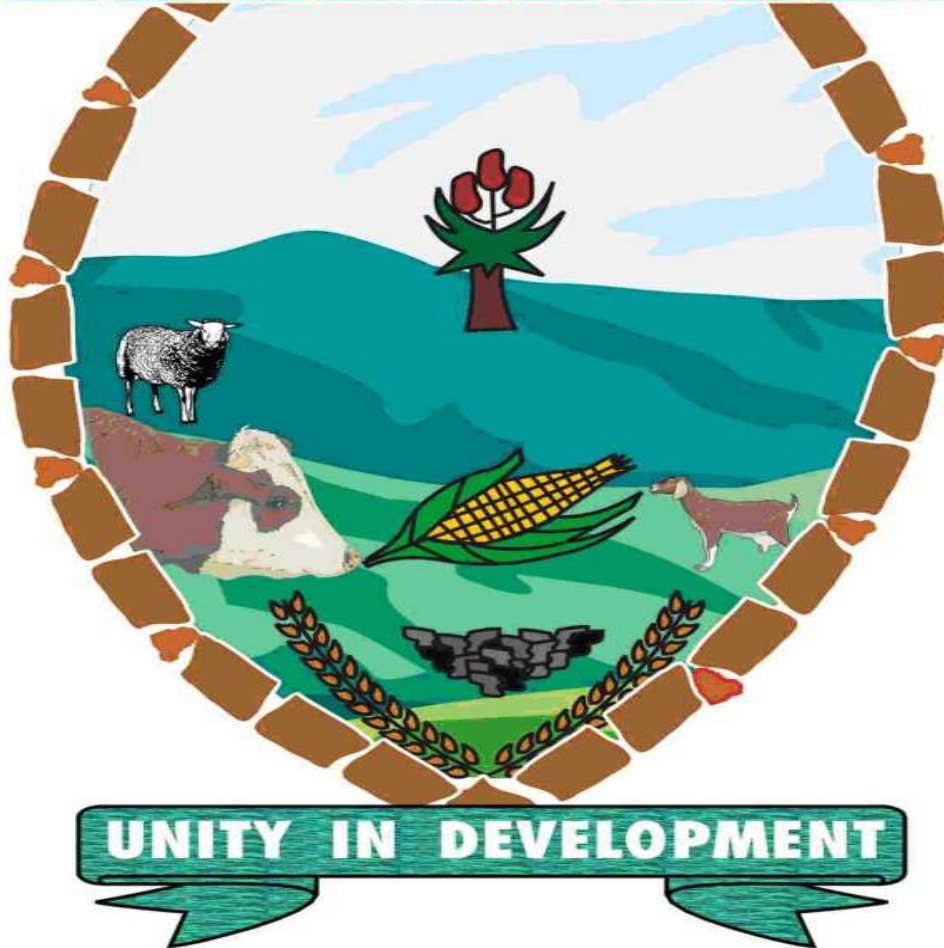


EMALAHLENI MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

EMALAHLENI MUNICIPALITY

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EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Emalahleni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 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

Dr. S. W. Vatala

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

1	Nyukwana, N.	Executive Mayor	ANC	Proportional
2	Kalolo, D.S.	Speaker	ANC	Proportional
3	Liwani, S.	Chief Whip	ANC	Proportional
4	Jordaan, V.	Councillor	ANC	Proportional
5	Koni, N.F.	Councillor	ANC	Ward
6	Mnyuko, S.	Councillor	ANC	Ward
7	Dlikilili, N.	Councillor	ANC	Proportional
8	Holana, N.	Councillor	ANC	Proportional
9	Mapete, P.	Councillor	ANC	Ward
10	Godla, M.	Councillor	ANC	Ward
11	Mooi, L.	Councillor	ANC	Ward
12	Lali, N.	Councillor	ANC	Proportional
13	Phendu, N.	Councillor	ANC	Proportional
14	Qashani, N.	Councillor	ANC	Ward
15	Twala, B.P.	Councillor	ANC	Proportional
16	Dudumashe, T.R.	Councillor	ANC	Ward
17	Ziduli, N.	Councillor	ANC	Ward
18	Teka, Z.H.	Councillor	ANC	Ward
19	Ndlela, T.R.	Councillor	ANC	Proportional
20	Peter, N.	Councillor	ANC	Ward
21	Kulashe, T.	Councillor	ANC	Proportional
22	Mani, M.	Councillor	ANC	Proportional
23	Dyonase, Z.	Councillor	ANC	Ward
24	Bobotyana, H.C.	Councillor	ANC	Ward
25	Kraqa, N.	Councillor	ANC	Ward
26	Mjezu, K.	Councillor	UDM	Proportional
27	Nkasela, K.	Councillor	ANC	Proportional
28	Greyling, P.	Councillor	DA	Proportional
29	Nobaza, P.	Councillor	ANC	Ward
30	Gwegwana, L.	Councillor	ANC	Ward
31	Komani, B.	Councillor	ANC	Ward
32	Papiso, Z.	Councillor	ANC	Ward
33	Mketsu, Z.	Councillor	COPE	Proportional
34	Kwatshana, T.	Councillor	PAM	Proportional

APPROVAL OF FINANCIAL STATEMENTS

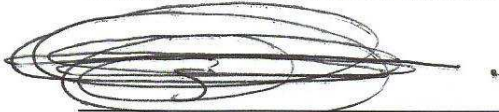
I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 83 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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



Dr. S. W. Vatala
MUNICIPAL MANAGER

19/11/2013
Date

EMALAHLENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of EMALAHLENI LOCAL MUNICIPALITY for the fiscal year

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and Senior Management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Emalahleni Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Emalahleni economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	2012/2013	2011/2012
Surplus / (Deficit) for the year before Appropriations	1 601 071	(60 096 773)
Accumulated Surplus / (Deficit) at the end of the Year	426 266 166	424 665 094
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	28.17%	21.83%
Remuneration of Councillors	5.87%	4.58%
Debt Impairment	6.15%	25.07%
Depreciation and Amortisation	12.98%	11.15%
Impairments	0.00%	0.32%
Repairs and Maintenance	4.71%	3.42%
Actuarial losses	0.28%	0.19%
Finance Charges	0.34%	0.20%
Bulk Purchases	7.24%	5.37%
Contracted services	1.75%	0.84%
Operating Grant Expenditure	9.59%	5.33%
General Expenses	20.69%	21.69%
Loss on disposal of Property, Plant and Equipment	2.23%	0.00%
Fair Value Adjustments		
Current Ratio:		
Creditors Days	49	47
Debtors Days	1 552	1 400

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ration is. It should be noted that the ratio improvement has been achieved despite the massive increases in Eskom charges.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/2013 R	Actual 2011/2012 R	Percentage Variance %	Budgeted 2012/2013 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	364 568 321	486 525 386	-25.07%	-	-
Operating income for the year (incl. gains in disposal of assets)	156 690 745	120 369 818	30.17%	160 428 059	-2.33%
Appropriations for the year	-	(61 860 292)	0.00%	-	-
	521 259 066	545 034 912	-4.36%	160 428 059	224.92%
Expenditure:					
Operating expenditure for the year	155 089 673	180 466 591	-14.06%	162 260 441	-4.42%
Sundry transfers	-	-	0.00%	-	-
Closing surplus / (deficit)	366 169 392	364 568 321	0.44%	-	-
	521 259 066	545 034 912	-4.36%	162 260 441	221.25%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 17 070 236 (2011/2012: R 2 998 199), and in percentage terms amounts to 62.19% of budget. Full details of Property, Plant and Equipment are disclosed in note number 10 to the Annual Financial Statements.

The capital expenditure of R 17 070 236 (2012/13) was financed as follows:

DETAILS	Actual 2012/2013 R	Budgeted 2012/2013 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve	1 893 062	4 137 172	45.76%	11.09%
External Loans	-	-	-	-
Grants and Subsidies	15 177 174	23 311 000	65.11%	88.91%
Leased Assets	-	-	-	-
Public Contributions	-	-	-	-
	17 070 236	27 448 172	62.19%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2012/2013
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	(1 832 382)
Revenue variances	(2 384 626)
Expenditure variances:	
Budget and Treasury	(267 050)
Community Services	(1 676 522)
Corporate Services	(1 328 585)
Council	(651 659)
Electricity	(4 505 097)
Executive	1 553 291
Housing Services	103 765
IPED	(1 742 195)
Refuse	(2 272 015)
Roads Transport	6 445 401
Water and Sanitation	(1 258 454)
Actual surplus before appropriations	(9 816 128)

DETAILS	2012/2013
<i>Variance per Expenditure by Type:</i>	
Budgeted surplus before appropriations	(1 832 382)
Employee related costs	3 389 571
Remuneration of councillors	123 867
Debt impairment	5 880 482
Depreciation & asset impairment	(3 653 769)
Finance charges	156 479
Bulk purchases	(1 930 180)
Other materials	-
Contracted services	(236 746)
Grants and subsidies paid	(5 168 683)
Other expenditure	(9 196 685)
Loss on disposal of PPE	3 464 897
Actual surplus before appropriations	(9 003 150)

Details of the operating results per segmental classification of expenditure and of operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Statement of Comparisons of Budget and Actual Amounts

5.2 Capital Budget:

DETAILS	Actual 2012/2013 R	Budgeted 2012/2013 R	Variance actual/ budgeted R
Budget and Treasury	676 494	1 745 000	(1 068 506)
Community and Social Services	7 825 383	8 161 000	(335 617)
Corporate Services	158 294	155 000	3 294
Executive and Council	453 094	205 000	248 094
IPED	41 031	1 699 172	(1 658 141)
Technical Services	7 915 940	15 483 000	(7 567 060)
	17 070 236	27 448 172	(10 377 936)

Refer to Note number 10 and 30 for more detail.

5. LONG-TERM LIABILITIES

	2013 R	2012 R
The outstanding amount of Long-term Liabilities as at 30 June was :	<u>852 386</u>	<u>1 397 808</u>

New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.

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Refer to Note number 2 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	<u>9 592 040</u>	<u>6 442 061</u>
Provision for Post Retirement Benefits	3 671 582	2 718 236
Provision for Ex-Gratia Pension Benefits	-	-
Provision for Long Service Awards	1 169 744	1 015 347
Provision for Rehabilitation of Landfill-sites	4 750 714	2 708 478
Provision for Clearing of Alien Vegetation	-	-
	<u>9 592 040</u>	<u>6 442 061</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 3 and 4 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note Number 5	110 146	100 746
Current Employee benefits	Note Number 6	8 026 348	7 066 183
Payables from exchange transactions	Note Number 7	7 234 708	7 392 332
Unspent Conditional Government Grants and Receipts	Note Number 8	5 522 930	3 220 625
Taxes	Note Number 9	2 165 013	3 163 233
Operating Lease Liability	Note Number 16	71 794	76 042
Cash and Cash Equivalents	Note Number 17	53 115 160	46 064 237
Current Portion of Long-term Liabilities	Note Number 2	306 611	292 965
		<u>76 552 711</u>	<u>67 376 364</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:	<u>255 189</u>	<u>285 698</u>
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These are assets which cannot physically be identified and verified and are all in respect

Refer to Note Number 12 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:	<u>361 349 466</u>	<u>367 836 654</u>
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Refer to Note Number 10 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :	<u>43 690 557</u>	<u>29 917 347</u>
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These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities, Unspent Conditional Grants and Capital Commitments.

Refer to Note Number 17 for more detail.

11. CURRENT ASSETS

Current Assets are made up as follows:		400 069	373 402
Inventory	Note Number 13	9 618 532	5 696 644
Receivables from exchange transactions	Note Number 14	5 495 959	1 565 449
Receivables from non-exchange transactions	Note Number 15	1 702 618	1 917 550
Unpaid Conditional Government Grants and Receipts	Note Number 8	71 794	76 042
Operating Lease Asset	Note Number 16	2 165 013	3 163 233
Taxes	Note Number 9	-	-
Cash and Cash Equivalents	Note Number 17	<u>72 569 145</u>	<u>58 856 558</u>

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to note 8 and 19 for more detail

14. EVENTS AFTER THE REPORTING DATE

Full details of all events after reporting date are disclosed in note 40.

15. DISCLOSURE ISSUES

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

16. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing

Mr. G P De Jager
CHIEF FINANCIAL OFFICER
19 November 2013

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	2012 R
NET ASSETS AND LIABILITIES			
Net Assets		426 266 166	424 665 094
Accumulated Surplus/(Deficit)		426 266 166	424 665 094
Non-Current Liabilities		10 005 201	7 331 944
Long-term Liabilities	2	545 775	1 104 842
Employee benefits	3	4 708 713	3 518 623
Non-Current Provisions	4	4 750 714	2 708 478
Current Liabilities		22 903 362	19 990 400
Consumer Deposits	5	110 146	100 746
Current Employee benefits	6	8 026 348	7 066 183
Payables from exchange transactions	7	7 234 708	7 392 332
Unspent Conditional Government Grants and Receipts	8	7 225 548	5 138 174
Current Portion of Long-term Liabilities	2	306 611	292 965
Total Net Assets and Liabilities		459 174 729	451 987 439
ASSETS			
Non-Current Assets		386 605 583	393 130 881
Property, Plant and Equipment	10	361 349 466	367 836 654
Investment Property	11	25 000 929	25 008 529
Intangible Assets	12	255 189	285 698
Current Assets		72 569 145	58 856 558
Inventory	13	400 069	373 402
Receivables from exchange transactions	14	9 618 532	5 696 644
Receivables from non-exchange transactions	15	5 495 959	1 565 449
Unpaid Conditional Government Grants and Receipts	8	1 702 618	1 917 550
Operating Lease Asset	16	71 794	76 042
VAT	9	2 165 013	3 163 233
Cash and Cash Equivalents	17	53 115 160	46 064 237
Total Assets		459 174 729	451 987 439

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Notes	2013 Actual R	2012 Restated R	2012 Correction of Error R	2012 Previously reported R
REVENUE				
Revenue from Non-exchange Transactions	110 117 629	77 069 586	3 390	77 066 196
Taxation Revenue	3 529 711	3 400 508	3 372	3 397 136
Property rates	3 529 711	3 400 508	3 372	3 397 136
Transfer Revenue	106 208 009	73 573 763	-	73 573 763
Government Grants and Subsidies - Capital	20 792 761	1 425 468	-	1 425 468
Government Grants and Subsidies - Operating	85 415 248	72 148 295	-	72 148 295
Other Revenue	379 908	95 315	18	95 297
Actuarial Gains	141 077	-	-	-
Fines	516	650	18	632
Contributed Assets	238 316	-	-	-
Reversal of Debt Impairment	-	94 665	-	94 665
Revenue from Exchange Transactions	46 573 116	43 300 232	(6 354 516)	49 654 748
Service Charges	14 913 989	14 512 555	(230 671)	14 743 226
Rental of Facilities and Equipment	619 762	703 124	(36 022)	739 147
Interest Earned - external investments	2 861 731	2 250 242	338 925	1 911 317
Interest Earned - outstanding debtors	6 471 322	5 610 555	-	5 610 555
Licences and Permits	352 691	4 758	(25)	4 783
Agency Services	92 647	296 410	(28 102)	324 512
Other Income	21 054 317	19 922 588	(6 398 620)	26 321 208
Gain on disposal of Property, Plant and Equipment	206 657	-	-	-
Total Revenue	156 690 745	120 369 818	(6 351 125)	126 720 943
EXPENDITURE				
Employee related costs	43 684 642	39 391 382	(1 245 996)	40 637 379
Remuneration of Councillors	9 101 125	8 269 699	-	8 269 699
Debt Impairment	9 539 098	45 237 255	-	45 237 255
Depreciation and Amortisation	20 130 637	20 118 519	-	20 118 519
Impairments	-	577 880	-	577 880
Repairs and Maintenance	7 298 672	6 171 366	244 023	5 927 343
Actuarial losses	428 420	348 806	-	348 806
Finance Charges	529 615	361 605	21 161	340 445
Bulk Purchases	11 232 475	9 699 328	-	9 699 328
Contracted services	2 713 254	1 522 954	1 522 954	-
Other Operating Grant Expenditure	14 878 136	9 622 718	(1 577 007)	11 199 724
General Expenses	32 088 704	39 145 079	1 246 728	37 898 351
Loss on disposal of Property, Plant and Equipment	3 464 897	-	-	-
Total Expenditure	155 089 673	180 466 591	211 863	180 254 728
NET SURPLUS/(DEFICIT) FOR THE YEAR	1 601 071	(60 096 773)	(6 562 988)	(53 533 785)

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2011	503 000 587	503 000 587
Correction of error/Change in accounting policy	(16 475 201)	(16 475 201)
Restated Balance at 1 JULY 2011	486 525 386	486 525 386
Correction of error/Change in accounting policy	(1 763 519)	(1 763 519)
Net Deficit for the year	(60 096 773)	(60 096 773)
Balance at 30 JUNE 2012	424 665 094	424 665 094
Net Surplus for the year	1 601 071	1 601 071
Balance at 30 JUNE 2013	426 266 166	426 266 166

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		23 414 701	3 076 844
Government - operating	19	85 415 248	72 148 295
Government - capital	19	23 095 066	17 084 028
Interest		9 333 053	7 860 797
Payments			
Suppliers		(65 426 557)	(51 157 443)
Employees	22	(42 060 404)	(39 391 382)
Councillors	23	(9 101 125)	(8 269 699)
Finance charges	26	(219 459)	(89 244)
Cash generated by operations	31	24 450 524	1 262 196
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(16 944 128)	(2 998 199)
Proceeds on Disposals		206 657	-
Purchase of Intangible Assets	12	(126 108)	-
Net Cash from Investing Activities		(16 863 579)	(2 998 199)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(545 422)	(125 431)
New loans raised		-	844 211
(Decrease)/Increase in Consumer Deposits		9 400	66 318
Net Cash from Financing Activities		(536 022)	785 098
NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS		7 050 923	(950 904)
Cash and Cash Equivalents at the beginning of the year		46 064 237	47 015 141
Cash and Cash Equivalents at the end of the year	32	53 115 160	46 064 237
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		7 050 923	(950 904)

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R	2013 R	2013 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Actual)	(Final Budget)	(Variance)		
ASSETS					
Current assets					
Cash	9 424 603	18 814 128	(9 389 524)	-50%	Less Cash were available at year end.
Call investment deposits	43 690 557	45 000 000	(1 309 443)	-3%	More were invest than expected
Consumer debtors	9 618 532	1 960 324	7 658 208	391%	Increase of Outstanding Debtors
Other Receivables	9 435 384	27 884 256	(18 448 872)	-66%	Other Receivables were decreased during the year
Current portion of long-term receivables	-	-	-		
Inventory	400 069	272 553	127 517	47%	
Total current assets	72 569 145	93 931 260	(21 362 115)	-23%	
Non current assets					
Long-term receivables	-	-	-		
Investments	-	-	-		
Investment property	25 000 929	-	25 000 929	100%	Investment property were not budget for
Property, plant and equipment	361 349 466	252 508 145	108 841 321	43%	Capital acquisitions for the year were not budget for in full
Biological Assets	-	-	-		
Intangible Assets	255 189	707 359	(452 170)	-64%	
Heritage Assets	-	-	-		
Total non current assets	386 605 583	253 215 504	133 390 079	53%	
TOTAL ASSETS	459 174 728	347 146 764	112 027 964	32%	
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-		
Borrowing	306 611	306 611	-	100%	Leases were not budget for
Consumer deposits	110 146	70 536	39 610	178%	
Trade and other payables	14 460 256	15 539 809	(1 079 553)	-7%	More were budget for Trade and other payables
Provisions and Employee Benefits	8 026 348	11 072 697	(3 046 349)	-28%	More were budget for Employee benefits provision
Total current liabilities	22 903 362	26 652 116	(3 748 754)		
Non current liabilities					
Borrowing	545 775	-	545 775	100%	Leases were not budget for
Provisions and Employee Benefits	9 459 427	1 105 985	8 353 442	755%	Less were budget for Employee benefits provision
Total non current liabilities	10 005 201	1 105 985	8 899 216	805%	
TOTAL LIABILITIES	32 908 563	27 758 101	5 150 462	19%	
NET ASSETS	426 266 165	319 388 663	106 877 502	33%	
COMMUNITY WEALTH					
Accumulated Surplus/(Deficit)	426 266 166	310 441 046	115 825 119	37%	Wrongly budget for
Reserves	-	8 947 617	(8 947 617)	-100%	Wrongly budget for
TOTAL COMMUNITY WEALTH/EQUITY	426 266 166	319 388 663	106 877 503	33%	

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R	2013 R	2013 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)		
ASSETS					
Current assets					
Cash	18 814 128	-	18 814 128	0%	
Call investment deposits	-	45 000 000	45 000 000	100%	Provision were made for more Investments
Consumer debtors	1 960 324	-	1 960 324	0%	
Other Receivables	67 453 418	(39 569 162)	27 884 256	-59%	Less provision were made for Other Receivables
Current portion of long-term receivables	-	-	-	0%	
Inventory	272 553	-	272 553	0%	
Total current assets	88 500 422	5 430 838	93 931 260		
Non current assets					
Long-term receivables	-	-	-		
Investments	-	-	-		
Investment property	-	-	-		
Property, plant and equipment	242 412 543	10 095 602	252 508 145	4%	Additions were not budget for
Biological Assets	-	-	-		
Intangible Assets	707 359	-	707 359	0%	
Heritage Assets	-	-	-		
Total non current assets	243 119 902	10 095 602	253 215 504	4%	
TOTAL ASSETS	331 620 325	15 526 440	347 146 764	5%	
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-		
Borrowing	-	-	-		
Consumer deposits	39 610	-	39 610	0%	
Trade and other payables	15 539 809	-	15 539 809	0%	
Provisions and Employee Benefits	11 072 697	-	11 072 697	0%	
Total current liabilities	26 652 116	-	26 652 116		
Non current liabilities					
Borrowing	-	-	-		
Provisions and Employee Benefits	1 105 985	-	1 105 985	0%	
Total non current liabilities	1 105 985	-	1 105 985		
TOTAL LIABILITIES	27 758 101	-	27 758 101		
NET ASSETS	303 862 223	15 526 440	319 388 663	5%	
COMMUNITY WEALTH					
Accumulated Surplus/(Deficit)	294 914 606	15 526 440	310 441 046	5%	
Reserves	8 947 617	-	8 947 617	0%	
TOTAL COMMUNITY WEALTH/EQUITY	303 862 223	15 526 440	319 388 663	5%	

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R	2013 R	2013 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Actual)	(Final Budget)	(Variance)		
REVENUE BY SOURCE					
Property rates	3 629 711	2 550 000	979 711	38%	No Incigent subsidy were allocated against Debtors
Property rates - penalties & collection charges	-	-	-		
Service charges	14 913 989	15 030 870	(116 881)	-1%	
Rental of facilities and equipment	619 762	647 200	(27 438)	-4%	
Interest earned - external investments	2 861 731	2 516 200	345 531	14%	
Interest earned - outstanding debtors	6 471 322	5 678 180	793 142	14%	
Dividends received	-	-	-		
Fines	516	65	451	694%	
Licences and permits	352 691	736 100	(383 409)	-52%	
Agency services	92 647	10 464 264	(10 371 617)	-99%	
Government Grants and Subsidies - Operating	85 415 248	98 911 731	(13 496 483)	-14%	Subsidy received from District Municipality were budget under Grants and not Other Income
Other revenue	21 195 393	1 538 000	19 657 393	1278%	Subsidy received from District Municipality were budget under Grants and not Other Income
Contributed Assets	238 316	-	238 316	100%	No budget for Contributed assets
Gains on disposal of PPE	206 657	210 000	(3 343)	-2%	
Total Operating Revenue	135 897 984	138 282 609	(2 384 626)		
EXPENDITURE BY TYPE					
Employee related costs	43 684 642	40 295 071	3 389 571	8%	Payments were made to employees which contracts were ended
Remuneration of councillors	9 101 125	8 977 258	123 867	1%	
Debt impairment	9 539 098	3 658 616	5 880 482	161%	Outstanding Debtors Increased
Depreciation & asset impairment	20 130 637	23 784 406	(3 653 769)	-15%	Depreciation were less than expected
Finance charges	529 615	373 136	156 479	42%	
Bulk purchases	11 232 475	13 162 654	(1 930 180)	-15%	Less Bulk purchases were used than expected
Other materials	-	-	-		
Contracted services	2 713 254	2 950 000	(236 746)	-8%	
Grants and subsidies paid	14 878 136	20 046 819	(5 168 683)	-26%	Less Grants and Subsidies were utilized
Other expenditure	39 815 796	49 012 481	(9 196 685)	-19%	Projects were not utilized in full
Loss on disposal of PPE	3 464 897	-	3 464 897	100%	Were not budget for
Total Operating Expenditure	155 089 673	162 260 441	(7 170 768)	-4%	
Operating Deficit for the year	(19 191 690)	(23 977 832)	4 786 142	-20%	
Government Grants and Subsidies - Capital	20 792 761	22 145 450	(1 352 689)	-6%	
Net Surplus/(Deficit) for the year	1 601 071	(1 832 382)	3 433 453	-187%	

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R	2013 R	2013 R	(Variance)	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Ratepayers and other	23 414 701	20 711 952		2 702 749	13%	Increase in Service Charges
Government - operating	85 415 248	109 375 995		(23 960 747)	-22%	Grants and Subsidies were not utilized in full
Government - capital	23 095 066	22 145 450		949 616	4%	Grants and Subsidies were not utilized in full
Interest	9 333 053	8 194 380		1 138 673	14%	More investments were made during the year
Dividends	-	-		-		
Payments						
Suppliers and Employees	(65 426 557)	(83 600 307)		18 173 749	-22%	Payments on Suppliers were wrongly budget for
Employees	(42 060 404)	(40 285 071)		(1 765 333)	4%	
Councillors	(9 101 125)	(8 977 258)		(123 867)	1%	
Finance charges	(219 459)	(373 136)		153 677	-41%	Interest were more for Employee Benefits Provision
Transfers and Grants	-	(1 571 200)		1 571 200	-100%	Were utilized under Ratepayers for indigents
NET CASH FROM/(USED) OPERATING ACTIVITIES	24 450 524	25 610 805		-		
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of Assets	-	-		-		
Decrease/(increase) in non-current receivables	-	-		-		
Decrease/(increase) in non-current investments	-	2 000 000		(2 000 000)	-100%	No transfer of investments
Payments						
Capital assets	(16 944 128)	(27 448 172)		10 504 044	-38%	Less Capital grants were utilized
NET CASH FROM/(USED) INVESTING ACTIVITIES	-16 944 128	(25 448 172)		8 504 044		
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Borrowing	-	-		-		
Increase/(decrease) in consumer deposits	9 400	-		9 400	0%	Were not budget for
Payments						
Repayment of borrowing	(545 422)	-		(545 422)	0%	Were not budget for
NET CASH FROM/(USED) FINANCING ACTIVITIES	(536 022)	-		-536 022	0%	
NET INCREASE/(DECREASE) IN CASH HELD	6 970 373	162 633		7 968 022	4899%	
Cash and Cash Equivalents at the beginning of the year	46 064 237	42 428 000		3 636 237	9%	
Cash and Cash Equivalents at the end of the year	53 115 160	42 590 633		10 524 527	25%	Less Grants were utilized and are invested.

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R	2013 R	2013 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)		
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	37 533 254	(16 821 302)	20 711 952	-45%	Original Budget were wrongly allocated
Government - operating	75 540 550	33 835 445	109 375 995	45%	More Grants for Operating Expenditure
Government - capital	26 145 450	(4 000 000)	22 145 450	-15%	Less Grants for Capital Expenditure
Interest	2 508 157	5 686 223	8 194 380	227%	More Investments were made
Dividends	-	-	-		
Payments					
Suppliers and Employees	(114 196 865)	(18 675 771)	(132 872 636)	16%	Payments on Suppliers were wrongly budget for
Finance charges	(133 397)	(239 739)	(373 136)	180%	
Transfers and Grants	-	(1 571 200)	(1 571 200)	100%	No Budget for Subsidy of Indigents
NET CASH FROM/(USED) OPERATING ACTIVITIES	27 397 149	-1 786 343	25 610 805		
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of Assets	67 898	(67 898)	-		
Decrease/(increase) in non-current receivables	-	-	-		
Decrease/(increase) in non-current investments	-	2 000 000	2 000 000	100%	Budget for transfer of investments
Payments					
Capital assets	(23 950 000)	(3 498 172)	(27 448 172)	15%	Capital budget increase
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23 882 102)	(1 566 070)	(25 448 172)	1625%	
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Borrowing	-	-	-		
Increase/(decrease) in consumer deposits	2 242	(2 242)	-		
Payments					
Repayment of borrowing	-	-	-		
NET CASH FROM/(USED) FINANCING ACTIVITIES	2 242	(2 242)	-		
NET INCREASE/(DECREASE) IN CASH HELD	3 517 289	(3 354 656)	162 633	-95%	
Cash and Cash Equivalents at the beginning of the year	15 296 789	27 131 211	42 428 000	177%	
Cash and Cash Equivalents at the end of the year	18 814 078	23 776 556	42 590 633	126%	Budget for less cash available at year end

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 – March 2012) 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.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption 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 otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

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.

1.6 AMENDED DISCLOSURE POLICY

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

1.7. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual 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. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statements of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.9. 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:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</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 Municipality as a single entity.</p> <p>No significant impact is expected as the Municipality already complies with most of the changes.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in associates where 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 will not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</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>	Unknown

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments.</p>	<p align="center">Unknown</p>
<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure The objective of this Standard is to ensure that an Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p align="center">Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control 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 and no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control 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 and no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers 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 and no such transactions or events are expected in</p>	<p align="center">Unknown</p>

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	the foreseeable future.	
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</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>	Unknown

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

1.10. LEASES

1.10.1 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, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.10.2 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 recognises 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.

1.11. 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.

1.12. 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 grant receivables:

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.13. PROVISIONS

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

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

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.

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

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

1.14.1 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. For retired members, Council pays 70% as contribution and the remaining 30% 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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

1.14.2 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 annually 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 recognised in 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 recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

1.14.3 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in 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 recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

1.14.4 Provision for Staff Leave

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.14.5 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.

1.14.6 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 14% of Budget Package.

1.14.7 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

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 recognised in the Statement of Financial Performance 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.

1.14.8 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality 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 Municipality 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15. 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.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the Municipality directly to the nature of the expenditure to be funded. In such cases, the Municipality expenses those borrowing costs related to a qualifying asset directly to the Statement of Financial Performance.

The amount of borrowing costs that the Municipality capitalises during a period does 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.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 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 is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost 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 is not determinable, its 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.16.2 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.

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 or service potential associated with the asset.

1.16.3 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:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100
Infrastructure	Sewerage	10 – 100
	Electricity	15 – 75
	Water	12 – 182
	Roads	12 – 103
	Security Measures	5 – 50
Community Assets	Cemeteries & Fencing	17 – 100
	Halls	100
	Library	100
	Buildings Other	30 – 100
	Parks and Gardens	16 - 50
	Recreation	7 - 100
Leased Asset	None	3
Heritage	None	Indefinite
Other Assets	Computer Hardware	3 – 14
	Plant and Equipment	2 – 19
	Furniture and Other Office Equipment	3 – 34
	Vehicles and Specialised Vehicles	9 – 53

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 recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.16.4 De-recognition

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

1.16.5 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 2009.

1.17. INTANGIBLE ASSETS

1.17.1 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 Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

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

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

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

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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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 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 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.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its 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>	Years
Computer Software	5
Computer Software Licenses	5

1.17.4 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.

1.17.5 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. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, 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 use, 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 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.

1.18.2 Subsequent Measurement – 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

1.18.3 De-recognition

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

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1.18.4 Application of deemed cost - Directive 7

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

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.

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

(a) External sources of information

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

(b) Internal sources of information

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

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur

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when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU'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.

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

(a) External sources of information

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

(b) Internal sources of information

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

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised 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, depending on the nature of the asset in question:

- *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.

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

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

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

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

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

1.20.2 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.

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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.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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

1.21. 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) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 Initial Recognition

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

1.21.2 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 or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1 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

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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.

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.

1.21.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and 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.

1.21.2.3 *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 carried at amortised cost.

1.21.2.4 *Non-Current Investments*

Investments 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 Statement of Financial Performance in the period that the impairment is identified.

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

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

1.21.3 De-recognition of Financial Instruments

1.21.3.1 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.

1.21.3.2 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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.21.4 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.

1.22. REVENUE

1.22.1 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 recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

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. 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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 is 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.

1.22.2 Revenue from Exchange Transactions

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

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

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

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

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

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

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

Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred can be measured reliably.

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

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

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality 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 Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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;
- 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.

1.23. RELATED PARTIES

The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

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

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

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

Management personnel include:

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

1.24. 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.

1.25. 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.

1.26. 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.

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. 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. A Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Management judgement is required when recognising and measuring contingent liabilities and assets.

1.28. 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 annual financial statements:

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

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

1.28.2 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.

1.28.3 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

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

1.28.4 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 asset.

1.28.5 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.

1.28.6 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.28.7 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 at the reporting date of the expected future cash flows to rehabilitate the landfill site. 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 are recognised in 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.

1.28.8 Provision for Clearing of Alien Vegetation

The Municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from a specialist supplier and is made every second year and adjusted for inflationary in the alternate years.

1.28.9 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.

1.28.10 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.

1.28.11 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.

1.28.12 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.28.12 Impairments of assets – Capitalised Restoration Cost

Impairment charges relating to capitalised restoration costs are linked to fluctuations in the discount rate used to unwind the provision relating to this asset. This discount rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

1.29. 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.

1.30. CAPITAL COMMITMENTS

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

1.31. EVENTS AFTER REPORTING DATE

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

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

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

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2 LONG-TERM LIABILITIES

	2013 R	2012 R
Capitalised Lease Liability - At amortised cost	411 443	562 849
Hire Purchase	440 942	834 959
	852 386	1 397 808
Less: Current Portion transferred to Current Liabilities	306 611	292 965
Capitalised Lease Liability - At amortised cost	207 528	151 406
Hire Purchase	99 084	141 560
Total Long-term Liabilities - At amortised cost	545 775	1 104 842

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	310 526	310 526
Payable within two to five years	232 895	543 421
Payable after five years	-	-
	543 421	853 947
Less: Future finance obligations	(131 977)	(291 098)
Present value of lease obligations	411 444	562 849

Leases are secured by property, plant and equipment - Note 10

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
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 6000i	32.04%	0%	3 Years	20/03/2015

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	132 771	210 976
Payable within two to five years	387 250	825 324
Payable after five years	-	-
	520 022	1 036 300
Less: Future finance obligations	(79 079)	(201 341)
Present value of hire purchase obligations	440 942	834 959

Leases are secured by property, plant and equipment - Note

The capitalised hire purchase liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Standard Bank	TOYOTA COROLLA	8.50%	0%	5 Years	15/05/2017
Standard Bank	ISUZU DOUBLE CAB	8.50%	0%	5 Years	15/05/2017
Standard Bank	NISSAN QASHQAI	8.50%	0%	5 Years	15/05/2017

The following Vehicle (Isuzu Double Cab) were written off at 22/5/2013 and Santam reimburse the municipality with the outstanding amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3	EMPLOYEE BENEFITS	2013	2012
		R	R
	Post Retirement Benefits - Refer to Note 3.1	3 648 530	2 697 236
	Long Service Awards - Refer to Note 3.2	1 060 183	821 387
	Total Non-current Employee Benefit Liabilities	4 708 713	3 518 623
		2013	2012
		R	R
	Post Retirement Benefits		
	Balance 1 July	2 718 236	2 218 688
	Contribution for the year	327 868	307 648
	Interest Cost	228 467	196 505
	Expenditure for the year	(31 410)	(23 533)
	Actuarial Loss/(Gain)	428 421	18 928
	Total post retirement benefits 30 June	3 671 582	2 718 236
	Less: Transfer of Current Portion - Note 6	(23 052)	(21 000)
	Balance 30 June	3 648 530	2 697 236
		2013	2012
		R	R
	Long Service Awards		
	Balance 1 July	1 015 347	807 042
	Contribution for the year	316 259	212 044
	Interest Cost	58 669	64 696
	Expenditure for the year	(77 454)	(388 313)
	Actuarial Loss/(Gain)	(141 077)	329 878
	Total long service 30 June	1 169 744	1 015 347
	Less: Transfer of Current Portion - Note 6	(109 561)	(193 960)
	Balance 30 June	1 060 183	821 387
		2013	2012
		R	R
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	3 733 583	3 025 730
	Contribution for the year	644 127	519 692
	Interest cost	285 136	251 201
	Expenditure for the year	(108 864)	(411 846)
	Actuarial Loss/(Gain)	287 344	348 806
	Total employee benefits 30 June	4 841 326	3 733 583
	Less: Transfer of Current Portion - Note 6	(132 613)	(214 960)
	Balance 30 June	4 708 713	3 518 623
3.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined contribution plan, of which the members are made up as follows:		
	In-service (employee) members	71	62
	In-service (employee) non-members	98	111
	Continuation members (e.g. Retirees, widows, orphans)	1	1
	Total Members	170	174
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	3 423 100	2 477 293
	Continuation members	248 482	240 943
	Total Liability	3 671 582	2 718 236
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		R	R
	In-service members	2 022 025	1 568 418
	Continuation members	196 663	152 545
	Total Liability	2 218 688	1 720 963
	Experience adjustments were calculated as follows:	2013	2012
		Rm	Rm
	Liabilities: (Gain) / loss	0.546	-
	Assets: Gain / (loss)	0.000	-
	The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3	EMPLOYEE BENEFITS (CONTINUED)	2013	2012
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			
Discount rate		9.56%	8.44%
Health Care Cost Inflation Rate		8.07%	7.15%
Net Effective Discount Rate		1.39%	1.20%
The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"			
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.			
R			
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations		3 671 582	2 718 236
Total Liability		3 671 582	2 718 236
The fund is entirely unfunded.			
The municipality has elected to recognise the full increase in this defined contribution liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).			
Reconciliation of present value of fund obligation:			
Present value of fund obligation at the beginning of the year		2 718 236	2 218 688
Total expenses		524 925	480 620
Current service cost		327 868	307 648
Interest Cost		228 467	196 505
Benefits Paid		(31 410)	(23 533)
Actuarial (gains)/losses		428 421	18 928
Present value of fund obligation at the end of the year		3 671 582	2 718 236
Less: Transfer of Current Portion - Note 6		(23 052)	(21 000)
Balance 30 June		3 648 530	2 697 236

Sensitivity Analysis on the Accrued Liability

		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Central Assumptions		3.423	0.248	3.672	

The effect of movements in the assumptions are as follows:

		In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption	Change				
Health care inflation	1%	4.105	0.266	4.371	19%
Health care inflation	-1%	2.879	0.232	3.111	-15%
Post-retirement mortality	-1 year	3.545	0.261	3.806	4%
Average retirement age	-1 year	3.839	0.248	4.087	11%
Withdrawal Rate	-50%	3.745	0.248	3.993	9%

		Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption	Change				
Central Assumption					
Health care inflation	1%	327 868	228 467	556 335	22%
Health care inflation	-1%	405 300	272 900	678 200	-17%
Post-retirement mortality	-1 year	267 800	193 000	460 800	4%
Average retirement age	-1 year	339 600	237 000	576 600	13%
Withdrawal Rate	-50%	376 400	251 600	628 000	14%

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3 EMPLOYEE BENEFITS (CONTINUED)

3.2 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.

	2013	2012
	185	185

Key actuarial assumptions used:

i) Rate of interest

	2013 %	2012 %
Discount rate	7.07%	6.16%
General Salary Inflation (long-term)	6.71%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.33%	0.18%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

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

	2013 R	2012 R
Present value of fund obligations	1 169 744	1 015 347
Net liability	1 169 744	1 015 347

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

	2013 R	2012 R
Total Liability	807 042	675 901

Experience adjustments were calculated as follows:

	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	(9 640)	-	-
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

	2013 R	2012 R
Present value of fund obligation at the beginning of the year	1 015 347	807 042
Total expenses	296 474	(121 573)
Current service cost	316 259	212 044
Interest Cost	56 669	54 696
Benefits Paid	(77 454)	(388 313)
Actuarial (gains)/losses	(141 077)	329 878
Present value of fund obligation at the end of the year	1 169 744	1 015 347
Less: Transfer of Current Portion - Note 6	(109 561)	(193 960)
Balance 30 June	1 060 183	821 387

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1.170	
General salary inflation	1.00%	1.238	6%
General salary inflation	-1.00%	1.107	-5%
Average retirement age	-2 yrs	1.064	-9%
Average retirement age	+2 yrs	1.261	8%
Withdrawal rates	-50.00%	1.419	21%

3 EMPLOYEE BENEFITS (CONTINUED)

3.3 Retirement funds

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

Contributions paid recognised in the Statement of Financial Performance

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

Contributions paid recognised in the Statement of Financial Performance

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
Municipal Councillors Pension Fund
SAMWU National Provident Fund

2013	2012
R	R
1 015 198	923 187
R	R
-	-
1 048 860	987 355
739 169	617 295
1 065 500	1 006 124
2 853 529	2 610 773

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4	NON-CURRENT PROVISIONS	2013 R	2012 R
	Provision for Rehabilitation of Landfill-sites	4 750 714	2 708 478
	Total Non-current Provisions	4 750 714	2 708 478

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.

Landfill Sites	R	R
Balance 1 July	2 708 478	2 578 022
Contribution for the year	2 042 235	130 456
Expenditure incurred (Interest)	-	-
Actuarial Loss/(Gain)	-	-
Total provision 30 June	4 750 714	2 708 478
Less: Transfer of Current Portion to Current Provisions - Note	-	-
Balance 30 June	4 750 714	2 708 478

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:

	Lady Frere	Dordrecht	Indwe
Total area (m ²)	15 400	15 400	8 500
Capacity use of total area (%)	6.2%	63.8%	83.7%
Current cell in operation (m ²)	2 500	15 400	8 500
Capacity use of existing cell (%)	68.8%	63.8%	83.7%

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:

Location	Estimated decommission date	Rehabilitation cost of cell in use
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	2016	1 103 881
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	2019	2 263 489
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	2014	636 855
		4 204 225

5	CONSUMER DEPOSITS	R	R
	Electricity	34 600	-
	Water	75 546	100 746
	Total Consumer Deposits	110 146	100 746

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

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6	CURRENT EMPLOYEE BENEFITS	2013 R	2012 R
	Current Portion of Post Retirement Benefits - Note 3	23 052	21 000
	Current Portion of Long-Service Provisions - Note 3	109 561	193 960
	Provision for Staff Leave	3 166 356	3 136 419
	Provision for Performance Bonuses	2 485 821	1 854 687
	Staff Bonuses accrued	780 571	674 343
	Provision for Compensation for injuries on duty contribution	1 460 988	1 185 774
	Total Current Employee Benefits	8 026 348	7 066 183

The movement in current employee benefits is reconciled as follows:

<u>Provision for Staff Leave</u>	2013 R	2012 R
Balance at beginning of year	3 136 419	1 066 568
Contribution to current portion	369 437	2 623 114
Expenditure incurred	(339 501)	(553 262)
Balance at end of year	3 166 356	3 136 419

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.

<u>Provision for Performance Bonuses</u>	2013 R	2012 R
Balance at beginning of year	1 854 687	1 183 423
Contribution to current portion	631 134	671 264
Expenditure incurred	-	-
Balance at end of year	2 485 821	1 854 687

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.

<u>Staff Bonuses accrued</u>	2013 R	2012 R
Balance at beginning of year	674 343	341 512
Contribution to current portion	1 576 183	1 509 755
Expenditure incurred	(1 469 955)	(1 176 924)
Balance at end of year	780 571	674 343

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.

<u>Provision for Compensation for injuries on duty contribution</u>	2013 R	2012 R
Balance at beginning of year	1 185 774	953 006
Contribution to current portion	275 214	232 768
Expenditure incurred	-	-
Balance at end of year	1 460 988	1 185 774

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

7	PAYABLES FROM EXCHANGE TRANSACTIONS	2013 R	2012 R
	Trade Payables	2 764 560	3 627 185
	Third party payables (Payroll)	10 205	-
	Payments received in advance	402 997	401 160
	Sundry Deposits	21 067	21 490
	Sundry Creditors	4 035 679	3 342 497
	Total Trade Payables	7 234 708	7 392 332

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

8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R
	Unspent Grants	7 225 548	5 138 174
	National Government Grants	4 057 415	2 893 176
	Provincial Government Grants	2 286 589	1 781 400
	District Municipality	859 917	463 598
	Other Grants	21 627	-
	Less: Unpaid Grants	1 702 618	1 917 550
	National Government Grants	-	185 526
	Provincial Government Grants	1 017 968	1 047 374
	District Municipality	-	-
	Other Grants	684 650	684 650
	Total Conditional Grants and Receipts	5 522 930	3 220 625

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.

9	VAT	R	R
	9.1 VAT PAYABLE		
	VAT RECEIVABLE/(PAYABLE)	9 158 255	11 907 249
	Less: Provision for impairment of receivables	(6 993 242)	(8 744 015)
	NET VAT RECEIVABLE/(PAYABLE)	2 165 013	3 163 233

VAT is receivable/payable on the cash basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 PROPERTY, PLANT AND EQUIPMENT

10.1 30 JUNE 2013

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Leased Assets	Other Assets	Total
	R	R	R	R	R	R
Carrying value at 1 July 2012	13 941 018	269 469 268	76 833 373	859 257	6 733 737	367 836 654
Cost	14 532 335	338 857 585	79 746 162	962 719	8 429 416	442 528 218
Original Cost	14 532 335	338 857 585	79 746 162	962 719	8 429 416	442 528 218
Accumulated Impairments	-	-	-	-	-	-
Original Cost	-	-	-	-	-	-
Accumulated Depreciation	(591 317)	(69 388 317)	(2 912 789)	(103 462)	(1 695 679)	(74 691 564)
Original Cost	(591 317)	(69 388 317)	(2 912 789)	(103 462)	(1 695 679)	(74 691 564)
Acquisitions	599 466	7 797 956	5 804 568	-	2 742 138	16 944 128
Corrections prior year	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Depreciation	(145 722)	(18 205 785)	(872 149)	(201 624)	(541 140)	(19 966 419)
Normal Depreciation	(145 722)	(18 205 785)	(872 149)	(201 624)	(541 140)	(19 966 419)
Carrying value of disposals	-	-	(1 946 007)	-	(1 518 890)	(3 464 897)
Cost	-	-	(2 045 000)	-	(2 269 120)	(4 314 120)
Accumulated Depreciation	-	-	98 993	-	750 230	849 224
Carrying value at 30 June 2013	14 394 762	259 061 439	79 819 786	657 633	7 415 845	361 349 466
Cost	15 131 802	346 655 540	83 505 730	962 719	8 902 434	455 158 225
Original Cost	15 131 802	346 655 540	83 505 730	962 719	8 902 434	455 158 225
Accumulated Impairments	-	-	-	-	-	-
Original Cost	-	-	-	-	-	-
Accumulated Depreciation	(737 039)	(87 594 101)	(3 685 944)	(305 086)	(1 486 589)	(93 808 760)
Original Cost	(737 039)	(87 594 101)	(3 685 944)	(305 086)	(1 486 589)	(93 808 760)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 PROPERTY, PLANT AND EQUIPMENT

10.2 30 JUNE 2012

Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Leased Assets	Other Assets	Total
	R	R	R	R	R	R
Carrying value at 1 July 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)
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	269 469 268	76 833 373	859 257	6 733 737	367 836 654
Cost	14 651 066	338 857 585	79 746 162	962 719	8 888 566	443 106 098
Original Cost	14 651 066	338 857 585	79 746 162	962 719	8 730 921	442 948 453
Correction of prior year error	-	-	-	-	157 645	157 645
Accumulated Impairments	(118 731)	-	-	-	(459 149)	(577 880)
Original Cost	(118 731)	-	-	-	(459 149)	(577 880)
Accumulated Depreciation	(591 317)	(69 388 317)	(2 912 789)	(103 462)	(1 695 679)	(74 691 564)
Original Cost	(591 317)	(69 925 084)	(2 912 789)	(103 462)	(1 695 679)	(75 228 331)
Correction of prior year error	-	536 767	-	-	-	536 767

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in Appendix A to the financial statements
 A fixed asset register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2013 R	2012 R
	No assets pledged as security.		
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	-	(118 731)
	Other	-	(459 149)
		-	(577 880)
	The impairments occurred due assets 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.		
	Cumulative impairment charges included in major balances		
	Land and Buildings	-	(118 731)
	Other	-	(459 149)
		-	(577 880)
	Effect of changes in accounting estimates		
	No effect change in accounting estimate took place.		

11	INVESTMENT PROPERTY	R	R
	Net Carrying amount at 1 July	25 008 529	25 112 735
	Cost	25 424 500	25 424 500
	Buildings	10 392 167	10 392 167
	Land	15 032 333	15 032 333
	Accumulated Depreciation	(415 971)	(311 765)
	Accumulated Impairment	-	-
	Depreciation for the year	(7 600)	(104 206)
	Net Carrying amount at 30 June	25 000 929	25 008 529
	Cost	25 424 500	25 424 500
	Buildings	10 392 167	10 392 167
	Land	15 032 333	15 032 333
	Accumulated Depreciation	(423 571)	(415 971)
	Accumulated Impairment	-	-

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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 INTANGIBLE ASSETS	2013 R	2012 R
Computer Software		
Net Carrying amount at 1 July	285 698	427 558
Cost	707 359	707 359
Accumulated Amortisation	(421 660)	(279 801)
Acquisitions	126 108	-
Amortisation	(156 618)	(141 859)
Net Carrying amount at 30 June	255 189	285 698
Cost	833 467	707 359
Accumulated Amortisation	(578 278)	(421 660)

No intangible asset was assessed as 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.

13 INVENTORY	R	R
Maintenance Materials - At cost	376 386	217 555
Water – at cost	23 684	155 847
Total Inventory	400 069	373 402

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 was fully operational by the end of June 2013.

No inventory assets were pledged as security for liabilities.

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS	R	R
Electricity	2 262 034	1 977 227
Water	24 641 263	20 357 942
Refuse	25 590 563	21 508 191
Sewerage	30 191 760	25 023 687
Rental	400 340	311 278
Other Consumer Debtors	3 956 082	3 963 238
Chris Hanu Debtor	2 825 593	3 741 438
Sundry Receivables	169 425	193 757
Total Receivables from Exchange Transactions	90 037 059	77 076 758
Less: Provision for impairment	(80 418 528)	(71 380 114)
Total Net Receivables from Exchange Transactions	9 618 532	5 696 644

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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	2013 R	2012 R
Ageing of Receivables from Exchange Transactions:		
(Electricity): Ageing		
Current (0 - 30 days)	108 146	72 390
31 - 60 Days	75 768	61 384
61 - 90 Days	57 326	58 533
+ 90 Days	2 020 794	1 784 920
Total	2 262 034	1 977 227
(Water): Ageing		
Current (0 - 30 days)	427 889	376 976
31 - 60 Days	402 962	366 797
61 - 90 Days	402 741	357 735
+ 90 Days	23 407 671	19 256 435
Total	24 641 263	20 357 942
(Refuse): Ageing		
Current (0 - 30 days)	372 456	359 098
31 - 60 Days	358 914	346 408
61 - 90 Days	353 400	340 249
+ 90 Days	24 505 793	20 462 436
Total	25 590 563	21 508 191
(Sewerage): Ageing		
Current (0 - 30 days)	496 569	479 300
31 - 60 Days	482 490	463 223
61 - 90 Days	470 397	457 398
+ 90 Days	28 742 304	23 623 766
Total	30 191 760	25 023 687
(Rental): Ageing		
Current (0 - 30 days)	15 613	13 628
31 - 60 Days	8 815	9 928
61 - 90 Days	8 191	9 524
+ 90 Days	367 722	278 198
Total	400 340	311 278
(Other): Ageing		
Current (0 - 30 days)	0	-
31 - 60 Days	0	-
61 - 90 Days	0	-
+ 90 Days	3 956 081	3 963 238
Total	3 956 082	3 963 238
(Total): Ageing		
Current (0 - 30 days)	1 420 674	1 301 392
31 - 60 Days	1 328 948	1 247 740
61 - 90 Days	1 292 055	1 223 439
+ 90 Days	83 000 365	69 368 992
Total	87 042 042	73 141 564
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	71 380 114	22 339 699
Contribution to provision/(Reversal of provision)	10 789 186	43 207 136
VAT portion of Contribution/(Reversal)	(1 750 773)	5 833 279
Bad Debts Written Off	-	-
Balance at end of year	80 418 527	71 380 114
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	413 590	1 276 298
Water	20 470 001	17 407 579
Refuse	22 585 371	18 673 233
Sewerage	25 970 006	21 654 067
VAT	6 993 242	8 744 015
Other	3 986 317	3 624 922
Total	80 418 528	71 380 114

Summary of Debtors by Customer Classification Exchange

	Residential R	Industrial/ Commercial R	National and Provincial Government R	Other R
30 JUNE 2013				
Current (0 - 30 days)	1 157 865	74 327	123 439	65 043
31 - 60 Days	1 112 689	55 783	99 120	61 356
61 - 90 Days	1 107 102	57 922	67 438	59 593
+ 90 Days	74 164 027	1 856 544	2 583 795	4 395 699
Sub-total	77 541 683	2 044 576	2 873 792	4 581 991
Less: Provision for bad debts	(77 270 584)	(1 920 504)	-	(1 227 440)
Total debtors by customer classification	271 099	124 072	2 873 792	3 354 551

Summary of Debtors by Customer Classification Exchange

	Residential R	Industrial/ Commercial R	National and Provincial Government R	Other R
30 JUNE 2012				
Current (0 - 30 days)	1 091 553	57 315	86 921	67 847
31 - 60 Days	1 056 095	44 968	82 824	65 048
61 - 90 Days	1 038 996	43 933	76 286	65 415
+ 90 Days	61 614 670	1 613 453	2 360 039	3 776 158
Sub-total	64 901 314	1 759 669	2 606 070	3 974 468
Less: Provision for bad debts	(63 240 769)	(1 717 293)	(2 543 311)	(3 878 742)
Total debtors by customer classification	1 560 545	42 376	62 759	95 726

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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2013 R	2012 R
Rates	18 522 466	15 842 045
Other Receivables	36 109	36 109
Other Receivables	36 109	36 109
Total Receivables from Non-Exchange Transactions	18 558 575	15 878 153
Less: Provision for Impairment	(13 062 616)	(14 312 704)
Total Net Receivables from Non-Exchange Transactions	5 495 959	1 565 449

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:

<u>(Rates): Ageing</u>	R	R
Current (0 - 30 days)	115 302	848 767
31 - 60 Days	233 689	302 986
61 - 90 Days	265 160	290 218
+ 90 Days	17 908 316	14 400 074
Total	18 522 466	15 842 045

Reconciliation of Provision for Impairment

Balance at beginning of year	14 312 704	12 282 586
Contribution to provision/(Reversal of provision)	(1 250 088)	2 030 118
Bad Debts Written Off	-	-
Balance at end of year	13 062 616	14 312 704

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

Summary of Debtors by Customer Classification Non-Exchange

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2013	R	R	R	R
Current (0 - 30 days)	60 864	19 753	21 047	13 638
31 - 60 Days	126 805	50 088	34 145	22 652
61 - 90 Days	141 859	63 036	33 361	26 904
+ 90 Days	9 531 732	2 531 649	3 607 465	2 237 470
Sub-total	9 861 260	2 664 525	3 696 018	2 300 663
Less: Provision for bad debts	(9 746 844)	(2 572 351)	-	(743 421)
Total debtors by customer classification	114 416	92 173	3 696 018	1 557 242

Summary of Debtors by Customer Classification Non-Exchange

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2012	R	R	R	R
Current (0 - 30 days)	253 027	155 938	223 979	215 823
31 - 60 Days	132 872	64 759	71 509	33 846
61 - 90 Days	129 209	59 616	68 092	33 301
+ 90 Days	8 066 422	2 022 868	2 907 365	1 403 420
Sub-total	8 581 531	2 303 181	3 270 945	1 686 399
Less: Provision for bad debts	(7 753 095)	(2 080 839)	(2 955 178)	(1 523 592)
Total debtors by customer classification	828 435	222 342	315 767	162 797

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.

16 OPERATING LEASE ARRANGEMENTS

16.1 The Municipality as Lessor (Asset)	R	R
Balance on 1 July	76 042	48 042
Movement during the year	(4 249)	28 000
Balance on 30 June	71 794	76 042

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	130 835	378 037
1 to 5 Years	352 823	383 463
More than 5 Years	226 003	326 198
Total Operating Lease Arrangements	709 661	1 087 698

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. Leases receipts escalate annually on average by 10%. Lease agreements are non-cancellable and have terms from 3 to 10 years.

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17	CASH AND CASH EQUIVALENTS	2013 R	2012 R
	Assets		
	Call Investments Deposits	43 690 557	29 917 347
	Bank Accounts	9 415 869	16 140 375
	Cash Floats	8 735	6 515
	Total Cash and Cash Equivalents - Assets	53 115 160	46 064 237
	Liabilities		
	Bank Accounts	-	-
	Total Cash and Cash Equivalents - Liabilities	-	-
	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:		
	Current Accounts	R	R
	Standard Bank - Current Account - 082-665-958	5 242 232	14 233 412
	Standard Bank - Current Account - 082-630-631	944 853	486 953
	Standard Bank - Lady Frere TLC Account - 088-789-721	-	-
	Standard Bank - Emalahleni Primary Account - 088-799-697	-	-
	Standard Bank - DDX Housing Account - 388-505-281	-	-
	Standard Bank - DDX MUN Account - 280-577-508	-	6 923
	First National Bank - Current Account - 620-4898-6428	3 228 783	1 413 088
		9 415 869	16 140 375
	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	14 233 412	6 682 509
	Cash book balance at end of year	5 242 232	14 233 412
	Bank statement balance at beginning of year	14 233 412	6 915 554
	Bank statement balance at end of year	5 242 232	14 233 412
	Standard Bank - Current Account - 082-630-631		
	Cash book balance at beginning of year	486 953	519 780
	Cash book balance at end of year	944 853	486 953
	Bank statement balance at beginning of year	486 953	520 452
	Bank statement balance at end of year	944 853	486 953
	Standard Bank - DDX Mun Account - 280-577-508		
	Cash book balance at beginning of year	6 923	-
	Cash book balance at end of year	-	6 923
	Bank statement balance at beginning of year	6 923	-
	Bank statement balance at end of year	-	6 923
	First National Bank - Current Account - 620-4898-6428		
	Cash book balance at beginning of year	1 413 088	172 619
	Cash book balance at end of year	3 228 783	1 413 088
	Bank statement balance at beginning of year	1 413 088	124 388
	Bank statement balance at end of year	3 228 783	1 413 088
	Call Investment Deposits		
	Call investment deposits consist of the following accounts:		
	Call Investments Deposits	43 690 557	29 917 347
	Investec Account Number/s: 450/465258	6 265 401	28 984 296
	Investec Account Number/s: 451/465258	17 107 017	-
	First National Bank Account Number/s: 74366334164	20 117 026	-
	Standard Bank Account Number/s: 08 879 9697 - 001	202 057	933 052

18	PROPERTY RATES		
	Actual		
	Rateable Land and Buildings	3 529 711	3 904 817
	Residential, Commercial Property, State	3 259 523	3 904 817
	Agricultural	270 188	-
	Less: Rebates	-	(504 309)
	Total Assessment Rates	3 529 711	3 400 508
	Valuations		
	Rateable Land and Buildings:		
	Residential	288 747 500	305 855 050
	Agricultural	158 933 993	8 486 200
	Government	82 697 500	75 524 000
	Business & Commercial	101 182 500	107 474 400
	Municipal	121 546 500	64 496 000
	Exempt Properties	28 396 500	13 302 400
	Total Assessment Rates	781 504 493	575 138 050
	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.		

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19	GOVERNMENT GRANTS AND SUBSIDIES	2013 R	2012 R
	Unconditional Grants	69 797 100	61 056 000
	Equitable Share	69 797 100	61 056 000
	Conditional Grants	36 410 909	12 517 763
	Grants and subsidies	36 410 909	12 517 763
	Subsidies	-	-
	Total Government Grants and Subsidies	106 208 009	73 573 763
	Government Grants and Subsidies - Capital	20 792 761	1 425 468
	Government Grants and Subsidies - Operating	85 415 248	72 148 295
		106 208 009	73 573 763
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	69 797 100	61 056 000
	Budget and Treasury	2 114 474	2 765 626
	Community Services	247 699	55 871
	Corporate Services	84 236	90 236
	Council	-	480 163
	Electricity	9 000 000	5 134 100
	Executive	-	120 000
	IPEED	2 348 936	1 574 490
	Refuse	153 724	-
	Roads Transport	22 150 761	1 867 704
	Water and Sanitation	311 079	429 573
		106 208 009	73 573 763
	The municipality does not expect any significant changes to the level of grants.		
	19.1 Equitable share		
	Opening balance	-	-
	Grants received	69 797 100	61 056 000
	Conditions met - Operating	(69 797 100)	(61 056 000)
	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.		
	19.2 Local Government Financial Management Grant (FMG)		
	Opening balance	(121 102)	290 100
	Grants received	1 500 000	1 500 000
	Conditions met - Operating	(1 378 898)	(1 911 202)
	Conditions met - Capital	-	-
	Conditions still to be met	-	(121 102)
	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).		
	19.3 Municipal Systems Improvement Grant (MSIG)		
	Opening balance	(64 424)	-
	Grants received	800 000	790 000
	Conditions met - Operating	(735 576)	(854 424)
	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.		
	19.4 Municipal Infrastructure Grant (MIG)		
	Opening balance	-	(17 788 296)
	Grants received	23 311 000	19 217 000
	Conditions met - Operating	-	(3 236)
	Conditions met - Capital	(20 792 761)	(1 425 468)
	Conditions still to be met	2 518 239	(0)
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
19 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
19.5 Housing Grant		
Opening balance	(1 017 968)	(1 017 968)
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u>(1 017 968)</u>	<u>(1 017 968)</u>
The Housing grant was utilised for the development of erven; erection of top structures and the installing of basic service infrastructure. Water; Streets and Sewerage serve as examples.		
19.6 Integrated National Electrification Grant (INEP)		
Opening balance	996 000	3 004 100
Grants received	9 000 000	4 480 000
Conditions met - Operating	(9 000 000)	(5 134 100)
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u>996 000</u>	<u>2 350 000</u>
Balance previous reported	<u>2 350 000</u>	
Transfer to Equitable Share (Unspent Grant Withhold from NT)	(1 004 000)	
Transfer to Sundry Creditors (Unspent Grant Withhold from NT)	(350 000)	
	<u>996 000</u>	
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
19.7 Other Grants		
Opening balance	2 074 119	3 074 128
Grants received	5 456 214	2 189 323
Conditions met - Operating	(4 503 673)	(3 189 333)
Conditions met - Capital	-	-
Conditions still to be met	<u>3 026 659</u>	<u>2 074 119</u>
Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
19.8 Total Grants		
Opening balance	1 866 625	(12 437 936)
Grants received	109 864 314	89 232 323
Conditions met - Operating	(85 415 248)	(72 148 295)
Conditions met - Capital	(20 792 761)	(1 425 468)
Conditions still to be met(Grant expenditure to be recovered)	<u>5 522 930</u>	<u>3 220 624</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	7 225 548	5 138 174
Unpaid Conditional Government Grants and Receipts	(1 702 618)	(1 917 550)
	<u>5 522 930</u>	<u>3 220 625</u>
20 SERVICE CHARGES		
Electricity	6 424 632	5 595 727
Water	2 896 205	3 092 648
Refuse removal	2 887 818	2 686 475
Sewerage and Sanitation Charges	3 930 585	3 814 294
Less: Rebates	16 139 240	15 189 145
	(1 225 251)	(676 591)
Total Service Charges	<u>14 913 989</u>	<u>14 512 555</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.		
21 OTHER INCOME		
Administration charges	1 781 301	191 905
Cemetery Fees	34 703	28 672
Chris Hani DM (Water & Sanitation)	18 405 860	19 316 577
Duplicate documents	3 379	20 837
Pound Fees	30 823	40 837
Registrations	84	1 264
Sundry Income	798 168	322 496
Total Other Income	<u>21 054 317</u>	<u>19 922 588</u>
Sundry income represents sundry income such as cleaning of sites, private work and fees for items not included under service charges.		

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22 EMPLOYEE RELATED COSTS	2013 R	2012 R
Salaries and Wages	33 601 358	25 567 378
Annual bonus	2 207 316	2 275 343
Contributions for UIF, pensions and medical aids	4 378 164	4 948 041
Housing Subsidy	140 362	584 722
Leave Reserve Fund	369 437	2 652 654
Long service awards	318 259	212 044
Overtime	1 070 398	1 313 739
Post Employment Health	327 868	307 648
Performance bonus	-	-
Skills development levy	252 974	303 273
Travel, motor car, telephone, assistance and other allowances	698 827	1 014 933
Workmens Compensation	321 677	211 607
	43 684 642	39 391 382
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	43 684 642	39 391 382
Municipal Manager and all other Senior Managers are appointed on fixed term contracts.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager (Previous MM - N Kwepile -3 months)		
Annual Remuneration	135 286	517 882
Back dated remuneration	16 264	-
Ex-gratia remuneration	1 087 959	37 414
Leave encashment	109 318	-
Travel, motor car, telephone, assistance and other allowances	53 231	63 685
Contributions to UIF, Medical and Pension Funds	34 117	203 375
Total	1 436 176	955 281
Remuneration of the Municipal Manager (Current MM Dr VS Vatala - 2 months)		
Annual Remuneration	125 026	-
Performance Bonuses	-	-
Back dated remuneration	-	-
Leave encashment	-	-
Travel, motor car, telephone, assistance and other allowances	46 907	-
Contributions to UIF, Medical and Pension Funds	15 125	-
Total	187 058	-
Remuneration of the Acting Municipal Manager (OS Ngqele (Province) - 4 months)		
Annual Remuneration	67 034	-
Back dated remuneration	5 328	-
Travel, motor car, telephone, assistance and other allowances	5 400	-
Total	77 762	-
Remuneration of the Manager Technical Services (M Mkuyana)		
Annual Remuneration	477 681	472 050
Performance Bonuses	-	-
Back dated remuneration	24 059	-
Acting Allowance (2 months acting as Municipal Manager)	9 912	-
Leave encashment	-	29 380
Travel, motor car, telephone, assistance and other allowances	190 223	172 786
Contributions to UIF, Medical and Pension Funds	146 670	136 888
Total	848 546	811 104
Remuneration of the Manager Corporate Services (Current Manager Corporate Services - P Sohe - 3 months)		
Annual Remuneration	191 800	-
Performance Bonuses	-	-
Back dated remuneration	-	-
Travel, motor car, telephone, assistance and other allowances	16 838	-
Contributions to UIF, Medical and Pension Funds	14 228	-
Total	222 866	-
Remuneration of the Manager Corporate Services (previous Manager Corporate Services - N Lungwengwe -2 months)		
Annual Remuneration	76 490	469 256
Back dated remuneration	9 624	32 880
Ex-gratia remuneration	956 120	-
Leave Pay	83 864	-
Travel, motor car, telephone, assistance and other allowances	30 162	172 786
Contributions to UIF, Medical and Pension Funds	23 492	136 887
Total	1 179 853	811 810
Remuneration of the Chief Financial Officer (GP de Jager)		
Annual Remuneration	499 600	327 975
Performance Bonuses	-	-
Back dated remuneration	31 773	15 563
Acting Allowance (1 month acting as Municipal Manager)	5 989	82 851
Travel, motor car, telephone, assistance and other allowances	213 888	109 513
Contributions to UIF, Medical and Pension Funds	136 413	84 114
Total	887 663	620 015
Remuneration of the Manager Community Services (NP Mnyengeza)		
Annual Remuneration	477 681	439 212
Performance Bonuses	-	-
Acting Allowance (1 month acting as Corporate Services Manager)	8 184	50 032
Back dated remuneration	24 059	32 880
Leave encashment	-	38 194
Travel, motor car, telephone, assistance and other allowances	190 223	172 786
Contributions to UIF, Medical and Pension Funds	146 670	136 912
Total	846 818	870 016
Remuneration of the Manager IPED Services (N Mntuydwa)		
Annual Remuneration	477 681	439 212
Performance Bonuses	-	-
Back dated remuneration	24 059	32 880
Leave encashment	-	49
Travel, motor car, telephone, assistance and other allowances	190 152	172 786
Contributions to UIF, Medical and Pension Funds	146 742	136 839
Total	838 633	781 766
Remuneration of the Manager Strategic Services (AM Stemela)		
Annual Remuneration	477 681	439 212
Performance Bonuses	-	-
Back dated remuneration	24 059	32 880
Travel, motor car, telephone, assistance and other allowances	190 152	172 786
Contributions to UIF, Medical and Pension Funds	146 742	135 006
Total	838 633	779 885
Remuneration of the Manager Legal and Compliance (PJ Cloete - July to March 2013)		
Annual Remuneration	319 596	441 351
Back dated remuneration	9 493	17 063
Ex-gratia remuneration	938 865	-
Leave encashment	87 127	14 606
Acting Allowance (5 months acting as Corporate Services Manager)	40 922	4 162
Travel, motor car, telephone, assistance and other allowances	120 782	161 582
Contributions to UIF, Medical and Pension Funds	90 689	126 392
Total	1 607 473	765 146
Acting Allowance for acting as Corporate Services Manager - MH Ramasehla		
Acting Allowance (1 months acting as Corporate Services Manager)	19 043	-
Total	19 043	-

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	R	R
23 REMUNERATION OF COUNCILLORS		
Mayor	685 379	631 983
Speaker	536 316	509 604
Chief Whip	-	264 769
Executive Committee Members	2 241 277	1 537 547
Councillors	5 638 153	5 325 797
Total Councillors' Remuneration	9 101 125	8 269 699
In-kind Benefits		
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.		
24 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 14	10 789 186	45 237 255
Trade Receivables from non-exchange transactions - Note 15	(1 250 088)	-
Total Contribution to Debt Impairment	9 539 098	45 237 255
25 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	19 966 419	19 872 453
Investment Property	7 600	104 206
Intangible Assets	156 618	141 859
	20 130 637	20 118 519
26 FINANCE CHARGES		
Bank Overdraft	-	-
Workmen's Compensation	25 019	21 161
Long service awards	56 669	54 696
Long-term Liabilities	219 459	89 244
Post Employment Health	228 487	196 505
Total finance charges	529 615	361 605
27 BULK PURCHASES		
Electricity	11 232 475	9 699 328
Total Bulk Purchases	11 232 475	9 699 328
28 OTHER OPERATING GRANT EXPENDITURE		
Operating grant expenditure per vote		
Budget and Treasury	1 968 523	2 548 751
Community Services	-	141 003
Corporate Services	84 236	69 974
Council	-	524 981
Electricity	7 894 737	4 503 156
Housing Services	-	5 400
IPED	2 494 035	1 549 257
Refuse	335 971	-
Roads Transport	2 100 634	255 886
Water and Sanitation	-	24 310
Total Operating grant expenditure	14 878 136	9 622 718
29 GENERAL EXPENSES		
Advertisements	277 820	188 396
Auditors Remuneration	2 074 217	1 638 748
Bank Charges	193 683	171 486
Chris Hani DM (Capital Items)	2 281 345	3 055 294
Cleaning	385 145	145 723
Conferences and Seminars	471 983	617 581
Consulting and Professional fees	604 116	992 405
Contribution: Restoration cost landfill sites	2 042 235	130 456
Fuel and oil	2 654 158	2 691 091
Insurance	574 504	566 369
Lease rentals on operating lease	233 143	522 942
Marketing	319 693	100 570
New Connections	786 342	678 657
Operational cost: Landfill site	-	3 467 081
Plant Hire	376 111	8 865 896
Printing and stationery	1 206 511	743 983
Projects	3 145 585	1 489 678
Protective Clothing	694 261	133 201
Public participation	313 201	448 860
Security	964 931	1 088 279
Software expenses	-	-
Special Community Projects; example Youth day	1 252 917	597 927
Subscription and Membership fees	449 600	264 764
Subsistence and Travel	1 310 465	1 426 210
Telephone and fax	1 082 586	567 199
Training	758 886	566 577
Transport and freight	485 729	653 720
Travel - local	3 026 093	2 961 761
Ward Committee cost	165 280	841 998
Water samples	248 862	646 039
Mayor Fund	157 400	172 010
License Fees	375 613	62 158
Traditional Leaders Expenditure	63 790	-
Valuation Roll	45 608	-
Wellness Day	208 926	191 084
Disaster Expenditure	253 840	11 041
Refuse Bags	129 048	65 463
Water Purification	838 069	1 088 906
Material Stores	875 893	190 168
Water Blue Drop	78 310	-
Administration charges	55 086	36 909
Sanitation Green Drop	29 650	-
Health and Safety Training	27 335	1 242
Fleet Management	21 683	-
Books, Magazines & Publication	28 809	14 173
Congress Fee	7 800	12 011
Consumables	33 449	40 668
Postage	28 145	25 760
Fire Brigade Service	8 585	30 340
Cleaning Materials	13 109	2 307
PMS & IDP Compliance	1 978	433 934
Electricity Service Charges	1 020	8 544
Field Band Project	425 943	414 053
General Expenses	-	81 107
General Expenses	32 088 704	39 145 079

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30	CORRECTION OF ERROR IN TERMS OF GRAP 3		
	30.01 CONSUMER DEPOSITS	2012	2011
		R	R
	Balance previously reported	152 813	34 428
	Correction of Consumer Deposits opening balance - Refer to note 5	(52 067)	-
		100 746	34 428
	30.02 CURRENT EMPLOYEE BENEFITS		
	Balance previously reported	5 874 147	3 003 348
	Correction of pro-rata bonus provisions to current employee benefits - Refer to note 6	(10 557)	-
	Correction of accrued leave provision to current employee benefits - Refer to note 6	16 819	-
	Recognition of Workmen's compensation - Refer to note and note 6	1 185 774	-
	Correction of performance bonus provisions to current employee benefits - Refer to note 6	-	-
		7 066 183	3 003 348
	Correction of the pro-rate bonuses; accrued leave; and current portions of non current employee benefits. The corrections are from payables and provisions.		
	30.03 PAYABLES FROM EXCHANGE TRANSACTIONS		
	Balance previously reported	6 498 802	3 737 969
	Reclassified and correction of Third party payables and Long service awards pay - Refer to note 7	159 986	(20 756)
	Corrections of Sundry Deposits - Refer to note 6	(1 333)	-
	Corrections of Sundry Creditors - Refer to note 6	283 972	-
	Recognition and correction of payments received in advance - Refer to note 6	61 932	175
	Corrections of trade payables - Refer to note 7	382 973	-
		7 392 332	3 717 389
	Reclassification of payables; clearing and correction of trade payables.		
	30.04 UNSPENT GOVERNMENT GRANTS AND SUBSIDIES		
	Balance previously reported	3 138 174	4 397 734
	Revenue equal to expenditure not recognised for 2010/2011 - Refer to note 8	2 000 000	2 000 000
		5 138 174	6 397 734

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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)

	2012 R	2011 R
30.05 PROPERTY, PLANT AND EQUIPMENT		
Balance previously reported	367 142 242	
Assets incorrectly written off prior year	157 645	-
Reversal of depreciation on property plant and equipment - Under Construction - Refer to note 10	536 767	-
	<u>367 836 653</u>	
Implementation of GRAP 17 as well as to ensure that all property, plant and equipment is identified and measured.		
30.07 UNPAID GOVERNMENT GRANTS AND SUBSIDIES		
Balance previously reported	5 663 272	22 581 392
Previously reported as Prepayments now reported as unpaid government grants and subsidies - Refer to note 8	(3 745 722)	(3 745 722)
	<u>1 917 550</u>	<u>18 835 670</u>
30.08 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported	27 137 665	29 227 349
Reclassification from receivables from non exchange transactions - Refer to note 14	(21 441 021)	(14 484 223)
	<u>5 696 644</u>	<u>14 743 126</u>
Mainly represented by the reclassification of Chris Hani District Municipality debt as receivables from exchange transactions.		
30.10 CASH AND CASH EQUIVALENTS		
Balance previously reported	42 427 590	43 756 996
Correction of prior year Call Investments Deposits - Refer to note 17	3 636 647	3 258 146
	<u>46 064 237</u>	<u>47 015 141</u>
30.11 VAT		
Balance previously reported	3 075 757	12 122 970
Corrections due to reconciliation of payables - Refer to note 9	87 476	476 019
Balance of Taxes - Current Liabilities	<u>3 163 233</u>	<u>12 598 989</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 statement of financial position was corrected.

30 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)

30.12 STATEMENT OF FINANCIAL PERFORMANCE

	2012 R	2011 R
REVENUE PREVIOUSLY REPORTED	126 720 943	
Property rates		
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.	3 372	
Fines		
The revenue was not recognised correctly.	18	
Service charges		
Correction of levies	(230 671)	
Rental of facilities and equipment		
Relates to the operating lease register entries	(36 022)	
Interest earned - external investments		
Relates to call deposits	338 925	
Licences and permits		
Reclassification of accounts	(25)	
Agency services		
Recognition of vehicle licensing in correct period and reclassification of accounts	(28 102)	
Other income		
Recognition the debt impairment reversal and the correction of long-term receivables.	(6 398 620)	
	120 369 818	-
EXPENDITURE PREVIOUSLY REPORTED	180 254 728	R
Employee related costs		
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.	(1 245 996)	
Contracted Services		
This expenditure was not previously reported as a separate line item.	1 522 954	
Repairs and maintenance		
The figure was adjusted to the reconciliation of payables.	244 023	
Finance charges		
First time recognition of Workme's Compensation required finance charges to be recognised against the statement of financial performance.	21 161	
Other operating grant expenditure		
This expenditure was not previously reported as a separate line item.	(1 577 007)	
General expenses		
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.	1 246 728	
	180 466 591	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)

	2012 R	2011 R
30.13 STATEMENT OF CHANGES IN NET ASSETS		
Balance previously reported	449 466 802	503 000 587
Cash and cash equivalents	3 636 647	3 258 146
Current employee benefits	(1 192 036)	-
Consumer Deposits	52 067	-
Payables from exchange transactions	(893 530)	20 580
Property, plant and equipment	694 412	(14 484 223)
Receivables from exchange transactions	(21 441 021)	476 019
Taxes	87 476	-
Unspent conditional government grants and receipts	(2 000 000)	(2 000 000)
Unpaid conditional government grants and receipts	(3 745 722)	(3 745 722)
	424 665 095	486 525 386

30.14 First time recognition of Material Losses

Electricity distribution losses	
Units purchased (Kwh)	12 756 708
Units sold (Kwh)	5 198 079
Units lost during distribution (Kwh)	7 558 629
Percentage lost during distribution	59.25%
Loss in Rand Value	8 465 664

30.15 First time recognition of Summary of Debtors by Customer Classification Exchange

	Residential R	Industrial/ Commercial R	National and Provincial R	Other R
30 JUNE 2012				
Current (0 - 30 days)	1 091 553	57 315	86 921	67 847
31 - 60 Days	1 056 095	44 968	82 824	65 048
61 - 90 Days	1 038 996	43 933	76 286	65 415
+ 90 Days	61 614 670	1 613 453	2 360 039	3 776 198
Sub-total	64 801 314	1 739 669	2 606 070	3 974 468
Less: Provision for bad debts	-63 240 769	-1 717 293	-2 543 311	-3 878 742
Total debtors by customer classification	1 560 545	42 376	62 759	95 726

30.16 First time recognition of Summary of Debtors by Customer Classification Non-Exchange

	Residential R	Industrial/ Commercial R	National and Provincial R	Other R
30 JUNE 2012				
Current (0 - 30 days)	253 027	156 938	223 979	215 823
31 - 60 Days	132 872	64 759	71 509	33 846
61 - 90 Days	129 209	59 616	68 092	33 301
+ 90 Days	8 066 422	2 022 868	2 907 365	1 403 420
Sub-total	8 581 531	2 303 181	3 270 945	1 686 389
Less: Provision for bad debts	-7 753 095	-2 080 839	-2 955 178	-1 523 592
Total debtors by customer classification	828 435	222 342	315 767	162 797

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

	R	R
Surplus/(Deficit) for the year	1 601 071	(61 601 699)
Adjustments for:		
Depreciation/Amortisation	20 130 637	20 118 519
Loss on disposal of property, plant and equipment	3 464 897	-
(Gains) on disposal of property, plant and equipment	(206 657)	-
Impairment Loss	-	577 880
Impairment (Reversals)	-	-
Contribution from/to provisions - Non-Current	2 971 498	901 349
Contribution from/to provisions - Non-Current - Expenditure incurred	(108 864)	(411 846)
Contribution from/to provisions - Non-Current - Actuarial losses	428 420	348 806
Contribution from/to provisions - Non-Current - Actuarial gains	(141 077)	-
Contribution to provisions - current	2 851 968	5 036 901
Contribution to provisions - current - Expenditure incurred	(1 809 456)	(1 730 186)
Debt Impairment	9 539 098	45 237 255
Operating lease income accrued	4 249	(28 000)
Operating lease expenses accrued	-	-
Operating Surplus/(Deficit) before changes in working capital	38 725 785	9 448 679
Changes in working capital	(14 275 261)	(7 186 783)
Increase/(Decrease) in Payables from exchange transactions	(157 623)	3 674 943
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2 087 374	(1 259 560)
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	214 932	16 918 120
Increase/(Decrease) in Taxes	989 220	9 435 755
(Increase)/Decrease in Inventory	(26 667)	(125 627)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(17 391 496)	(35 830 414)
Cash generated/(absorbed) by operations	24 450 524	1 262 196

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 17	43 690 557	29 917 347
Cash Floats - Note 17	8 735	6 515
Bank - Note 17	9 415 869	16 140 375
Total cash and cash equivalents	53 115 160	46 064 237

33 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 32	53 115 160	46 064 237
Less:		
Unspent Committed Conditional Grants - Note 8	7 225 548	5 138 174
Resources available for working capital requirements	45 889 612	40 926 063
Allocated to:		
Employee Benefits Reserve	12 735 061	10 584 806
Non-Current Provisions Reserve	4 750 714	2 708 478
Resources available for working capital requirements	28 403 837	27 632 779

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	852 386	1 397 808
Used to finance property, plant and equipment - at cost	(852 386)	(1 397 808)
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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013 R	2012 R
35.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	74 695 925	2 757 950
Expenditure not in line with LED Grant Conditions.	71 442	-
Unauthorised expenditure for the year - capital	251 388	1 804 796
Unauthorised expenditure for the year - operating	8 146 572	72 891 128
Unauthorised expenditure for the prior year - operating	1 702 618	-
Written off by council	(74 695 925)	(2 757 950)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	10 172 020	74 695 925

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

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Unauthorised expenditure current year - operating				
Budget and Treasury	18 606 289	18 873 340	(267 050)	-
Community Services	8 809 113	10 485 635	(1 676 522)	-
Corporate Services	12 730 638	14 059 223	(1 328 585)	-
Council	15 071 362	15 723 021	(651 659)	-
Electricity	20 925 438	25 430 535	(4 505 097)	-
Executive	5 538 498	3 985 207	1 553 291	1 553 291
Housing Services	1 497 534	1 393 769	103 765	103 765
IPED	8 094 684	9 836 879	(1 742 195)	-
Refuse	7 304 345	9 576 360	(2 272 015)	-
Roads Transport	26 059 669	19 614 268	6 445 401	6 489 516
Water and Sanitation	30 452 103	31 710 557	(1 258 454)	-
	155 089 673	160 688 794	(5 599 121)	8 146 572
Unauthorised expenditure current year - capital				
	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Budget and Treasury	676 494	1 745 000	(1 068 506)	-
Community and Social Services	7 925 383	8 161 000	(335 617)	-
Corporate Services	158 294	155 000	3 294	3 294
Executive and Council	453 094	205 000	248 094	248 094
IPED	41 031	1 699 172	(1 658 141)	-
Technical Services	7 915 940	15 483 000	(7 567 060)	-
	17 070 236	27 448 172	(10 377 936)	251 388

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

35	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	2013	2012
		R	R
35.2	Fruitless and wasteful expenditure		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	8 934 997	52 559
	Fruitless and wasteful expenditure the year	205 642	416 774
	Material Losses for the year	7 792 479	8 465 664
	Written off by council	(52 559)	-
	Transfer to receivables for recovery	-	-
	Fruitless and wasteful expenditure awaiting further action	16 880 460	8 934 997
	Incident		
	Disciplinary steps/criminal proceedings		
	Interest was paid to Eskom and Telkom	28 824	24 824
	Interest was paid to Eskom and Telkom prior year	-	-
	Amount paid for CFO Support prior year	391 950	-
	Material Losses for the year	7 792 479	8 465 664
	Material Losses for the year prior year	8 465 664	-
	Payment to Ezibeleni Sheriff I.r.o. L. Mateta	172 719	-
		16 880 459	8 490 488
	Balance previously reported		77 383
	Material Losses for the year		8 465 664
	Correction of Fruitless and wasteful expenditure the year		391 950
			8 934 997
35.3	Irregular expenditure		
	Reconciliation of irregular expenditure:		
	Opening balance	5 855 458	36 600 000
	Irregular expenditure for the year	37 322 019	5 855 458
	Irregular expenditure for the prior year	36 600 000	-
	Written off by council	(5 705 959)	(36 600 000)
	Transfer to receivables for recovery	-	-
	Irregular expenditure awaiting further action	74 071 518	5 855 458
	Balance previously reported		-
	Correction of Irregular expenditure for the year		5 855 458
	Incident		
	Disciplinary steps/criminal proceedings		
	SCM procedures not followed	37 322 019	5 855 458
	SCM procedures not followed prior year	36 749 499	-
		74 071 518	5 855 458
35.4	Material Losses		
	Electricity distribution losses		
	Units purchased (Kwh)	13 031 876	12 756 708
	Units sold (Kwh)	5 427 232	5 198 079
	Units lost during distribution (Kwh)	7 604 645	7 558 629
	Percentage lost during distribution	58,35%	59,25%
	Loss in Rand Value	7 792 479	8 465 664
36	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
36.1	Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
	Opening balance	68 268	68 268
	Council subscriptions	400 000	400 000
	Amount paid - current year	(400 000)	(400 000)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	68 268	68 268
36.2	Audit fees - [MFMA 125 (1)(c)]		
	Opening balance	0	2 307 628
	Current year audit fee	2 074 217	1 638 748
	External Audit - Auditor-General	2 074 217	1 638 748
	Amount paid - current year	(2 074 217)	(1 638 748)
	Amount paid - previous year	-	(2 307 627)
	Balance unpaid (included in creditors)	0	0
36.3	VAT - [MFMA 125 (1)(c)]		
	Opening balance	294 447	(5 381 071)
	Amounts received - current year	6 551 731	9 055 556
	Amounts received - previous years	(295 163)	5 381 071
	Amounts claimed - current year	(4 719 718)	(8 502 621)
	Closing balance - (Receivable) / Payable	1 831 357	552 935
	Balance previously reported		552 935
	Amounts received - current year		(710 675)
	Amounts received - previous years		(107 748)
	Amounts claimed - current year		559 934
	Closing balance - (Receivable) / Payable		294 447
	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	PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	6 195 520	4 958 804
	Amount paid - current year	(6 195 520)	(4 958 804)
	Balance unpaid (included in creditors)	-	-
36.5	Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	2 823 252	3 885 889
	Amount paid - current year	(2 823 252)	(3 885 889)
	Balance unpaid (included in creditors)	-	-

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

36.6 Councilor's arrear consumer accounts - (MFMA 124 (1)(b))

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

	2013 R Outstanding more than 90 days	2012 R Outstanding more than 90 days
Godia, M.	2 012	535
Komani, B.	93 196	76 391
Total Councilor Arrear Consumer Accounts	95 208	76 926

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 and will be updated in future.
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.

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

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

Deviations approved by Municipal Manager

Total Suppliers	Amount
1	1 325 974

37 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

	R	R
Infrastructure	4 993 164	516 455
	4 993 164	516 455

Approved but not yet contracted for

	15 312 434	-
Total	20 305 598	516 455

This expenditure will be financed from:

External Loans		-
Capital Replacement Reserve		-
Government Grants	20 305 598	516 455
Total	20 305 598	516 455

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 any 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 follows:

	2013	2012
	R	R
1% (2012 - 0.5%) Increase in interest rates	522 540	223 300
0.5% (2012 - 0.5%) Decrease in interest rates	(261 270)	(223 300)

(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 14 and 15 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 14 for balances included in receivables that were re-negotiated for the period under review.

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

Balances past due not impaired:

	%	R	%	R
Non-Exchange Receivables				
Rates and other receivables	100.00%	5 495 959	100.00%	1 565 449
Exchange Receivables				
Electricity	18.62%	1 790 541	9.17%	522 248
Water	13.57%	1 305 462	9.01%	513 302
Refuse	-1.63%	(156 761)	3.87%	220 705
Sewerage	6.09%	585 954	5.93%	338 050
Other	63.35%	6 093 336	72.01%	4 102 338
	100.00%	9 618 532	100.00%	5 696 644

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 14 and 15 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:

	%	R	%	R
Non-Exchange Receivables				
Rates and other receivables	100.00%	13 062 616	100.00%	14 312 704
Exchange Receivables				
Electricity	0.59%	471 493	2.04%	1 454 980
Water	29.02%	23 335 801	27.80%	19 844 640
Refuse	32.02%	25 747 323	29.82%	21 287 486
Sewerage	36.81%	29 605 806	34.58%	24 685 636
Other	1.56%	1 258 104	5.75%	4 107 373
	100.00%	80 418 528	100%	71 380 114

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 Statement of Financial Position date for impairment.

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

	2013 R	2012 R
Receivables from exchange transactions	9 618 532	5 696 644
Receivables from non-exchange transactions	5 495 959	1 565 449
Cash and Cash Equivalents	53 115 160	46 064 237
Unpaid conditional grants and subsidies	1 702 618	1 917 550
	69 932 269	55 243 880

38 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Finance Lease Liability	310 526	232 895	-	-
Capital repayments	207 528	203 916	-	-
Interest	102 998	28 979	-	-
Long Term liabilities - Hire purchase Lease Liability	132 771	387 250	-	-
Capital repayments	99 084	341 859	-	-
Interest	33 688	45 391	-	-
Trade and Other Payables	6 831 711	-	-	-
Unspent conditional government grants and receipts	7 225 548	-	-	-
Cash and Cash Equivalents	-	-	-	-
	14 500 556	620 145	-	-

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
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	141559.72	693399.01	-	-
Interest	69416.48	131924.6	-	-
Trade and Other Payables	6 991 172	-	-	-
Unspent conditional government grants and receipts	5 138 174	-	-	-
Cash and Cash Equivalents	-	-	-	-
	12 650 849	1 368 745	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

39	FINANCIAL INSTRUMENTS	2013 R	2012 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	Financial Assets		
	Classification		
	Investments		
	Fixed Deposits	-	-
	Receivables		
	Receivables from exchange transactions	9 618 532	5 696 644
	Receivables from non-exchange transactions	5 495 959	1 565 449
	Other Receivables		
	Government Subsidies and Grants	1 702 618	1 917 550
	Short-term Investment Deposits		
	Call Deposits	43 690 557	29 917 347
	Bank Balances and Cash		
	Bank Balances	9 415 869	16 140 375
	Cash Floats and Advances	8 735	6 515
		69 932 269	55 243 880
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	69 932 269	55 243 880
	At amortised cost	69 932 269	55 243 880
39.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	-	-
	Capitalised Lease Liability	203 916	411 443
	Hire Purchase	341 859	693 399
	Payables from exchange transactions		
	Trade Payables	2 764 560	3 627 185
	Third party payables (Payroll)	10 205	-
	Payments received in advance	402 987	401 160
	Sundry Deposits	21 087	21 490
	Sundry Creditors	4 035 879	3 342 497
	Other Payables		
	Government Subsidies and Grants	7 225 548	5 138 174
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	207 528	151 406
	Hire Purchase	93 084	141 560
		15 312 642	13 928 314
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	15 312 642	13 928 314
40	EVENTS AFTER THE REPORTING DATE		
	The municipality has no events after reporting date during the financial year ended 2012/2013.		
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.		

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

43	CONTINGENT LIABILITY	2013	2012
	Joubert, Anna GJ (Damages was claimed for jewelry fall into Septic Tank)	280 000	-
	MHLANGENKULULEKO CONSTRUCTION (Construction Work done and not paid due to work not completed by the Company)	84 000	-
	HOCO (This matter relates to a dispute over the payment to the Plaintiff, Mr Hoco, by the Municipality for the construction of certain fencing completed by the Plaintiff on the Municipality's behalf.) (This case was dismissed in court. Smith Tabata were the Attorney.)	-	81 892
	GEORGE AND 2 OTHERS (Unfair dismissal) (This case was dismissed by the CCMA)	-	-
	Ex Gratia Gratuities are payable regarding contracts for Sec. 56 Managers on termination of contract.	4 942 656	5 965 707
	Claim against Council	<u>5 306 656</u>	<u>6 047 600</u>
	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
		<u>-</u>	<u>1 130 204</u>

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. These salary increases were paid to all the relevant employees in the 2012/2013 Financial year.

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	CONTINGENT ASSETS		
	Ikarma Construction (An instruction was given to recover an amount for defective performance and erroneous payments.)	358 821	-
	KUTASE LR (The Municipality is claiming monies from Mr Kutase in respect of arrear rental.)	46 800	-
	Claim by Council	<u>405 621</u>	<u>-</u>

45	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.		

45.1 Related Party Loans

None

45.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

45.3 Other related party transactions

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

46 FINANCIAL SUSTAINABILITY

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

Financial Indicators

The current ratio improved from 2.94:1 to 3.17:1 in the period of reporting.

The average debtors' payment days improved from 92 days to 84 days. The debtors impairment ratio decreased to 86 % from the previous years 92%.

No bank overdraft was utilised; the net cash situation as at 30 June 2013 is R53 115 160 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 2013**

LONG-TERM LIABILITIES	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 1 JULY 2012 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2013
HIRE PURCHASE											
Standard Bank	8.50%	43454526/0005	2017/05/15	201 353	-	201 353	-	-	15 965	34 401	166 952
Standard Bank	8.50%	43454526/0006	2017/05/15	303 439	-	303 439	-	-	17 891	303 439	-
Standard Bank	8.50%	43454526/0007	2017/06/01	330 166	-	330 166	-	-	26 482	56 176	273 990
Total Hire Purchase				834 959	-	834 959	-	-	60 338	394 016	440 942
LEASE LIABILITY											
NRG Office Solutions (Pty) Ltd	32.04%		2015/03/20	562 849	-	562 849	-	-	159 121	151 406	411 443
Total Lease Liabilities				562 849	-	562 849	-	-	159 121	151 406	411 443
TOTAL LONG-TERM LIABILITIES				1 397 808	-	1 397 808	-	-	219 459	545 422	852 385

APPENDIX B - Unaudited
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
70 681 272	(14 198 130)	56 483 141	Budget and Treasury	82 363 738	(18 606 289)	63 757 449
1 065 044	(7 495 171)	(6 430 127)	Community Services	907 726	(8 809 113)	(7 901 387)
90 236	(9 752 453)	(9 662 217)	Corporate Services	84 017	(12 730 638)	(12 646 621)
480 163	(14 540 918)	(14 060 754)	Council	238 316	(15 071 362)	(14 833 046)
10 523 221	(15 654 345)	(5 131 124)	Electricity	14 904 650	(20 925 438)	(6 020 788)
120 000	(6 063 093)	(5 943 093)	Executive	-	(5 538 498)	(5 538 498)
-	(1 556 053)	(1 556 053)	Housing Services	-	(1 497 534)	(1 497 534)
1 577 934	(5 143 027)	(3 565 093)	IPED	2 362 186	(8 094 684)	(5 732 498)
3 967 449	(12 453 310)	(8 485 861)	Refuse	4 342 764	(7 304 345)	(2 961 581)
2 245 139	(31 925 053)	(29 679 914)	Roads Transport	22 638 281	(26 059 669)	(3 421 388)
29 619 360	(61 685 039)	(32 065 679)	Water and Sanitation	28 849 066	(30 452 103)	(1 603 037)
120 369 818	(180 466 591)	(60 096 773)	Sub Total	156 690 744	(155 089 673)	1 601 071
-	-	-		-	-	-
120 369 818	(180 466 591)	(60 096 773)	Total	156 690 744	(155 089 673)	1 601 071

APPENDIX C - Unaudited
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
600 163	(20 604 010)	(20 003 847)	Executive and Council	238 316	(20 609 860)	(20 371 544)
70 681 272	(14 198 130)	56 483 141	Budget and Treasury Office	82 363 738	(18 606 289)	63 757 449
90 236	(9 989 291)	(9 899 055)	Corporate Services	84 017	(12 966 829)	(12 882 812)
1 577 934	(5 143 027)	(3 565 093)	Planning and Development	2 362 186	(8 094 684)	(5 732 498)
-	-	-	Health	-	-	-
1 060 726	(6 403 583)	(5 342 856)	Community and Social Services	905 077	(7 707 512)	(6 802 436)
-	(1 556 053)	(1 556 053)	Housing	-	(1 497 534)	(1 497 534)
608 359	(563 421)	44 939	Public Safety	80 475	(11 005 230)	(10 924 755)
4 318	(854 750)	(850 433)	Sport and Recreation	2 649	(865 410)	(862 761)
-	-	-	Environmental Protection	-	-	-
3 967 449	(12 453 310)	(8 485 861)	Waste Management	4 342 764	(7 304 345)	(2 961 581)
5 373 285	(27 613 466)	(22 240 181)	Waste Water Management	9 352 574	(9 341 281)	11 293
2 245 139	(31 925 053)	(29 679 914)	Road Transport	22 638 281	(26 059 669)	(3 421 388)
24 246 075	(34 071 573)	(9 825 498)	Water	19 496 493	(21 110 823)	(1 614 330)
9 914 861	(15 090 924)	(5 176 063)	Electricity	14 824 175	(9 920 208)	4 903 967
-	-	-	Other	-	-	-
120 369 818	(180 466 591)	(60 096 773)	Total	156 690 744	(155 089 673)	1 601 071

**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 2012	Corrections Prior year	Restated Balance 1 JULY 2012	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2013	Unspent 30 JUNE 2013 Current Liability	Unpaid 30 JUNE 2013 Current Asset
	R	R	R	R	R	R	R	R	R	R
National Government Grants	(3 038 072)	5 745 722	2 707 650	105 766 101	(1 354 000)	82 269 575	20 792 761	4 057 415	4 057 415	-
Equitable share	-	-	-	69 797 100	-	69 797 100	-	-	-	-
Local Government Financial Management Grant (FMG)	(121 102)	-	(121 102)	1 500 000	-	1 378 898	-	-	-	-
Municipal Infrastructure Grant (MIG)	(3 745 722)	3 745 722	-	23 311 000	-	-	20 792 761	2 518 239	2 518 239	-
Municipal Systems Improvement Grant (MSIG)	(64 424)	-	(64 424)	800 000	-	735 576	-	-	-	-
Department of Water affairs and forestry (DWAF)	43 176	-	43 176	(0)	-	-	-	43 176	43 176	-
Integrated National Electrification Grant (INEP)	350 000	2 000 000	2 350 000	9 000 000	(1 354 000)	9 000 000	-	996 000	996 000	-
Neighbourhood Development Program Grant (NDPG)	-	-	-	-	-	-	-	-	-	-
Extended Public Works Program (EPWP)	-	-	-	1 358 000	-	1 358 000	-	-	-	-
Town Revitalisation	500 000	-	500 000	-	-	-	-	500 000	500 000	-
Provincial Government Grants	734 027	-	734 027	890 990	-	356 396	-	1 268 621	2 286 589	1 017 968
Housing Grant	(1 017 968)	-	(1 017 968)	-	-	-	-	(1 017 968)	-	1 017 968
IDP	-	-	-	-	-	-	-	-	-	-
LED	1 781 400	-	1 781 400	87 990	-	108 697	-	1 760 694	1 760 694	-
Library	(29 405)	-	(29 405)	803 000	-	247 699	-	525 896	525 896	-
MSP	-	-	-	-	-	-	-	-	-	-
District Municipality Grants	463 598	-	463 598	3 101 360	-	2 705 042	-	859 917	859 917	-
Food Program	413 598	-	413 598	-	-	-	-	413 598	413 598	-
Sorghum & Processing	-	-	-	2 200 000	-	2 200 000	-	-	-	-
Planning & Development	-	-	-	40 329	-	40 239	-	90	90	-
Cleaning program	-	-	-	396 137	-	153 724	-	242 413	242 413	-
Revenue Enhancement	-	-	-	464 894	-	311 079	-	153 816	153 816	-
Other	50 000	-	50 000	-	-	-	-	50 000	50 000	-
Other Grants	(684 650)	-	(684 650)	105 863	-	84 236	-	(663 023)	21 627	684 650
LGSETA	-	-	-	105 863	-	84 236	-	21 627	21 627	-
Elitheni Coal Mine	(684 650)	-	(684 650)	-	-	-	-	(684 650)	-	684 650
Total	(2 525 097)	5 745 722	3 220 625	109 864 314	(1 354 000)	85 415 248	20 792 761	5 522 930	7 225 548	1 702 618