b>780,744</b></u>
	<i>Remuneration of the Manager Community Services</i>		
	Annual Remuneration	439,212	450,775
	Acting Allowance	50,032	-
	Back dated remuneration	32,880	30,489
	Leave encashment	38,194	26,461
	Travel, motor car, telephone, assistance and other allowances	172,786	127,200
	Contributions to UIF, Medical and Pension Funds	136,912	127,581
	<b>Total</b>	<u><b>870,016</b></u>	<u><b>762,506</b></u>
	<i>Remuneration of the Manager IPED Services</i>		
	Annual Remuneration	439,212	414,775
	Performance Bonuses	-	11,640
	Back dated remuneration	32,880	30,489
	Leave encashment	49	-
	Travel, motor car, telephone, assistance and other allowances	172,786	163,200
	Contributions to UIF, Medical and Pension Funds	136,839	127,581
	<b>Total</b>	<u><b>781,766</b></u>	<u><b>747,685</b></u>
	<i>Remuneration of the Manager Strategic Services</i>		
	Annual Remuneration	439,212	414,775
	Performance Bonuses	-	55,870
	Back dated remuneration	32,880	30,489
	Travel, motor car, telephone, assistance and other allowances	172,786	163,200
	Contributions to UIF, Medical and Pension Funds	135,006	127,581
	<b>Total</b>	<u><b>779,885</b></u>	<u><b>791,915</b></u>



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

22	REMUNERATION OF COUNCILLORS	2012 R	2011 R
	Mayor	631,983	593,980
	Speaker	509,604	479,738
	Chief Whip	264,769	-
	Executive Committee Members	1,537,547	1,200,473
	Councillors	5,325,797	4,380,171
	<b>Total Councillors' Remuneration</b>	<b><u>8,269,699</u></b>	<b><u>6,654,362</u></b>
	<i>In-kind Benefits</i>		
	The Mayor and Speaker are full-time. The Mayor and Speaker are provided with offices and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle and a driver for official duties.		
23	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 13	43,207,137	5,023,178
	Trade Receivables from non-exchange transactions - Note 14	2,030,118	2,768,591
	<b>Total Contribution to Debt Impairment</b>	<b><u>45,237,255</u></b>	<b><u>7,791,769</u></b>
24	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	19,872,453	19,234,855
	Investment Property	104,206	103,922
	Intangible Assets	141,859	141,472
	<b>Total</b>	<b><u>20,118,519</u></b>	<b><u>19,480,249</u></b>
25	<b>FINANCE CHARGES</b>		
	Bank Overdraft	-	20,798
	Long service awards	54,696	41,789
	Long-term Liabilities	89,244	(1,671)
	Post Employment Health	196,505	155,387
	<b>Total finance charges</b>	<b><u>340,445</u></b>	<b><u>216,303</u></b>
26	<b>BULK PURCHASES</b>		
	Electricity	9,699,328	7,280,551
	<b>Total Bulk Purchases</b>	<b><u>9,699,328</u></b>	<b><u>7,280,551</u></b>
27	<b>OTHER OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Budget and Treasury	2,548,733	2,428,907
	Community Services	188,063	47,859
	Corporate Services	69,974	77,999
	Council	939,034	1,366,583
	Electricity	4,503,596	3,812,193
	Housing Services	5,400	20,400
	IPED	2,232,565	1,189,086
	Roads Transport	258,476	1,899,419
	Water and Sanitation	453,883	-
	<b>Total Operating grant expenditure</b>	<b><u>11,199,724</u></b>	<b><u>10,842,446</u></b>

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28 GENERAL EXPENSES	2012 R	2011 R
Advertisements	188,396	88,897
Auditors Remuneration	1,638,748	2,307,627
Bank Charges	171,552	152,294
Chris Hanl DM (Capital items)	3,055,284	-
Cleaning	145,723	118,921
Conferences and Seminars	617,581	372,765
Consulting and Professional fees	2,715,359	1,466,796
Contribution; Restoration cost landfill sites	130,456	130,456
Fuel and oil	2,691,091	633,769
Insurance	569,107	460,716
Lease rentals on operating lease	525,302	747,779
Marketing	120,342	121,081
New Connections	678,957	-
Operational cost: Landfill site	3,467,081	968,176
Plant Hire	8,865,896	(51,991)
Printing and stationery	751,985	565,814
Protective Clothing	142,619	117,510
Public participation	448,860	-
Security	1,088,279	567,373
Software expenses	-	201,170
Special Community Projects; example Youth day	597,927	283,279
Subscription and Membership fees	264,764	229,681
Telephone and fax	443,507	692,967
Training	566,577	645,630
Transport and freight	653,720	436,703
Travel - local	2,965,761	2,391,514
Ward Committee cost	841,998	-
Water samples	646,039	(1,277)
General Expenses	2,905,439	996,983
<b>General Expenses</b>	<b>37,898,351</b>	<b>14,644,633</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

<b>29</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
	<b>29.01 LONG-TERM LIABILITIES</b>	
	Balance previously reported	95,505
	Correction of finance lease liability - Refer to note 1	(10,336)
		<u>85,169</u>
	The period of the amortisation tables and lease agreement differed.	
	<b>29.02 EMPLOYEE BENEFITS</b>	
	Balance previously reported	-
	Reclassification of Non-current employee benefits - Refer to note 2	1,218,637
	Correction of Non-current employee benefits (Continued Medical aid) - Refer to note 2	331,033
	First time implementation of Long Service awards - Refer to note 2	1,064,214
		<u>2,613,884</u>
	Reclassification of current provisions as Employee benefits (Non-current) and correcting the provision for continued medical aid as well as the first time recognition of Long Service Awards.	
	<b>29.03 PROVISIONS (Non- Current and Current)</b>	
	Balance previously reported	8,823,336
	Reclassification of current employee benefits (Prorata bonuses) - Refer to note and note 5	(341,512)
	Reclassification of non-current provision (Landfill sites) - Refer to note and note 3	
	Correction of the provision for Landfill sites) - Refer to note 3	(5,903,802)
		<u>2,578,022</u>
	Reclassification of current provisions as a non-current provision and correcting the provision for landfill sites rehabilitations.	
	<b>29.04 CURRENT EMPLOYEE BENEFITS</b>	
	Balance previously reported	-
	Reclassification of prorata bonus provisions to current employee benefits - Refer to note 5	341,512
	Reclassification of accrued leave provision to current employee benefits - Refer to note 5	1,066,568
	First time recognition of current portion of non current employee benefits - Refer to note 5	411,846
	First time recognition of other current employee benefits - Refer to note 5	1,183,423
		<u>3,003,348</u>
	Reclassification of the prorata bonuses; accrued leave; and current portions of non current employee benefits. The reclassifications are from payables and provisions. Performance bonuses has been recognised for the first time.	
	<b>29.05 PAYABLES FROM EXCHANGE TRANSACTIONS</b>	
	Balance previously reported	26,162,967
	Clearing and reclassification of the cash suspense - Refer to note 6	(21,504,723)
	Reclassified accrued leave as current employee benefits - Refer to note 6 and to note 5	(1,066,568)
	Recognition and correction of payments received in advance - Refer to note 5	61,757
	Corrections of trade payables - Refer to note 5	84,536
		<u>3,737,969</u>
	Reclassification of payables; clearing and correction of trade payables.	
	<b>29.06 UNSPENT GOVERNMENT GRANTS AND SUBSIDIES</b>	
	Balance previously reported	26,442,858
	Previously reported as Prepayments now reported as unpaid government grants and subsidies - Refer to note 7	(7,204,905)
	Revenue equal to expenditure not recognised prior to 1 July 2010 - Refer to note 7	(6,240,350)
	Revenue equal to expenditure not recognised for 2010/2011 - Refer to note 7	(31,181,261)
		<u>(18,183,658)</u>
	Some of the unspent Government grants and subsidies was previously reported as prepayments. The recognition of the revenue equal to the value of expenditure that met the conditions of the grant; was not performed correctly.	



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)**

2011  
R

**29.07 PROPERTY, PLANT AND EQUIPMENT**

Balance previously reported	223,845,426
Writing back of original cost once identification and measurement of existing assets after 30 June 2008 - Refer to note 9	(164,098,776)
Measurement of assets not in the capital asset register at deemed cost - Refer to note 9	379,626,624
Reclassification of intangible assets - Refer to note 9 and note 29.09	(16,879)
First time recognition of depreciation on property plant and equipment prior to 1 July 2010 - Refer to note 9	(36,121,023)
Recognition of depreciation charges for 2010/2011 - Refer to note 9	(19,234,855)
	<u>384,000,517</u>

Implementation of GRAP 17 as well as to ensure that all property, plant and equipment is identified and measured.

**29.08 INVESTMENT PROPERTY**

Balance previously reported	-
First time identification and measurement of properties registered in the name of the Municipality - Refer to note 10	25,424,500
First time recognition of depreciation on investment properties prior to 1 July 2010 - Refer to note 10	(207,843)
Recognition of depreciation charges for 2010/2011 - Refer to note	(103,922)
	<u>25,112,735</u>

**29.09 INVESTMENT PROPERTY**

Balance previously reported	690,480
Reclassification from PPE - Refer to notes 11; 9 and 29.07	16,879
First time recognition of amortisation on intangible assets prior to 1 July 2010 - Refer to note 11	(138,329)
Recognition of amortisation charges for 2010/2011 - Refer to note 11	(141,472)
	<u>427,558</u>

**29.10 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Balance previously reported	1,117,112
Reclassification from receivables from non exchange transactions - Refer to note 13	27,467,847
Correction of general ledger accounts - Refer to note 13	642,389
	<u>29,227,349</u>

Mainly represented by the reclassification of Chris Hani District Municipality debt as receivables from exchange transactions.

**29.11 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**

Balance previously reported	29,393,661
Difference between prior financial statements and trail balance	(5)
Reclassification of debtors- Refer to note 13; 14 and note 29.1	(27,467,847)
Correction of general ledger accounts - Refer to note 14	-
	<u>1,925,808</u>

The 2011 AFS and the trail balance did not balance and the receivables from exchange was out. The reclassification is mainly the Chris Hani District Municipality

**29.12 OPERATING LEASE ARRANGEMENTS**

Balance previously reported	64,010
Correction of prior year calculations - Refer to note 15	(15,968)
	<u>48,042</u>

Based on the available information the operating leases was recalculated .

**29.13 TAXES**

Balance previously reported	9,491,665
Debt impairment prior periods and 2010/2011- Refer to note 8	(2,739,955)
Corrections due to reconciliation of payables - Refer to note 8	5,371,260
Balance of Taxes - Current Liabilities	<u>12,122,970</u>

The net amount of VAT has been reported in the Statement of Financial Position. The VAT portion on exchange and non-exchange receivables treated in the past as an expenditure item in the position of financial performance was corrected.

**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)

29.14 STATEMENT OF FINANCIAL POSITION

	2011 R
<b>REVENUE PREVIOUSLY REPORTED</b>	<b>65,736,879</b>
<i>Property rates</i>	1,032,286
Property on the valuation roll not previously levied was brought in as well as some other corrections based on a reconciliation between valuation roll and billing system.	
<i>Government grants and subsidies</i>	31,074,194
The revenue was not recognised correctly.	
<i>Actuarial gains</i>	40,600
An actuarial gain was recognised in the statement of financial performance based on the actuarial calculations of employee benefits.	
<i>Service charges</i>	(446,107)
<i>Correction of levies</i>	
<i>Rental of facilities and equipment</i>	(15,689)
Relates to the operating lease register entries	
<i>Interest earned - outstanding debtors</i>	(12,300)
Relates to interest charges on outstanding debtors	
<i>Licences and permits</i>	2,137
Reclassification of accounts	
<i>Agency services</i>	209,873
Recognition of vehicle licensing in correct period and reclassification of accounts	
<i>Other income</i>	43,182
Recognition of the debt impairment reversal and the correction of long-term receivables.	
	<b>97,665,056</b>
<b>EXPENDITURE PREVIOUSLY REPORTED</b>	<b>R 75,223,235</b>
<i>Employee related costs</i>	398,629
With the correcting of post retirement benefits and the Long service awards based on an actuarial valuations the in year pay-outs was reversed; the required contribution and finance charges was recognised in the statement of financial performance. The recognition of current employee benefits pay-outs were accounted for directly in the statement of financial position; whereas the physical pay-outs should have been recorded to the provisions and the necessary contributions should have been recorded in the statement of financial performance.	
<i>Remuneration of councillors</i>	(6,960)
The expenditure of continued medical contribution in respect of retired persons was incorrectly classified as remuneration of Councillors.	
<i>Depreciation and amortisation charges</i>	19,480,249
Depreciation charges was recognised based first time implementation of GRAP 17.	
<i>Repairs and maintenance</i>	30,668
The figure was adjusted to the reconciliation of payables.	
<i>Actuarial losses</i>	197,974
The correcting of post retirement benefits and long service awards; based on an actuarial report; an actuarial loss was recognised.	
<i>Finance charges</i>	195,505
The post retirement benefits and long service awards; based on an actuarial report; required finance charges to be recognised against the statement of financial performance. The correcting of the finance lease interest had also an influence.	
<i>Other operating grant expenditure</i>	10,842,446
This expenditure was not previously reported as a separate line item.	
<i>Administration and Management Fees paid</i>	283,870
Only the agency fees of the vehicle registration function is reported.	
<i>General expenses</i>	(10,049,691)
The reclassification of other grant expenditure; as mentioned above; the implementation of the Landfill site required a contribution; and the correcting of the in year cost of landfill sites caused largest portion of the correction. Apart from this the rest relates to reclassification of expenditure line items and the correction of payables.	
	<b>96,596,924</b>

EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

29 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)

29.15 STATEMENT OF CHANGES IN NETT ASSETS

		2011 R
Balance previously reported		255,114,781
Cash and cash equivalents		28,841,897
Current employee benefits		(827,652)
Employee benefits		(1,178,227)
Intangible assets		(121,450)
Investment property		25,216,657
Long-term liabilities		8,664
Non-current provisions		7,002,434
Operating lease arrangements		(103)
Property, plant and equipment		179,533,796
Receivables from exchange transactions		(684,863)
Taxes		2,739,855
Unspent conditional government grants and receipts		6,265,467
Unspent public contributions		20,098
		501,931,454

30 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH

	2012 R	2011 R
Surplus/(Deficit) for the year	(53,533,785)	1,069,132
<b>Adjustments for:</b>		
Depreciation/Amortisation	20,118,519	19,480,249
Impairment Loss	577,880	-
Contributions to Non-Current Provisions	901,349	471,602
Debt Impairment	45,237,255	7,791,769
Finance charges	-	197,176
Grants Received	89,232,323	113,097,732
Grant Expenditure	(73,573,763)	(134,884,121)
Operating lease income accrued	(28,000)	(37,764)
Operating Surplus/(Deficit) before changes in working capital	29,280,584	7,343,150
Changes in working capital	(28,448,955)	(10,552,394)
Increase/(Decrease) in Payables from exchange transactions	2,760,832	209,516
Increase/(Decrease) in Employee benefits	2,655,838	288,941
Increase/(Decrease) in Taxes	9,047,212	(6,313,247)
(Increase)/Decrease in Inventory	(125,627)	764,541
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(42,787,211)	(5,502,146)
Cash generated/(absorbed) by operations	831,629	(3,209,244)

31 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 16	26,516,748	36,375,592
Cash Floats - Note 16	6,515	6,515
Bank - Note 16	15,904,328	7,374,889
Total cash and cash equivalents	42,427,590	43,756,996

32 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 31	42,427,590	43,756,996
Less:	42,427,590	43,756,996
Unspent Committed Conditional Grants - Note 7	3,138,174	4,397,734
Resources available for working capital requirements	39,289,416	39,359,262
Allocated to:		
Employee Benefits Reserve	9,392,769	5,617,232
Non-Current Provisions Reserve	2,708,478	2,578,022
Resources available for working capital requirements	27,188,168	31,164,007

33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 1	1,397,808	85,169
Used to finance property, plant and equipment - at cost	(1,397,808)	(85,169)
Cash set aside for the repayment of long-term liabilities	-	-
Cash Invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.	-	-



**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**34 BUDGET COMPARISONS**

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>34.1 Operational</b>				
<b>Revenue by source</b>				
Property Rates	3,397,136	1,972,680	1,424,456	72%
Government Grants and Subsidies - Capital	1,425,468	-	1,425,468	100%
Government Grants and Subsidies - Operating	72,148,295	93,633,094	(21,484,798)	-23%
Fines	632	-	632	100%
Reversal of Debt Impairment	94,665	-	94,665	100%
Service Charges	14,743,226	15,179,508	(436,282)	-3%
Rental of Facilities and Equipment	739,147	802,758	(63,611)	-8%
Interest Earned - external investments	1,911,317	1,265,000	646,317	51%
Interest Earned - outstanding debtors	5,610,555	3,978,828	1,631,727	41%
Licences and Permits	4,783	2,790	1,993	71%
Agency Services	324,512	13,455,330	(13,130,818)	-98%
Other Income	26,321,208	12,890,320	13,430,888	104%
	<u>126,720,943</u>	<u>143,180,308</u>	<u>(16,459,364)</u>	<u>-11%</u>
<b>Expenditure by nature</b>				
Employee Related Costs	40,637,379	31,560,523	(9,076,856)	29%
Remuneration of Councillors	8,269,699	9,408,811	1,139,112	-12%
Debt Impairment	45,237,255	748,900	(44,488,355)	5940%
Depreciation and Amortisation	20,118,519	2,950,000	(17,168,519)	582%
Impairments	577,880	-	(577,880)	-100%
Repairs and Maintenance	5,927,343	5,870,654	(56,689)	1%
Actuarial losses	348,806	-	(348,806)	-100%
Finance Charges	340,445	25,873	(314,572)	1216%
Bulk Purchases	9,699,328	10,200,000	500,672	-5%
Other Operating Grant Expenditure	11,199,724	16,742,737	5,543,013	-33%
Administration and Management Fees paid	37,898,351	-	(37,898,351)	-100%
General Expenses	-	35,058,137	35,058,137	100%
	<u>180,254,728</u>	<u>112,565,634</u>	<u>(67,689,094)</u>	<u>60%</u>
<b>Net Surplus for the year</b>	<u>(53,533,785)</u>	<u>30,614,674</u>	<u>(84,148,459)</u>	<u>-275%</u>
	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>34.2 Expenditure by Vote</b>				
Budget and Treasury	14,196,109	11,904,654	2,291,455	19%
Community Services	7,117,346	6,107,514	1,009,832	17%
Corporate Services	9,622,563	10,461,322	(838,759)	-8%
Council	14,552,919	16,037,829	(1,484,909)	-9%
Electricity	15,637,617	15,887,455	(249,838)	-2%
Executive	6,044,935	5,109,012	935,923	18%
Housing Services	1,554,499	1,150,564	403,935	35%
IPED	5,211,920	7,840,448	(2,628,528)	-34%
Refuse	12,513,061	3,338,240	9,174,821	275%
Roads Transport	31,925,977	16,634,622	15,291,355	92%
Water and Sanitation	61,877,781	18,093,975	43,783,806	242%
	<u>180,254,728</u>	<u>112,565,634</u>	<u>67,689,094</u>	<u>60%</u>

34 BUDGET COMPARISONS (CONTINUE)

The cost driver of the unauthorised expenditure and contributing amount per cost driver are listed in the table below:

Vote	Cost driver of the unauthorised	Amount
Budget and Treasury	Debt impairment	1,842,089
	Leave provision	244,767
	Actuarial losses	348,806
	Impairment of assets	390,286
Community Services	Depreciation charges	913,235
	Impairment of assets	118,815
Executive	Basic Salaries	509,519
	Leave Provision	184,667
	Performance Bonus Provision	321,579
Housing Services	Employee related cost; incl leave post retirement; long service and accrued leave contributions	297,624
	Debt impairment	62,430
	General expenses	36,909
	Finance charges	11,900
Refuse	Debt impairment	3,474,709
	Operational cost of land fill sites	3,467,081
	Contribution: Rehabilitation cost of landfill sites	130,456
	Employee related cost; incl leave and basic salaries with basic salaries as the largest contributor.	2,368,726
Roads Transport	Depreciation charges	17,071,539
Water and Sanitation	Debt Impairment	39,109,127
	Capital Items CHDM	3,055,284
	Employee related cost	930,665
	General expenses and Repairs & maintenance	1,254,332

The municipality does not expect any significant changes to the level of grants.

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
<b>34.3 Capital expenditure by vote</b>				
Budget and Treasury	260,642	513,820	(253,178)	-49%
Community Services	492,724	175,050	317,674	181%
Corporate Services	533,985	450,000	83,985	19%
Council	306,132	-	306,132	100%
Executive	5,449	-	5,449	100%
IPED	38,260	61,820	(23,560)	-38%
Refuse		480,000	(480,000)	-100%
Roads Transport	1,954,867	863,310	1,091,557	126%
	<u>3,592,058</u>	<u>2,544,000</u>	<u>1,048,058</u>	<u>41%</u>

The unauthorised expenditure mainly relates to the three new vehicles financed by means of a hire purchase hire agreement at Standard bank whilst the finance leases of the new copiers was the second biggest contributor.

	2011 R	2010 R
<b>35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>35.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	2,757,950	257,950
Unauthorised expenditure for the year - capital	1,804,796	2,500,000
Unauthorised expenditure for the year - operating	72,891,128	
Written off by council	(2,757,950)	
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>74,695,925</u>	<u>2,757,950</u>

Unauthorised expenditure on operating votes is mainly due to depreciation and debt impairment charges

Incident	Disciplinary steps/criminal proceedings
Over expenditure on approved operational and capital budget.	None; report will be presented to Council

35	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continue)	2012 R	2011 R						
35.2	<b><u>Fruitless and wasteful expenditure</u></b>								
	Reconciliation of fruitless and wasteful expenditure:								
	Opening balance	52,559	-						
	Fruitless and wasteful expenditure the year	24,824	52,559						
	Written off by council	-	-						
	Transfer to receivables for recovery	-	-						
	Fruitless and wasteful expenditure awaiting further action	<u>77,383</u>	<u>52,559</u>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td>Interest was paid to Eskom and Telkom</td> <td style="text-align: center;">None</td> </tr> <tr> <td>Interest was paid to Eskom and Telkom</td> <td style="text-align: center;">None</td> </tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings	Interest was paid to Eskom and Telkom	None	Interest was paid to Eskom and Telkom	None	-	52,559
Incident	Disciplinary steps/criminal proceedings								
Interest was paid to Eskom and Telkom	None								
Interest was paid to Eskom and Telkom	None								
		<u>24,824</u>	<u>-</u>						
		<u>24,824</u>	<u>52,559</u>						
35.3	<b><u>Irregular expenditure</u></b>								
	Reconciliation of irregular expenditure:								
	Opening balance	36,600,000	18,300,000						
	Irregular expenditure for the year	-	18,300,000						
	Written off by council	(36,600,000)	-						
	Transfer to receivables for recovery	-	-						
	Irregular expenditure awaiting further action	<u>-</u>	<u>36,600,000</u>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Incident</th> <th style="text-align: left;">Disciplinary steps/criminal proceedings</th> </tr> </thead> <tbody> <tr> <td>SCM procedures not followed</td> <td style="text-align: center;">None</td> </tr> </tbody> </table>	Incident	Disciplinary steps/criminal proceedings	SCM procedures not followed	None	-	-		
Incident	Disciplinary steps/criminal proceedings								
SCM procedures not followed	None								
		<u>-</u>	<u>-</u>						
36	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT								
36.1	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>								
	Opening balance	68,268	66,608						
	Council subscriptions	400,000	238,937						
	Amount paid - current year	(400,000)	(170,669)						
	Amount paid - previous years	-	(66,608)						
	Balance unpaid (included in creditors)	<u>68,268</u>	<u>68,268</u>						
36.2	<b><u>Audit fees - [MFMA 125 (1)(c)]</u></b>								
	Opening balance	(2,307,628)	281,454						
	Current year audit fee	215,534	-						
	External Audit - Auditor-General	<u>1,939,775</u>	<u>429,816</u>						
	Amount paid - current year	1,433,315	(2,307,627)						
	Amount paid - previous year	228,962	(281,454)						
	Balance unpaid (included in creditors)	<u>(429,816)</u>	<u>(2,307,628)</u>						
36.3	<b><u>VAT - [MFMA 125 (1)(c)]</u></b>								
	Opening balance	(5,381,071)	98,108						
	Amounts received - current year	9,055,556	1,404,665						
	Amounts received - previous years	5,381,071	(98,108)						
	Amounts claimed - current year	(8,502,621)	(6,785,736)						
	Closing balance - (Receivable) / Payable	<u>552,935</u>	<u>(5,381,071)</u>						
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.								
36.4	<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u></b>								
	Opening balance	-	-						
	Current year payroll deductions and Council Contributions	4,958,804	5,123,896						
	Amount paid - current year	(4,958,804)	(5,123,896)						
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>						
36.5	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u></b>								
	Opening balance	-	-						
	Current year payroll deductions and Council Contributions	3,885,889	2,787,426						
	Amount paid - current year	(3,885,889)	(2,787,426)						
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>						



EMALAHLENI MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

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

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

	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
Godla, M.	535	543
Komani, B.	76,391	80,567
<b>Total Councillor Arrear Consumer Accounts</b>	<b>76,926</b>	<b>81,109</b>

36.8 **Other non-compliance (MFMA 125(2)(e))**

Requirement	Relevant Legislation	Non-compliance
The Accounting Officer must submit by no later than 10 working days after the end of each month, to the Mayor and the relevant Provincial Treasury a statement on the state of the municipality's budget	MFMA Sec. 71(1)	Not all the Section 71 reports were submitted on time.
The monthly budget statement must comply with the requirements of the MFMA.	MFMA Sec. 71(2)	The monthly budget statements submitted do not comply with the all legislative requirements.
The mid-year budget and performance assessment report must be submitted by 25 January, to: i) the Mayor ii) the National Treasury iii) the relevant Provincial Treasury	MFMA sec. 72(1)(b)	The mid-year budget and performance assessment was submitted to the Mayor by 25 January and submitted to National Treasury and the relevant provincial treasury thereafter. However the format did meet all legislative requirements.
The Municipal Manager must place certain documents on a municipal website.	MSA sec. 21A and MFMA sec. 75	The website was only developed towards the end of May beginning June 2012
The Municipality must prepare and submit the financial statements within two months after the financial year end.	MFMA Sec. 126(1)	The annual financial statements for 2012 will be submitted on 21 September 2012 to AG; whilst the 2011 set was submitted within the timeframes.
The mid-year budget and performance assessment report must be placed on the municipality's website by 31 January.	Municipal budget and reporting regulation 5 (GNR 393 of 17 April 2009)	The mid-year budget and performance assessment was not placed on the municipality's website.
The Municipal Manager must make public the approved adjustment budget within 10 working days after the Council approved the adjustment budget.	Municipal budget and reporting regulation 26(1) (GNR 393 of 17 April 2009)	No audit evidence exists to confirm that the adjustment budget was made public within 10 working days after council approval.
The monthly budget statements must be placed on the municipality's website.	Municipal budget and reporting regulation 34(1) (GNR 393 of 17 April 2009)	Monthly budget statements were not placed on the municipality's website.

37 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

	2012 R	2011 R
Infrastructure	516,455	-
	<b>516,455</b>	<b>-</b>

Approved but not yet contracted for

**Total**

Approved but not yet contracted for	-	-
<b>Total</b>	<b>516,455</b>	<b>-</b>

This expenditure will be financed from:

Government Grants

**Total**

Government Grants	516,455	-
<b>Total</b>	<b>516,455</b>	<b>-</b>

38

**FINANCIAL RISK MANAGEMENT**

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

**(a) Foreign Exchange Currency Risk**

The municipality did not engage in one foreign currency transaction.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

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

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

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

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

1% (2010 - 0.5%) Increase in interest rates	410,233	218,327
0.5% (2010 - 0.5%) Decrease in interest rates	(205,116)	(218,327)

**(d) Credit Risk**

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

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

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

The credit quality of receivables are assessed on individual debtors basis. The accounts are then impaired on a individual basis based on the risk profile/credit quality associated with that individual account.

All rates and services are payable within 30 days from invoice date. Refer to note 13 and 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

38 FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	1,565,449	100.00%	1,925,808
<u>Exchange Receivables</u>				
Electricity	1.92%	522,248	0.11%	31,726
Water	1.89%	513,302	0.13%	37,918
Refuse	0.81%	220,705	1.73%	505,238
Sewerage	1.25%	338,050	0.06%	16,210
Other	94.13%	25,543,360	97.98%	28,636,257
	100.00%	27,137,665	100.00%	29,227,349

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 13 and 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	14,312,704	100.00%	12,282,586
<u>Exchange Receivables</u>				
Electricity	2.04%	1,454,980	7.00%	1,562,898
Water	27.80%	19,844,640	-0.17%	(37,918)
Refuse	29.82%	21,287,486	76.03%	16,985,571
Sewerage	34.58%	24,685,636	-0.07%	(16,210)
Other	5.75%	4,107,373	17.21%	3,845,358
	100.00%	71,380,114	100%	22,339,699

No debts were written-off.

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

The entity has no non-current investment transactions.

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

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

All receivables are individually evaluated annually at Balance Sheet date for impairment.

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

Receivables from exchange transactions	2012 R	2011 R
Receivables from non-exchange transactions	27,137,665	29,227,349
Cash and Cash Equivalents	1,565,449	1,925,808
Unpaid conditional grants and subsidies	42,427,590	43,756,996
	5,663,272	22,581,392
	<u>76,793,976</u>	<u>97,491,545</u>



38 FINANCIAL RISK MANAGEMENT (CONTINUE)

(e) Liquidity Risk

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

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

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

2012	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Finance Lease Liability	310,526	543,421	-	-
Capital repayments	151,406	411,443	-	-
Interest	159,121	131,978	-	-
Long Term liabilities - Hire purchase Lease Liability	210,976	825,324	-	-
Capital repayments	141,560	693,399	-	-
Interest	69,416	131,925	-	-
Trade and Other Payables	6,159,574	-	-	-
Unspent conditional government grants and receipts	3,138,174	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>9,819,251</u>	<u>1,368,745</u>	<u>-</u>	<u>-</u>

38 FINANCIAL RISK MANAGEMENT (CONTINUE)

2011	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Finance Lease Liability	93,590	-	-	-
Capital repayments	85,169	-	-	-
Interest	8,420	-	-	-
Long Term liabilities - Hire purchase Lease Liability	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	3,676,212	-	-	-
Unspent conditional government grants and receipts	4,397,734	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>8,167,536</u>	<u>-</u>	<u>-</u>	<u>-</u>

**EMALAHLENI MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

39	<b>FINANCIAL INSTRUMENTS</b>	2012 R	2011 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
39.1	<b>Financial Assets</b>	<u>Classification</u>	
	Investments		
	Fixed Deposits	Financial instruments at amortised cost	-
	Receivables		-
	Receivables from exchange transactions	Financial instruments at amortised cost	27,137,665
	Receivables from non-exchange transactions	Financial instruments at amortised cost	29,227,349
	Other Receivables		1,925,808
	Government Subsidies and Grants	Financial instruments at amortised cost	5,663,272
	Short-term Investment Deposits		22,581,392
	Call Deposits	Financial instruments at amortised cost	26,516,748
	Bank Balances and Cash		36,375,592
	Bank Balances	Financial instruments at amortised cost	15,904,328
	Cash Floats and Advances	Financial instruments at amortised cost	7,374,889
			6,515
			<u>76,793,976</u>
			<u>97,491,545</u>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	76,793,976	97,491,545
	At amortised cost	<u>76,793,976</u>	<u>97,491,545</u>

39 **FINANCIAL INSTRUMENTS (CONTINUE)**

39.2	<b>Financial Liability</b>	<u>Classification</u>	
	Long-term Liabilities		
	Annuity Loans	Financial instruments at amortised cost	-
	Capitalised Lease Liability	Financial instruments at amortised cost	411,443
	Hire Purchase	Financial instruments at amortised cost	693,399
	Payables from exchange transactions		-
	Trade Payables	Financial instruments at amortised cost	3,627,185
	Third party payables (Payroll)	Financial instruments at amortised cost	488,557
	Payments received in advance	Financial instruments at amortised cost	(159,986)
	Sundry Deposits	Financial instruments at amortised cost	339,227
	Sundry Creditors	Financial instruments at amortised cost	22,823
	Other Payables		11,216
	Government Subsidies and Grants	Financial instruments at amortised cost	2,669,552
	Current Portion of Long-term Liabilities		3,152,834
	Capitalised Lease Liability	Financial instruments at amortised cost	3,138,174
	Hire Purchase	Financial instruments at amortised cost	4,397,734
			151,406
			85,169
			141,560
			<u>11,034,784</u>
			<u>8,220,873</u>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	11,034,784	8,220,873

40 **EVENTS AFTER THE REPORTING DATE**

The municipality has no events after reporting date during the financial year ended 2011/2012.

41 **IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any in-kind donations or assistance during the year under review.

42 **PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**43 CONTINGENT LIABILITY**

Claim against Council

	-	-
--	---	---

Estimate legal Fees

	-	-
--	---	---

The Municipality represented by SALGA is currently reviewing the court case outcome which could result in costs being awarded against Council if the claimant is successful in their action. The following is the estimate exposure:

IMATU / SALGA - TASK implementation

	1,130,204	-
	1,130,204	-

IMATU won a court case against SALGA for not implementing the TASK evaluation results on the correct salary scales. SALGA is currently reviewing the court case outcome. The financial exposure is estimated at 2% additional salary increases to all permanent staff members.

The municipality does not have permits or licenses for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

**44 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

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

**44.1 Related Party Loans**

None

**44.2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 21 to the Annual Financial Statements.

**44.3 Other related party transactions**

No purchases were made during the year where Councillors or staff have an interest.

**45 FINANCIAL SUSTAINABILITY**

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

**Financial Indicators**

The current ratio decreased from 9.76:1 to 5.03:1 in the period of reporting.

The average debtors' payment days decreased from 63 days to 76 days. The debtors impairment ratio increased to 75 % from the previous years 53%.

No bank overdraft was utilised; the net cash situation as at 30 June 2012 is R 42427590 positive.

**Other Indicators**

Possible outflow of resources due the contingent liability disclosed in note 43



APPENDIX A - Unaudited  
EMALAHLENI MUNICIPALITY  
SCHEDULE OF LONG-TERM LIABILITIES AS AT 30 JUNE 2012

LONG-TERM LIABILITIES	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2012
<b>HIRE PURCHASE</b>											
Standard Bank	9.00%	43454526/0005	2017/05/15				204,360		1,230	3,007	201,353
Standard Bank	9.00%	43454528/0006	2017/05/15				306,430		3,400	2,991	303,439
Standard Bank	9.00%	43454526/0007	2017/06/01				333,420		3,700	3,254	330,166
<b>Total Hire Purchase</b>				-	-	-	<b>844,210</b>	-	<b>8,330</b>	<b>9,251</b>	<b>834,959</b>
<b>LEASE LIABILITY</b>											
Computer Equipment - Copiers	19.58%		2012/02/01	95,505	(10,335)	85,169			8,420	85,169	-
NRG Office Solutions (Pty) Ltd	32.04%		2015/03/20	-	-	-	593,860		46,621	31,011	562,849
<b>Total Lease Liabilities</b>				<b>95,505</b>	<b>(10,335)</b>	<b>85,169</b>	<b>593,860</b>	-	<b>55,041</b>	<b>116,180</b>	<b>562,849</b>
<b>TOTAL LONG-TERM LIABILITIES</b>				<b>95,505</b>	<b>(10,335)</b>	<b>85,169</b>	<b>1,438,070</b>	-	<b>63,371</b>	<b>125,431</b>	<b>1,397,808</b>

**APPENDIX B - Unaudited  
EMALAHLENI MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012  
MUNICIPAL VOTES CLASSIFICATION**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
58,841,434	(17,469,197)	41,372,237	Budget and Treasury	70,162,701	(14,196,109)	55,966,593
721,667	(5,583,224)	(4,861,557)	Community Services	1,099,840	(7,117,346)	(6,017,506)
191,101	(9,002,610)	(8,811,509)	Corporate Services	90,236	(9,622,563)	(9,532,327)
1,213,057	(11,605,407)	(10,392,350)	Council	480,163	(14,552,919)	(14,072,756)
9,427,374	(13,269,954)	(3,842,580)	Electricity	10,673,653	(15,637,617)	(4,963,965)
-	(4,778,506)	(4,778,506)	Executive	120,000	(6,044,935)	(5,924,935)
-	(1,260,842)	(1,260,842)	Housing Services	-	(1,554,499)	(1,554,499)
259,938	(3,780,122)	(3,520,184)	IPED	1,577,934	(5,211,920)	(3,633,986)
3,456,222	(4,506,199)	(1,049,977)	Refuse	3,967,449	(12,513,061)	(8,545,612)
24,011,449	(25,238,327)	(1,226,879)	Roads Transport	2,276,791	(31,925,977)	(29,649,186)
(457,184)	(101,537)	(558,720)	Water and Sanitation	36,272,176	(61,877,781)	(25,605,605)
97,665,056	(96,595,924)	1,069,132	Sub Total	126,720,943	(180,254,728)	(53,533,785)
-	-	-		-	-	-
97,665,056	(96,595,924)	1,069,132	Total	126,720,943	(180,254,728)	(53,533,785)

**APPENDIX C - Unaudited**  
**EMALAHLENI MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
1,213,057	(16,383,913)	(15,170,856)	Executive and Council	600,163	(20,597,854)	(19,997,691)
58,841,434	(17,469,197)	41,372,237	Budget and Treasury Office	70,162,701	(14,196,109)	55,966,593
191,101	(9,238,800)	(9,047,700)	Corporate Services	90,236	(9,859,401)	(9,769,165)
259,938	(3,780,122)	(3,520,184)	Planning and Development	1,577,934	(5,211,920)	(3,633,986)
-	-	-	Health	-	-	-
718,731	(4,553,668)	(3,834,938)	Community and Social Services	1,095,522	(6,026,096)	(4,930,574)
-	(1,260,842)	(1,260,842)	Housing	-	(1,554,499)	(1,554,499)
66,059	(316,728)	(250,669)	Public Safety	645,123	(546,412)	98,711
2,936	(793,365)	(790,429)	Sport and Recreation	4,318	(854,412)	(850,095)
-	-	-	Environmental Protection	-	-	-
3,456,222	(4,506,199)	(1,049,977)	Waste Management	3,967,449	(12,513,061)	(8,545,612)
(448,083)	(45,507)	(493,590)	Waste Water Management	5,373,757	(27,625,680)	(22,251,923)
24,011,449	(25,238,327)	(1,226,879)	Road Transport	2,276,791	(31,925,977)	(29,649,186)
(9,100)	(56,030)	(65,130)	Water	30,898,419	(34,252,101)	(3,353,682)
9,361,315	(12,953,226)	(3,591,911)	Electricity	10,028,530	(15,091,206)	(5,062,675)
-	-	-	Other	-	-	-
<b>97,665,056</b>	<b>(96,595,924)</b>	<b>1,069,132</b>	<b>Total</b>	<b>126,720,943</b>	<b>(180,254,728)</b>	<b>(53,533,785)</b>



**APPENDIX D - Unaudited**  
**EMALAHLENI MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2011	Grants Received	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2012	Unspent 30 JUNE 2012  Current Liability	Unpaid 30 JUNE 2012  Current Asset
	R	R	R	R	R	R	R
<b><u>National Government Grants</u></b>							
Equitable share	-	61,056,000	61,056,000	-	-	-	-
Local Government Financial Management Grant (FMG)	290,100	1,500,000	1,911,202	-	-121,102	-	121,102
Municipal Infrastructure Grant (MIG)	-21,534,018	19,217,000	3,236	1,425,468	-3,745,722	-	3,745,722
Municipal Systems Improvement Grant (MSIG)	-	790,000	854,424	-	-64,424	-	64,424
Department of Water affairs and forestry (DWAF)	-	472,748	429,573	-	43,176	43,176	-
Integrated National Electrification Grant (INEP)	1,004,100	4,480,000	5,134,100	-	350,000	350,000	-
Extended Public Works Program (EPWP)	-	439,000	439,000	-	-	-	-
Town Revitalisation	-	500,000	-	-	500,000	500,000	-
<b><u>Provincial Government Grants</u></b>							
Housing Grant	-1,017,968	-	-	-	-1,017,968	-	1,017,968
IDP	316,815	-	316,815	-	-	-	-
LED	1,781,400	67,175	67,175	-	1,781,400	1,781,400	-
Library	-29,405	-	-	-	-29,405	-	29,405
MSP	-0	-	-	-	-0	-	0
<b><u>District Municipality Grants</u></b>							
Food Program	413,598	-	-	-	413,598	413,598	-
HIV Aids	35,871	20,000	55,871	-	0	0	-
Audit	-	120,000	120,000	-	-	-	-
SPU	-	480,163	480,163	-	-	-	-
Other	50,000	-	-	-	50,000	50,000	-
<b><u>Other Grants</u></b>							
LGSETA	-	90,236	90,236	-	-	-	-
Eilitheni Coal Mine	505,850	-	1,190,500	-	-684,650	-	684,650
<b>Total</b>	<b>-18,183,658</b>	<b>89,232,323</b>	<b>72,148,295</b>	<b>1,425,468</b>	<b>-2,525,098</b>	<b>3,138,174</b>	<b>5,663,272</b>