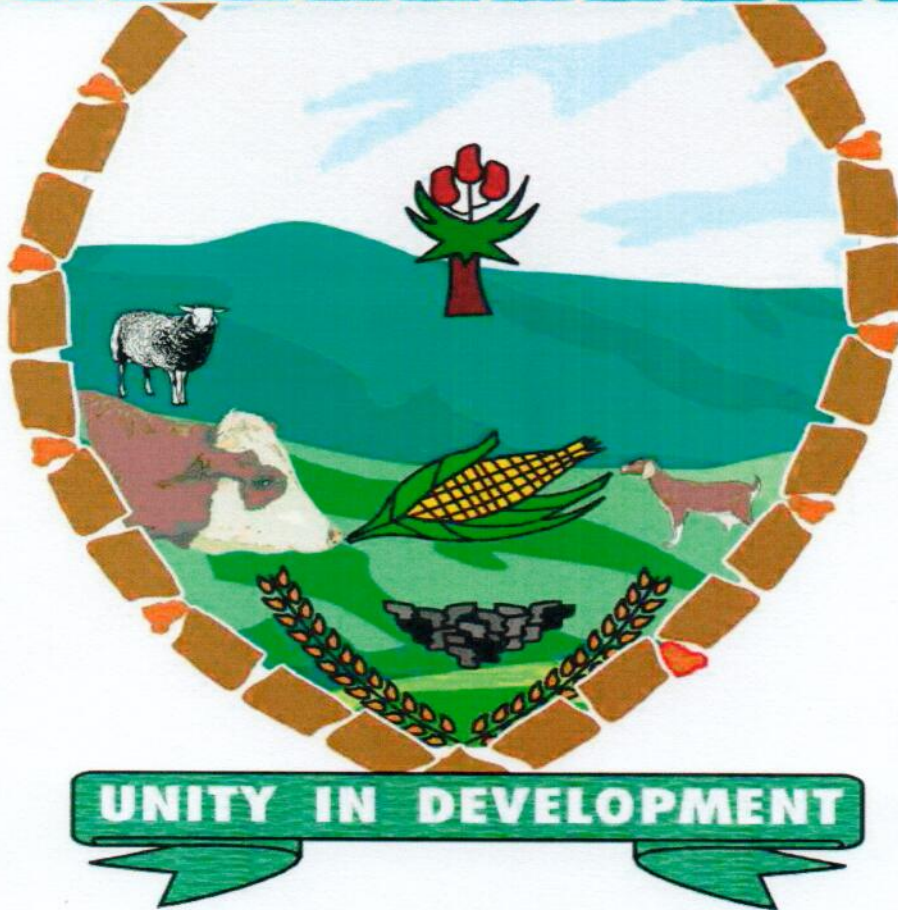


# EMALAHLENI MUNICIPALITY



[These financial statements have not 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 86 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

30/08/2013  
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	2 424 838	(59 864 005)
Accumulated Surplus / (Deficit) at the end of the Year	428 275 706	425 850 868
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	28.12%	21.74%
Remuneration of Councillors	5.89%	4.59%
Debt Impairment	6.18%	25.10%
Depreciation and Amortisation	13.03%	11.16%
Impairments	0.00%	0.32%
Repairs and Maintenance	4.73%	3.42%
Actuarial losses	0.28%	0.19%
Finance Charges	0.33%	0.19%
Bulk Purchases	7.27%	5.38%
Contracted services	1.76%	0.84%
Operating Grant Expenditure	9.91%	5.57%
General Expenses	20.26%	21.49%
Loss on disposal of Property, Plant and Equipment	-2.24%	0.00%
Fair Value Adjustments		
Current Ratio:		
Creditors Days	50	48
Debtors Days	1 554	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 %
<b>Income:</b>					
Opening surplus / (deficit)	365 986 863	486 525 386	-24.78%	-	-
Operating income for the year (incl. gains in disposal of assets)	156 890 441	120 369 818	30.34%	160 427 777	-2.20%
Appropriations for the year	-	(60 674 518)	0.00%	-	-
	522 877 304	546 220 686	-4.27%	160 427 777	225.93%
<b>Expenditure:</b>					
Operating expenditure for the year	154 465 603	180 233 823	-14.30%	162 259 994	-4.80%
Sundry transfers	-	-	0.00%	-	-
Closing surplus / (deficit)	368 411 701	365 986 863	0.66%	-	-
	522 877 304	546 220 686	-4.27%	162 259 994	222.25%

### 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 9 to the Annual Financial Statements.

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

DETAILS	Actual 2011/2012 R	Budgeted 2011/2012 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	(1 832 217)
Revenue variances	(2 422 962)
Expenditure variances:	
Budget and Treasury	(572 363)
Community Services	(1 676 522)
Corporate Services	(1 314 224)
Council	(651 659)
Electricity	(4 505 097)
Executive	1 553 291
Housing Services	103 765
IPED	(1 742 195)
Refuse	(2 649 249)
Roads Transport	6 489 516
Water and Sanitation	(1 258 454)
Actual surplus before appropriations	<u>(10 478 370)</u>

DETAILS	2012/2013
<i>Variance per Expenditure by Type:</i>	
Budgeted surplus before appropriations	(1 832 217)
Employee related costs	3 139 306
Remuneration of councillors	123 867
Debt impairment	5 894 564
Depreciation & asset impairment	(3 653 769)
Finance charges	131 459
Bulk purchases	(1 067 525)
Other materials	-
Contracted services	(236 746)
Grants and subsidies paid	(4 742 740)
Other expenditure	(10 847 703)
Loss on disposal of PPE	-
Actual surplus before appropriations	<u>(13 091 505)</u>

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)
	<u>17 070 236</u>	<u>27 448 172</u>	<u>(10 377 936)</u>

Refer to Note number 9 and 34 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.

<u>-</u>	<u>-</u>
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Refer to Note number 1 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>9 214 740</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	4 373 414	2 708 478
Provision for Clearing of Alien Vegetation	-	-
	<u>9 214 740</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 2 and 3 for more detail.

## 7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note Number 4	110 146	100 746
Current Employee benefits	Note Number 5	6 565 360	5 880 409
Payables from exchange transactions	Note Number 6	7 234 708	7 392 332
Unspent Conditional Government Grants and Receipts	Note Number 7	5 522 930	3 220 625
Taxes	Note Number 8	2 165 013	3 163 233
Operating Lease Liability	Note Number 15	71 794	76 042
Cash and Cash Equivalents	Note Number 16	53 115 160	46 064 237
Current Portion of Long-term Liabilities	Note Number 1	306 611	292 965
		<u>75 091 723</u>	<u>66 190 590</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 11 for more detail.

## 9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:	<u>361 340 551</u>	<u>367 836 654</u>
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Refer to Note Number 9 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 16 for more detail.

## 11. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note Number 12	400 069	373 402
Receivables from exchange transactions	Note Number 13	9 798 700	5 696 644
Receivables from non-exchange transactions	Note Number 14	5 495 959	1 565 449
Unpaid Conditional Government Grants and Receipts	Note Number 7	1 702 618	1 917 550
Operating Lease Asset	Note Number 15	71 794	76 042
Taxes	Note Number 8	2 165 013	3 163 233
Cash and Cash Equivalents	Note Number 16	-	-
		<b>72 749 313</b>	<b>58 856 558</b>

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 7 and 18 for more detail

## 14. EVENTS AFTER THE REPORTING DATE

Full details of all events after reporting date are disclosed in note 39.

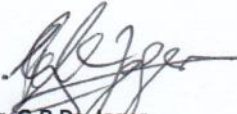
## 15. DISCLOSURE ISSUES

Possible outflow of resources due the contingent liability disclosed in note 42

## 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  
30 August 2013

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	2012 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>428 275 706</b>	<b>425 850 868</b>
Accumulated Surplus/(Deficit)		428 275 706	425 850 868
<b>Non-Current Liabilities</b>		<b>9 627 902</b>	<b>7 331 944</b>
Long-term Liabilities	1	545 775	1 104 842
Employee benefits	2	4 708 713	3 518 623
Non-Current Provisions	3	4 373 414	2 708 478
<b>Current Liabilities</b>		<b>21 442 374</b>	<b>18 804 626</b>
Consumer Deposits	4	110 146	100 746
Current Employee benefits Provisions	5	6 565 360	5 880 409
Payables from exchange transactions	6	7 234 708	7 392 332
Unspent Conditional Government Grants and Receipts	7	7 225 548	5 138 174
Unspent Public Contributions		-	-
Taxes	8	-	-
Operating Lease Liability	15	-	-
Cash and Cash Equivalents	16	-	-
Current Portion of Long-term Liabilities	1	306 611	292 965
<b>Total Net Assets and Liabilities</b>		<b>459 345 983</b>	<b>451 987 439</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>386 596 669</b>	<b>393 130 881</b>
Property, Plant and Equipment	9	361 340 551	367 836 654
Investment Property	10	25 000 929	25 008 529
Intangible Assets	11	255 189	285 698
Heritage Assets		-	-
<b>Current Assets</b>		<b>72 749 313</b>	<b>58 856 558</b>
Inventory	12	400 069	373 402
Receivables from exchange transactions	13	9 798 700	5 696 644
Receivables from non-exchange transactions	14	5 495 959	1 565 449
Unpaid Conditional Government Grants and Receipts	7	1 702 618	1 917 550
Operating Lease Asset	15	71 794	76 042
Taxes	8	2 165 013	3 163 233
Cash and Cash Equivalents	16	53 115 160	46 064 237
<b>Total Assets</b>		<b>459 345 982</b>	<b>451 987 439</b>

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
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>110 117 629</b>	<b>77 069 586</b>	<b>3 390</b>	<b>77 066 196</b>
<b>Taxation Revenue</b>		<b>3 529 711</b>	<b>3 400 508</b>	<b>3 372</b>	<b>3 397 136</b>
Property rates	17	3 529 711	3 400 508	3 372	3 397 136
<b>Transfer Revenue</b>		<b>106 208 009</b>	<b>73 573 763</b>	<b>-</b>	<b>73 573 763</b>
Government Grants and Subsidies - Capital	18	20 792 761	1 425 468	-	1 425 468
Government Grants and Subsidies - Operating	18	85 415 248	72 148 295	-	72 148 295
<b>Other Revenue</b>		<b>379 908</b>	<b>95 315</b>	<b>18</b>	<b>95 297</b>
Actuarial Gains		141 077	-	-	-
Fines		516	650	18	632
Contributed Assets		238 316	-	-	-
Reversal of Debt Impairment		-	94 665	-	94 665
<b>Revenue from Exchange Transactions</b>		<b>46 772 813</b>	<b>43 300 232</b>	<b>(6 354 516)</b>	<b>49 654 748</b>
Service Charges	19	14 913 989	14 512 555	(230 671)	14 743 226
Rental of Facilities and Equipment		633 843	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	20	21 239 932	19 922 588	(6 398 620)	26 321 208
Gain on disposal of Property, Plant and Equipment		206 657	-	-	-
<b>Total Revenue</b>		<b>156 890 441</b>	<b>120 369 818</b>	<b>(6 351 125)</b>	<b>126 720 943</b>
<b>EXPENDITURE</b>					
Employee related costs	21	43 434 377	39 179 775	(1 457 604)	40 637 379
Remuneration of Councillors	22	9 101 125	8 269 699	-	8 269 699
Debt Impairment	23	9 553 180	45 237 255	-	45 237 255
Depreciation and Amortisation	24	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	2	428 420	348 806	-	348 806
Finance Charges	25	504 595	340 445	-	340 445
Bulk Purchases	26	11 232 475	9 699 328	-	9 699 328
Contracted services		2 713 254	1 522 954	1 522 954	-
Other Operating Grant Expenditure	27	15 304 079	10 036 770	(1 162 954)	11 199 724
Administration and Management Fees paid		-	-	-	-
General Expenses	28	31 299 893	38 731 026	832 675	37 898 351
Loss on disposal of Property, Plant and Equipment		3 464 897	-	-	-
<b>Total Expenditure</b>		<b>154 465 603</b>	<b>180 233 823</b>	<b>(20 905)</b>	<b>180 254 728</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2 424 838</b>	<b>(59 864 005)</b>	<b>(6 330 220)</b>	<b>(53 533 785)</b>

EMALAHLENI MUNICIPALITY

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

	Accumulated Surplus/(Deficit)	Total
	R	R
<b>Balance at 1 JULY 2011</b>	<b>503 000 587</b>	<b>503 000 587</b>
Correction of error/Change in accounting policy	(16 475 201)	(16 475 201)
<b>Restated Balance at 1 JULY 2011</b>	<b>486 525 386</b>	<b>486 525 386</b>
Transfer to CRR	-	-
Property, Plant and Equipment purchased	-	-
Transactions for the year	-	-
Correction of error/Change in accounting policy	(810 513)	(810 513)
Net Deficit for the year	(59 864 005)	(59 864 005)
<b>Balance at 30 JUNE 2012</b>	<b>425 850 868</b>	<b>425 850 868</b>
Net Surplus for the year	2 424 838	2 424 838
<b>Balance at 30 JUNE 2013</b>	<b>428 275 706</b>	<b>428 275 706</b>

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		25 648 599	3 076 844
Government - operating	18	85 415 248	72 148 295
Government - capital	18	20 792 761	1 425 468
Interest		9 333 053	7 860 797
<b>Payments</b>			
Suppliers		(63 707 954)	(35 459 289)
Employees	21	(43 434 377)	(39 179 775)
Councillors	22	(9 101 125)	(8 269 699)
Finance charges	25	(504 595)	(340 445)
<b>Cash generated by operations</b>	<b>30</b>	<b>24 441 609</b>	<b>1 262 196</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(16 854 664)	(2 998 199)
<b>Net Cash from Investing Activities</b>		<b>(16 854 664)</b>	<b>(2 998 199)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(545 422)	(125 431)
New loans raised		-	844 211
(Decrease)/Increase in Consumer Deposits		9 400	66 318
<b>Net Cash from Financing Activities</b>		<b>(536 022)</b>	<b>785 098</b>
<b>NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>7 050 923</b>	<b>(950 904)</b>
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	31	53 115 160	46 064 237
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7 050 923</b>	<b>(950 904)</b>

**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 (Actual)	2013 R (Final Budget)	2013 R (Variance)	%	Explanations for material variances more than 10%
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	9 424 803	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%	Increase of Outstanding Debtors
Consumer debtors	9 798 700	1 960 324	7 838 376	400%	Other Receivables were decreased during the year
Other Receivables	9 435 384	27 884 256	(18 448 872)	-66%	
Current portion of long-term receivables	-	-	-	-	More Materials inventory for maintenance on water and sanitation were available on year end
Inventory	400 069	272 553	127 517	47%	
<b>Total current assets</b>	<b>72 749 313</b>	<b>93 931 260</b>	<b>(21 181 947)</b>	<b>-23%</b>	
<b>Non current assets</b>					
Long-term receivables	-	-	-	-	
Investments	-	-	-	-	
Property, plant and equipment	25 000 929	25 000 929	-	100%	Investment property were not budget for
Biological Assets	361 340 851	252 508 145	108 832 406	43%	Capital acquisitions for the year were not budget for in full
Intangible Assets	255 189	707 359	(452 170)	-64%	Less were budget for Intangible assets
Heritage Assets	-	-	-	-	
<b>Total non current assets</b>	<b>386 596 869</b>	<b>253 215 504</b>	<b>133 381 164</b>	<b>53%</b>	
<b>TOTAL ASSETS</b>	<b>459 345 982</b>	<b>347 146 764</b>	<b>112 199 218</b>	<b>32%</b>	
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	-	-	-	-	
Borrowing	306 611	306 611	-	100%	Leases were not budget for
Consumer deposits	110 146	70 536	39 610	178%	Less were budget for Consumer deposits
Trade and other payables	14 460 256	15 539 809	(1 079 553)	-7%	
Provisions and Employee Benefits	6 565 360	1 105 985	5 458 375	494%	Less were budget for Employee benefits provision
<b>Total current liabilities</b>	<b>21 442 374</b>	<b>16 685 404</b>	<b>4 756 970</b>	<b>100%</b>	
<b>Non current liabilities</b>					
Borrowing	545 775	545 775	-	100%	Leases were not budget for
Provisions and Employee Benefits	9 082 127	11 072 697	(1 990 570)	-18%	
<b>Total non current liabilities</b>	<b>9 627 902</b>	<b>11 072 697</b>	<b>(1 444 795)</b>	<b>-13%</b>	
<b>TOTAL LIABILITIES</b>	<b>31 070 276</b>	<b>27 758 101</b>	<b>3 312 175</b>	<b>12%</b>	
<b>NET ASSETS</b>	<b>428 275 706</b>	<b>319 388 663</b>	<b>108 887 043</b>	<b>34%</b>	
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus/(Deficit)	428 275 706	310 441 046	117 834 660	38%	Wrongly budget for
Reserves	-	8 947 617	(8 947 617)	-100%	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>428 275 706</b>	<b>319 388 663</b>	<b>108 887 044</b>	<b>34%</b>	

**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	%	
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material adjustments more than 10%
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	18 814 128	-	18 814 128	0%	
Call investment deposits	37 885 000	7 115 000	45 000 000	19%	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	-	-	-		
Inventory	272 553	-	272 553	0%	
<b>Total current assets</b>	<b>126 385 422</b>	<b>(32 454 162)</b>	<b>93 931 260</b>		
<b>Non current assets</b>					
Long-term receivables	-	-	-		
Investments	-	-	-		
Investment property	-	-	-		
Property, plant and equipment	242 412 543	10 095 602	252 508 145	4%	
Biological Assets	-	-	-		
Intangible Assets	707 359	-	707 359	0%	
Heritage Assets	-	-	-		
<b>Total non current assets</b>	<b>243 119 902</b>	<b>10 095 602</b>	<b>253 215 504</b>	<b>4%</b>	
<b>TOTAL ASSETS</b>	<b>369 505 325</b>	<b>(22 358 560)</b>	<b>347 146 764</b>	<b>-6%</b>	
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
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%	
<b>Total current liabilities</b>	<b>26 652 116</b>	<b>-</b>	<b>26 652 116</b>		
<b>Non current liabilities</b>					
Borrowing	-	-	-		
Provisions and Employee Benefits	1 105 985	-	1 105 985	0%	
<b>Total non current liabilities</b>	<b>1 105 985</b>	<b>-</b>	<b>1 105 985</b>		
<b>TOTAL LIABILITIES</b>	<b>27 758 101</b>	<b>-</b>	<b>27 758 101</b>		
<b>NET ASSETS</b>	<b>341 747 223</b>	<b>(22 358 560)</b>	<b>319 388 663</b>	<b>-7%</b>	
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus/(Deficit)	332 799 606	(22 358 560)	310 441 046	-7%	
Reserves	8 947 617	-	8 947 617	0%	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>341 747 223</b>	<b>(22 358 560)</b>	<b>319 388 663</b>	<b>-7%</b>	



**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 (Actual)	2013 R (Final Budget)	2013 R (Variance)	%	Explanations for material variances more than 10%
<b>REVENUE BY SOURCE</b>					
Property rates	3 529 711	2 550 000	979 711	38%	No Indigent 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	633 843	647 200	(13 357)	-2%	
Interest earned - external investments	2 861 731	2 516 200	345 531	14%	More Investments were made
Interest earned - outstanding debtors	6 471 322	5 678 180	793 142	14%	Outstanding Debtors Increased
Dividends received	-	-	-	-	
Fines	516	65	451	694%	Increase of Library Fines
Licences and permits	352 691	736 100	(383 409)	-52%	Vehicle Licenses were budget under Licenses & Permits instead of Agency Services
Agency services	92 647	45 000	47 647	106%	Vehicle Licenses were budget under Licenses & Permits instead of Agency Services and less Vehicle Licenses were received
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	21 381 009	11 956 981	9 424 028	79%	Subsidy received from District Municipality were budget under Grants and not Other Income
Gains on disposal of PPE	206 657	210 000	(3 343)	-2%	Subsidy received from District Municipality were budget under Grants and not Other Income
<b>Total Operating Revenue</b>	<b>135 859 365</b>	<b>138 282 327</b>	<b>(2 422 962)</b>		
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	43 434 377	40 295 071	3 139 306	8%	
Remuneration of councillors	9 101 125	8 977 258	123 867	1%	
Debt impairment	9 553 180	3 658 616	5 894 564	161%	Outstanding Debtors Increased
Depreciation & asset impairment	20 130 637	23 784 406	(3 653 769)	-15%	
Finance charges	504 595	373 136	131 459	35%	No Interest were budget for Employee Benefits Provision
Bulk purchases	11 232 475	12 300 000	(1 067 525)	-9%	
Other materials	-	-	-	-	
Contracted services	2 713 254	2 950 000	(236 746)	-8%	
Grants and subsidies paid	15 304 079	20 046 819	(4 742 740)	-24%	Less Grants and Subsidies were utilized
Other expenditure	39 026 985	49 874 688	(10 847 703)	-22%	Projects were not utilized in full
Loss on disposal of PPE	-	-	-	-	
<b>Total Operating Expenditure</b>	<b>151 000 706</b>	<b>162 259 994</b>	<b>(11 259 288)</b>	-7%	
<b>Operating Deficit for the year</b>	<b>(15 141 342)</b>	<b>(23 977 667)</b>	<b>8 836 325</b>	-37%	
Government Grants and Subsidies - Capital	20 792 761	22 145 450	(1 352 689)	-6%	
<b>Net Surplus/(Deficit) for the year</b>	<b>5 651 420</b>	<b>(1 832 217)</b>	<b>7 483 636</b>	-408%	

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

**ADJUSTMENTS TO APPROVED BUDGET**

	2013 R	2013 R	2013 R	2013 R	2013 R	2013 R	2013 R	%	Reasons for material adjustments more than 10%
	(Approved Budget)	(Adjustments)	(Final Budget)	Final Virements	(Final Year-end Budget)				
<b>REVENUE BY SOURCE</b>									
Property rates	2 680 000	(130 000)	2 550 000	-	2 550 000	-	-5%		
Property rates - penalties & collection charges	-	-	-	-	-	-	-5%		
Service charges	15 853 257	(822 387)	15 030 870	-	15 030 870	-	-24%		
Rental of facilities and equipment	855 643	(208 443)	647 200	-	647 200	-	18429%		
Interest earned - external investments	13 580	2 502 620	2 516 200	-	2 516 200	-	128%		
Interest earned - outstanding debtors	2 494 577	3 183 603	5 678 180	-	5 678 180	-	-76%		
Dividends received	-	-	-	-	-	-	18980%		
Fines	270	(205)	65	-	65	-	-98%		
Licences and permits	3 858	732 242	736 100	-	736 100	-	24%		
Agency services	2 562 836	(2 517 836)	45 000	-	45 000	-	-52%		
Government Grants and Subsidies - Operating	79 540 550	19 371 181	98 911 731	-	98 911 731	-	209%		
Other revenue	24 737 220	(12 780 239)	11 956 981	-	11 956 981	-	7%		
Gains on disposal of PPE	67 898	142 102	210 000	-	210 000	-			
<b>Total Operating Revenue</b>	<b>128 809 688</b>	<b>9 472 639</b>	<b>138 282 327</b>	<b>-</b>	<b>138 282 327</b>	<b>-</b>			
<b>EXPENDITURE BY TYPE</b>									
Employee related costs	30 798 119	9 496 952	40 295 071	-	40 295 071	-	31%		
Remuneration of councillors	8 596 839	380 419	8 977 258	-	8 977 258	-	4%		
Debt impairment	3 800 578	(141 962)	3 658 616	-	3 658 616	-	-4%		
Depreciation & asset impairment	3 641 632	20 142 774	23 784 406	-	23 784 406	-	553%		
Finance charges	133 397	239 739	373 136	-	373 136	-	180%		
Bulk purchases	11 380 838	919 162	12 300 000	-	12 300 000	-	8%		
Other materials	-	-	-	-	-	-			
Contracted services	2 061 809	888 191	2 950 000	-	2 950 000	-	43%		
Grants and subsidies paid	11 261 669	8 785 150	20 046 819	-	20 046 819	-	78%		
Other expenditure	53 130 541	(3 255 854)	49 874 688	-	49 874 688	-	-6%		
Loss on disposal of PPE	-	-	-	-	-	-			
<b>Total Operating Expenditure</b>	<b>124 805 422</b>	<b>37 454 572</b>	<b>162 259 994</b>	<b>-</b>	<b>162 259 994</b>	<b>-</b>	<b>30%</b>		
<b>Operating Surplus/(Deficit) for the year</b>	<b>4 004 266</b>	<b>(27 981 933)</b>	<b>(23 977 667)</b>	<b>-</b>	<b>(23 977 667)</b>	<b>-</b>	<b>-699%</b>		
Government Grants and Subsidies - Capital	22 145 450	-	22 145 450	-	22 145 450	-	0%		
<b>Net Surplus/(Deficit) for the year</b>	<b>26 149 716</b>	<b>(27 981 933)</b>	<b>(1 832 217)</b>	<b>-</b>	<b>(1 832 217)</b>	<b>-</b>	<b>-107%</b>		

**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 (Actual)	2013 R (Final Budget)	2013 R (Variance)	%	Explanations for material variances more than 10%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Ratepayers and other	25 648 599	20 711 952	4 936 647	24%	
Government - operating	85 415 248	109 375 995	(23 960 747)	-22%	
Government - capital	20 782 761	22 145 450	(1 362 689)	-6%	
Interest	9 333 053	6 194 380	1 138 673	14%	
Dividends	-	-	-		
<b>Payments</b>					
Suppliers and Employees	(63 707 954)	(132 872 636)	69 164 681	-52%	
Finance charges	(564 595)	(373 136)	(131 459)	35%	
Transfers and Grants	-	(1 571 200)	1 571 200	-100%	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>76 977 112</b>	<b>25 610 805</b>	<b>-</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of Assets	-	-	-		
Decrease/(increase) in non-current receivables	-	-	-		
Decrease/(increase) in non-current investments	-	2 000 000	(2 000 000)	-100%	
<b>Payments</b>					
Capital assets	(16 854 664)	(27 448 172)	10 593 508	-39%	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-16 854 664</b>	<b>(25 448 172)</b>	<b>8 593 508</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Borrowing	9 400	-	9 400	0%	
Increase/(decrease) in consumer deposits	(545 422)	-	(545 422)	0%	
Repayment of borrowing	(536 022)	-	-536 022	0%	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>59 586 425</b>	<b>162 633</b>	<b>8 057 486</b>	<b>4954%</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>46 064 237</b>	<b>42 428 000</b>	<b>3 636 237</b>	<b>9%</b>	
Cash and Cash Equivalents at the beginning of the year	53 115 160	42 590 633	10 524 527	25%	
Cash and Cash Equivalents at the end of the year					

**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	%	Reasons for material adjustments more than 10%
	(Approved Budget)	(Adjustments)	(Final Budget)		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Ratepayers and other	21 782 150	(1 070 198)	20 711 952	-1935%	
Government - operating	104 519 382	4 856 613	109 375 995	2252%	
Government - capital	22 145 450	-	22 145 450	0%	
Interest	2 508 157	5 686 223	8 194 380	144%	
Dividends	-	-	-		
<b>Payments</b>					
Suppliers and Employees	(112 928 583)	(19 944 052)	(132 872 636)	666%	
Finance charges	(133 397)	(239 739)	(373 136)	156%	
Transfers and Grants	(4 301 232)	2 730 032	(1 571 200)	-58%	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>33 581 926</b>	<b>-7 981 121</b>	<b>25 610 805</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
Proceeds on disposal of Assets	-	-	-		
Decrease/(increase) in non-current receivables	-	-	-		
Decrease/(increase) in non-current investments	-	2 000 000	2 000 000	100%	
<b>Payments</b>					
Capital assets	(23 950 000)	(3 498 172)	(27 448 172)	785%	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(23 950 000)</b>	<b>(1 498 172)</b>	<b>(25 448 172)</b>	<b>1699%</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
Borrowing	-	-	-		
Increase/(decrease) in consumer deposits	-	-	-		
<b>Payments</b>					
Repayment of borrowing	-	-	-		
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>9 641 926</b>	<b>(9 479 293)</b>	<b>162 633</b>	<b>-2%</b>	
Cash and Cash Equivalents at the beginning of the year	42 428 000	-	42 428 000	0%	
Cash and Cash Equivalents at the end of the year	52 069 926	(9 479 293)	42 590 633	-449%	

**EMALAHLENI MUNICIPALITY**

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

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

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on 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 Economic Entity resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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#### **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 guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as three separate additional financial statements, namely the Statement of comparison of budget and actual amounts for the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

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:

**EMALAHLENI MUNICIPALITY**

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

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

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

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

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 Economic Entity:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Economic Entity already complies with most of the changes.</p>	<b>Unknown</b>
<b>GRAP 7 (Revised – Mar 2012)</b>	<p><b>Investments in Associate</b></p> <p>This Standard prescribes the accounting treatment for investments in 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 Economic Entity will not participate in such business transactions.</p>	<b>1 April 2013</b>
<b>GRAP 8 (Revised – Nov 2010)</b>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Economic</p>	<b>Unknown</b>

**EMALAHLENI MUNICIPALITY**

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

	Entity is not involved in any joint ventures.	
<b>GRAP 18</b> <b>(Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p>	<b>Unknown</b>
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that an Economic Entity'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 Economic Entity resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Economic Entity does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Economic Entity does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Economic Entity does not participate in such business</p>	<b>Unknown</b>



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

	transactions and no such transactions or events are expected in the foreseeable future.	
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></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 Economic Entity does not have any SPE's at this stage.</p>	<b>Unknown</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Economic Entity does not have any JCE's at this stage.</p>	<b>Unknown</b>

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

**1.10. RESERVES**

**1.10.1 Capital Replacement Reserve (CRR)**

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

**1.10.2 Employee Benefits Reserve**

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits is contributed to the reserve from accumulated surplus.

**1.10.3 Non-Current Provisions Reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions is made until the necessary funding level is obtained.

**EMALAHLENI MUNICIPALITY**

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

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**1.10.4 Revaluations Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.11. LEASES**

**1.11.1 Economic Entity 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 Economic Entity. 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 Economic Entity 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 Economic Entity recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.11.2 Economic Entity as Lessor**

Under a finance lease, the Economic Entity 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 Economic Entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease

## EMALAHLENI MUNICIPALITY

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

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 Economic Entity 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.

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

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

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

OR

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

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Economic Entity 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 Economic Entity's interest, it is recognised as interest earned in the Statement of Financial Performance.

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

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity 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.

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

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**1.14. UNSPENT PUBLIC CONTRIBUTIONS**

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

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

OR

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

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

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

**1.15. PROVISIONS**

Provisions are recognised when the Economic Entity 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 Economic Entity 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.

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

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.

#### **1.16. EMPLOYEE BENEFITS**

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

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

##### **1.16.1 Post Retirement Medical Obligations**

The Economic Entity 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 70% as contribution and the remaining 30% is 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 recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Economic Entity 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.

##### **1.16.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Economic Entity. The Economic Entity'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,

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

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.

**1.16.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Economic Entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Economic Entity 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.

**1.16.4 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.

**1.16.5 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.

**1.16.6 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.

**1.16.7 Pension and retirement fund obligations**

The Economic Entity provides retirement benefits for its employees and councillors.

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

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

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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.

**1.16.8 Other Short-term Employee Benefits**

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

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

**1.17. 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 Economic Entity directly to the nature of the expenditure to be funded. In such cases, the Economic Entity expenses those borrowing costs related to a qualifying asset directly to the Statement of Financial Performance.

The amount of borrowing costs that the Economic Entity capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Economic Entity 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.

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

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**1.18. PROPERTY, PLANT AND EQUIPMENT**

**1.18.1 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 Economic Entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity. 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 Economic Entity 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, it's deemed cost is the carrying amount of the asset(s) given up.

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

**1.18.2 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 Economic Entity 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.

**1.18.3 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.



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

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.18.4 Depreciation and Impairment**

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

The annual depreciation rates are based on the following estimated useful lives:

<b>Asset Class</b>	<b>Asset Sub-grouping</b>	<b>Useful Life (Yrs)</b>
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	Cemetries & Fencing	17 – 100
	Halls	100
	Library	100
	Buildings Other	30 – 100
	Parks and Gardens	16 - 50
	Recreation	7 - 100
	Leased Asset	None
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.

## EMALAHLENI MUNICIPALITY

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

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#### **1.18.5 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.

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

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity 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.

### **1.19. INTANGIBLE ASSETS**

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

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

**EMALAHLENI MUNICIPALITY**

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

- the Economic Entity can measure reliably the expenditure attributable to the intangible asset during its development.

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.

**1.19.2 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.

**1.19.3 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:

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

**1.19.4 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.

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

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity 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.

**EMALAHLENI MUNICIPALITY**

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

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**1.20. INVESTMENT PROPERTY**

**1.20.1 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 Economic Entity, and
- the cost or fair value of the investment property can be measured reliably.

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

At initial recognition, the Economic Entity 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 Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.20.2 Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

**1.20.3 De-recognition**

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

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

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity 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.

## EMALAHLENI MUNICIPALITY

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

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#### **1.21 HERITAGE ASSETS**

##### **1.21.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

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

##### **1.21.2 Subsequent Measurement – Cost Model**

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

#### **1.22. NON-CURRENT ASSETS HELD FOR SALE**

##### **1.22.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

##### **1.22.2 Subsequent Measurement**

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

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

#### **1.23. IMPAIRMENT OF NON-FINANCIAL ASSETS**

##### **1.23.1 Cash-generating assets**

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

The Economic Entity 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 Economic Entity estimates the asset's recoverable amount.

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

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In assessing whether there is any indication that an asset may be impaired, the Economic Entity 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 Economic Entity 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 Economic Entity 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 Economic Entity 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 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.

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

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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 Economic Entity 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.

**1.23.2 Non-cash-generating assets**

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

The Economic Entity 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 Economic Entity estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Economic Entity 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 Economic Entity 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 Economic Entity operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Economic Entity 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.

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

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.

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 Economic Entity 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 Economic Entity 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



## EMALAHLENI MUNICIPALITY

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

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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.

#### **1.24. INVENTORIES**

##### **1.24.1 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 Economic Entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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 Economic Entity 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.

##### **1.24.2 Subsequent Measurement**

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

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

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.

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

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#### 1.25. 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.

##### 1.25.1 Initial Recognition

Financial instruments are initially recognised when the Economic Entity 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.

##### 1.25.2 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.

##### 1.25.2.1 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 Economic Entity 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 Economic Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the

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

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 Economic Entity. 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.

1.25.2.2 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.

1.25.2.3 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 Economic Entity 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.

1.25.2.4 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.

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.

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

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**1.25.3 De-recognition of Financial Instruments**

**1.25.3.1 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 Economic Entity 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 Economic Entity has transferred substantially all the risks and rewards of the asset, or (b) the Economic Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Economic Entity 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 Economic Entity'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 Economic Entity 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 Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity 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 Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.25.3.2 Financial Liabilities**

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

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

**1.25.4 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

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

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**1.26. REVENUE**

**1.26.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Economic Entity 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 Economic Entity 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 Economic Entity. Where public contributions have been received, but the Economic Entity 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 Economic Entity.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Economic Entity'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 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 Economic Entity 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.

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

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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 Economic Entity 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.

**1.26.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Economic Entity 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 Economic Entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Economic Entity 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 Economic Entity.
- 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 Economic Entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Economic Entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Economic Entity 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.

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

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.

S 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 Economic Entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Economic Entity 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 Economic Entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Economic Entity.

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

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

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- 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.

**1.27. RELATED PARTIES**

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Economic Entity:

- (a) A person or a close member of that person's family is related to the Economic Entity if that person:
  - has control or joint control over the Economic Entity.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Economic Entity.
  - is a member of the management of the Economic Entity or its controlling entity.
- (b) An entity is related to the Economic Entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.



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- the entity is a post-employment benefit plan for the benefit of employees of either the Economic Entity or an entity related to the Economic Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- 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 Economic Entity. 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 Economic Entity, including:

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

Management personnel include:

- (a) All directors or members of the governing body of the Economic Entity, 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 Economic Entity 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 Economic Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Economic Entity 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 Economic Entity.

The Economic entity 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.

## *EMALAHLENI MUNICIPALITY*

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

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Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.28. 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.

#### **1.29. 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.

#### **1.30. 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.

#### **1.31. 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 Economic Entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

Management judgement is required when recognising and measuring contingent liabilities.

*EMALAHLENI MUNICIPALITY*

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

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**1.32. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Economic Entity'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:

**1.32.1 *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.

**1.32.2 *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.

**1.32.3 *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 Economic Entity referred to buildings in other municipal areas to determine the useful life of buildings. The Economic Entity also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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

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

## EMALAHLENI MUNICIPALITY

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

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- cost of items with a similar nature currently in the Economic Entity'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 Economic Entity 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.

#### **1.32.4 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 Economic Entity 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.

#### **1.32.6 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.

#### **1.32.7 Revenue Recognition**

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

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 Economic Entity, 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 Economic Entity is satisfied that recognition of the revenue in the current year is appropriate.

*EMALAHLENI MUNICIPALITY*

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

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**1.32.8 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.

**1.32.9 Provision for Clearing of Alien Vegetation**

The Economic entity 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.

**1.32.10 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.

**1.32.11 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.

**1.32.12 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.

**1.32.13 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.

**EMALAHLENI MUNICIPALITY**

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

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**1.33. Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Economic entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Economic entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Economic entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

**1.34. TAXATION**

**1.34.1 Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

**1.34.2 Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

*EMALAHLENI MUNICIPALITY*

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

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**1.34.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

**1.35. 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.

**1.36. 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.

**1.37. 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 Economic Entity discloses the nature and an estimate of the financial effect.

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

1

**LONG-TERM LIABILITIES**

	2013 R	2012 R
Capitalised Lease Liability - At amortised cost	411 443	562 849
Hire Purchase	440 842	834 959
	<b>852 386</b>	<b>1 397 808</b>
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
<b>Total Long-term Liabilities - At amortised cost</b>	<b>545 775</b>	<b>1 104 842</b>

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
<b>Less:</b> Future finance obligations	(131 977)	(291 098)
<b>Present value of lease obligations</b>	<b>411 444</b>	<b>562 849</b>

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

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 8000i	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
<b>Less:</b> Future finance obligations	(79 079)	(201 341)
<b>Present value of hire purchase obligations</b>	<b>440 942</b>	<b>834 959</b>

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



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

2

**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 2.1  
 Long Service Awards - Refer to Note 2.2  
**Total Non-current Employee Benefit Liabilities**

2013 R	2012 R
3 648 530	2 697 236
1 060 183	821 387
<b>4 708 713</b>	<b>3 518 623</b>

**Post Retirement Benefits**

Balance 1 July  
 Contribution for the year  
 Interest Cost  
 Expenditure for the year  
 Actuarial Loss/(Gain)  
**Total post retirement benefits 30 June**  
**Less:** Transfer of Current Portion - Note 5  
**Balance 30 June**

2013 R	2012 R
2 718 236	2 218 688
327 668	307 648
228 467	196 505
(31 410)	(23 533)
428 421	18 928
<b>3 671 582</b>	<b>2 718 236</b>
(23 052)	(21 000)
<b>3 648 530</b>	<b>2 697 236</b>

**Long Service Awards**

Balance 1 July  
 Contribution for the year  
 Interest Cost  
 Expenditure for the year  
 Actuarial Loss/(Gain)  
**Total long service 30 June**  
**Less:** Transfer of Current Portion - Note 5  
**Balance 30 June**

1 015 347	807 042
316 259	212 044
56 669	54 696
(77 454)	(388 313)
(141 077)	329 878
<b>1 169 744</b>	<b>1 015 347</b>
(109 561)	(193 960)
<b>1 060 183</b>	<b>821 387</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

Balance 1 July  
 Contribution for the year  
 Interest cost  
 Expenditure for the year  
 Actuarial Loss/(Gain)  
**Total employee benefits 30 June**  
**Less:** Transfer of Current Portion - Note 5  
**Balance 30 June**

3 733 583	3 025 730
644 127	519 692
285 136	251 201
(108 864)	(411 846)
287 344	348 806
<b>4 841 326</b>	<b>3 733 583</b>
(132 613)	(214 960)
<b>4 708 713</b>	<b>3 518 623</b>

2.1 **Post Retirement Benefits**

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

In-service (employee) members  
 In-service (employee) non-members  
 Continuation members (e.g. Retirees, widows, orphans)  
**Total Members**

71	62
98	111
1	1
<b>170</b>	<b>174</b>

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

In-service members  
 Continuation members  
**Total Liability**

3 423 100	2 477 293
248 462	240 943
<b>3 671 582</b>	<b>2 718 236</b>

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

In-service members  
 Continuation members  
**Total Liability**

2013 R	2012 R
2 022 025	1 568 418
196 663	152 545
<b>2 218 688</b>	<b>1 720 963</b>

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss  
 Assets: Gain / (loss)

2013 Rm	2012 Rm	2011 Rm
0.546	-	-
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

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

**2 EMPLOYEE BENEFITS (CONTINUE)**

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

Bonitas;  
Hosmed  
LA Health  
Samwumed; and  
Key health.

Key actuarial assumptions used:

**i) Rate of interest**

	2013 %	2012 %
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 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.

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

	2013 R	2012 R
Present value of fund obligations	3 671 582	2 718 236
<b>Total Liability</b>	<b>3 671 582</b>	<b>2 718 236</b>

The fund is entirely unfunded.

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

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

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
<b>Less:</b> Transfer of Current Portion - Note 5	<b>(23 052)</b>	<b>(21 000)</b>
<b>Balance 30 June</b>	<b>3 648 530</b>	<b>2 697 236</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	3,423	0,248	3,672	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	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%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Central Assumption</b>		327 868	228 467	556 335	
Health care inflation	1%	405 300	272 900	678 200	22%
Health care inflation	-1%	267 800	193 000	460 800	-17%
Post-retirement mortality	-1 year	339 600	237 000	576 600	4%
Average retirement age	-1 year	376 400	251 600	628 000	13%
Withdrawal Rate	-50%	383 100	248 500	631 600	14%

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

**2 EMPLOYEE BENEFITS (CONTINUE)**

**2.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

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

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
<b>Net liability</b>	<b>1 169 744</b>	<b>1 015 347</b>

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

	2013 R	2012 R
<b>Total Liability</b>	<b>807 042</b>	<b>675 901</b>

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	295 474	(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
<b>Less:</b> Transfer of Current Portion - Note 5	(109 561)	(193 960)
<b>Balance 30 June</b>	<b>1 060 183</b>	<b>821 387</b>

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%

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

**2 EMPLOYEE BENEFITS (CONTINUE)**

**2.3 Retirement funds**

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

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

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

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

Contributions paid recognised in the Statement of Financial Performance

2013 R	2012 R
<b>1 015 198</b>	<b>923 187</b>

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

Contributions paid recognised in the Statement of Financial Performance

2013 R	2012 R
-	-

**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.

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

1 048 860	987 355
739 169	617 295
1 065 500	1 006 124
<b>2 853 529</b>	<b>2 610 773</b>

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

3	<b>NON-CURRENT PROVISIONS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	Provision for Rehabilitation of Landfill-sites	4 373 414	2 708 478
	<b>Total Non-current Provisions</b>	<b>4 373 414</b>	<b>2 708 478</b>

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

The landfill sites in operation are Lady Frere; Dordrecht and Indwe.

**Landfill Sites**

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
Balance 1 July	2 708 478	2 578 022
Contribution for the year	1 664 938	130 456
Expenditure incurred (Interest)	-	-
Actuarial Loss/(Gain)	-	-
<b>Total provision 30 June</b>	<b>4 373 414</b>	<b>2 708 478</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note	-	-
<b>Balance 30 June</b>	<b>4 373 414</b>	<b>2 708 478</b>

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

	<b>Lady Frere</b>	<b>Dordrecht</b>	<b>Indwe</b>
Total area (m <sup>2</sup> )	15 400	15 400	8 500
Capacity use of total area (%)	6.2%	63.8%	83.7%
Current cell in operation (m <sup>2</sup> )	2 500	15 400	8 500
Capacity use of existing cell (%)	68.6%	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:

<b>Location</b>	<b>Estimated decommission date</b>	<b>Rehabilitation cost of cell in use 2013 R</b>
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 364	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	836 855
		<b>4 204 225</b>

4	<b>CONSUMER DEPOSITS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	Electricity	-	-
	Water	110 146	100 746
	<b>Total Consumer Deposits</b>	<b>110 146</b>	<b>100 746</b>

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

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

5	<b>CURRENT EMPLOYEE BENEFITS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	Current Portion of Post Retirement Benefits - Note 2	23 052	21 000
	Current Portion of Long-Service Provisions - Note 2	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
	<b>Total Current Employee Benefits</b>	<b>6 565 360</b>	<b>5 880 409</b>

The movement in current employee benefits is reconciled as follows:

**Provision for Staff Leave**

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	<b>3 166 356</b>	<b>3 136 419</b>

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

**Provision for Performance Bonuses**

Balance at beginning of year	1 854 687	1 183 423
Contribution to current portion	631 134	671 264
Expenditure incurred	-	-
Balance at end of year	<b>2 485 821</b>	<b>1 854 687</b>

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

**Staff Bonuses accrued**

Balance at beginning of year	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	<b>780 571</b>	<b>674 343</b>

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

6	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	Trade Payables	2 788 258	4 010 158
	Third party payables (Payroll)	10 205	0
	Payments received in advance	402 997	401 160
	Sundry Deposits	21 067	21 490
	Sundry Creditors	4 012 181	2 959 524
	<b>Total Trade Payables</b>	<b>7 234 708</b>	<b>7 392 332</b>

Payables are being recognised net of any discounts.

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

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

7	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	<b>Unspent Grants</b>	<b>7 225 548</b>	<b>5 138 174</b>
	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	-
	<b>Less: Unpaid Grants</b>	<b>1 702 618</b>	<b>1 917 550</b>
	National Government Grants	-	185 526
	Provincial Government Grants	1 017 968	1 047 374
	District Municipality	-	-
	Other Grants	684 650	684 650
	<b>Total Conditional Grants and Receipts</b>	<b>5 522 930</b>	<b>3 220 625</b>

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

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

8	<b>TAXES</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
8.1	<b>VAT PAYABLE</b>		
	<b>VAT RECEIVABLE/(PAYABLE)</b>		
	VAT RECEIVABLE/(PAYABLE)	9 158 255	11 907 249
	Less: Provision for impairment of receivables	(6 993 242)	(8 744 015)
	<b>NET VAT RECEIVABLE/(PAYABLE)</b>	<b>2 165 013</b>	<b>3 163 233</b>

VAT is receivable/payable on the cash basis.

9 PROPERTY, PLANT AND EQUIPMENT

See attached sheets and replace

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

See attached sheets and replace



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

**9 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)**

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

	2013 R	2012 R
Land and Buildings	-	(118 731)
Other	(8 915)	(459 149)
	<b>(8 915)</b>	<b>(577 880)</b>

The impairments occurred due assets not found when performing the asset count. The value of the impairment is equal to the carrying value as at the end of the reporting date.

No Reversal of Impairment charges took place during the year of reporting.

**Cumulative impairment charges included in major balances**

	2013 R	2012 R
Land and Buildings	-	(118 731)
Other	(8 915)	(459 149)
	<b>(8 915)</b>	<b>(577 880)</b>

**Effect of changes in accounting estimates**

No effect change in accounting estimate took place.

**10 INVESTMENT PROPERTY**

**Net Carrying amount at 1 July**

	2013 R	2012 R
<b>Net Carrying amount at 1 July</b>	<b>25 008 529</b>	<b>25 112 735</b>
Cost	25 424 500	25 424 500
Accumulated Depreciation	(415 971)	(311 765)
Accumulated Impairment	-	-
Acquisitions	-	-
Disposals	-	-
Depreciation for the year	(7 800)	(104 206)
Impairment	-	-
Transfers to/from other classes	-	-

**Net Carrying amount at 30 June**

	<b>25 000 929</b>	<b>25 008 529</b>
Cost	25 424 500	25 424 500
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 ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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

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

12	<b>INVENTORY</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	Maintenance Materials - At cost	376 366	217 555
	Water - at cost	23 684	155 847
	<b>Total Inventory</b>	<b>400 069</b>	<b>373 402</b>

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

No inventory assets were pledged as security for liabilities.

13	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	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 Hanani Debtor	2 825 593	3 741 438
	Sundry Receivables	349 593	193 757
	<b>Total Receivables from Exchange Transactions</b>	<b>90 217 228</b>	<b>77 076 758</b>
	Less: Provision for Impairment	(80 418 528)	(71 380 114)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>9 798 700</b>	<b>5 696 644</b>

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

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

13

**RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continue)**

Ageing of Receivables from Exchange Transactions:

**(Electricity): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**(Water): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**(Refuse): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**(Sewerage): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**(Rental): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**(Other): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**(Total): Ageing**

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year

Contribution to provision/(Reversal of provision)

VAT portion of Contribution/(Reversal)

Bad Debts Written Off

**Balance at end of year**

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity

Water

Refuse

Sewerage

VAT

Other

**Summary of Debtors by Customer Classification Exchange**

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2013	R	R	R	R
Current (0 - 30 days)	1 157 885	74 327	123 439	65 043
31 - 60 Days	1 112 889	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	4 385 999
<b>Sub-total</b>	<b>77 541 683</b>	<b>2 044 576</b>	<b>2 873 792</b>	<b>4 581 991</b>
<b>Less: Provision for bad debts</b>	<b>(77 240 584)</b>	<b>(1 920 504)</b>	<b>-</b>	<b>(1 227 440)</b>
<b>Total debtors by customer classification</b>	<b>271 099</b>	<b>124 072</b>	<b>2 873 792</b>	<b>3 354 551</b>

**Summary of Debtors by Customer Classification Exchange**

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2012	R	R	R	R
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
<b>Sub-total</b>	<b>64 801 314</b>	<b>1 759 669</b>	<b>2 606 070</b>	<b>3 974 468</b>
<b>Less: Provision for bad debts</b>	<b>(63 240 769)</b>	<b>(1 717 293)</b>	<b>(2 543 311)</b>	<b>(3 878 742)</b>
<b>Total debtors by customer classification</b>	<b>1 560 545</b>	<b>42 376</b>	<b>62 759</b>	<b>95 726</b>

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

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

**14 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

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

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:

	2013 R	2012 R
<b>(Rates): Ageing</b>		
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
<b>Total</b>	<b>18 522 466</b>	<b>15 842 045</b>

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	-	-
<b>Balance at end of year</b>	<b>13 062 616</b>	<b>14 312 704</b>

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
	R	R	R	R
<b>30 JUNE 2013</b>				
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
<b>Sub-total</b>	<b>9 861 260</b>	<b>2 664 525</b>	<b>3 696 018</b>	<b>2 300 663</b>
<b>Less: Provision for bad debts</b>	<b>(9 746 844)</b>	<b>(2 572 351)</b>	<b>-</b>	<b>(743 421)</b>
<b>Total debtors by customer classification</b>	<b>114 416</b>	<b>92 173</b>	<b>3 696 018</b>	<b>1 557 242</b>

**Summary of Debtors by Customer Classification Non-Exchange**

	Residential	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
<b>30 JUNE 2012</b>				
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
<b>Sub-total</b>	<b>8 581 531</b>	<b>2 303 181</b>	<b>3 270 945</b>	<b>1 686 389</b>
<b>Less: Provision for bad debts</b>	<b>(7 753 095)</b>	<b>(2 080 839)</b>	<b>(2 955 178)</b>	<b>(1 523 592)</b>
<b>Total debtors by customer classification</b>	<b>828 435</b>	<b>222 342</b>	<b>315 767</b>	<b>162 797</b>

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

**15 OPERATING LEASE ARRANGEMENTS**

	2013 R	2012 R
<b>The Municipality as Lessor (Asset)</b>		
Balance on 1 July	76 042	48 042
Movement during the year	(4 249)	28 000
<b>Balance on 30 June</b>	<b>71 794</b>	<b>76 042</b>
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
<b>Total Operating Lease Arrangements</b>	<b>709 661</b>	<b>1 087 698</b>

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 ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

16	<b>CASH AND CASH EQUIVALENTS</b>	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><b>2013</b></td> <td style="text-align: center;"><b>2012</b></td> </tr> <tr> <td style="text-align: center;"><b>R</b></td> <td style="text-align: center;"><b>R</b></td> </tr> </table>	<b>2013</b>	<b>2012</b>	<b>R</b>	<b>R</b>
<b>2013</b>	<b>2012</b>					
<b>R</b>	<b>R</b>					
	<b>Assets</b>					
	Call Investments Deposits	43 690 557      29 917 347				
	Bank Accounts	9 415 869      16 140 375				
	Cash Floats	8 735      6 515				
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>53 115 160      46 064 237</b>				
	<b>Liabilities</b>					
	Bank Accounts	-				
	<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>-</b>				
	Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.					
	The Municipality has the following bank accounts:					
	<b>Current Accounts</b>					
		<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><b>2013</b></td> <td style="text-align: center;"><b>2012</b></td> </tr> <tr> <td style="text-align: center;"><b>R</b></td> <td style="text-align: center;"><b>R</b></td> </tr> </table>	<b>2013</b>	<b>2012</b>	<b>R</b>	<b>R</b>
<b>2013</b>	<b>2012</b>					
<b>R</b>	<b>R</b>					
	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 - 088-799-897	-				
	Standard Bank - DDX Housing Account - 388-505-281	-				
	Standard Bank - DDX MUN Account - 280-577-508	-				
	First National Bank - Current Account - 620-4898-6428	6 923				
		<b>3 228 783      1 413 088</b>				
		<b>9 415 869      16 140 375</b>				
	All accounts is cleared daily to Primary Bank Account; current account 082-665-958.					
	<b>Standard Bank - Current Account - 082-665-958</b>					
	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				
	<b>Standard Bank - Current Account - 082-630-631</b>					
	Cash book balance at beginning of year	486 953      519 760				
	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				
	<b>Standard Bank - DDX Mun Account - 280-577-508</b>					
	Cash book balance at beginning of year	6 923      -				
	Cash book balance at end of year	-				
	Bank statement balance at beginning of year	6 923      -				
	Bank statement balance at end of year	-				
	<b>First National Bank - Current Account - 620-4898-6428</b>					
	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				
	<b>Call Investment Deposits</b>					
	Call investment deposits consist of the following accounts:					
	Call Investments Deposits	<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><b>43 690 557</b></td> <td style="text-align: center;"><b>29 917 347</b></td> </tr> </table>	<b>43 690 557</b>	<b>29 917 347</b>		
<b>43 690 557</b>	<b>29 917 347</b>					
	Investec      Account Number/s: 450/465258	0 200 401      28 984 298				
	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				
17	<b>PROPERTY RATES</b>					
	<b>Actual</b>					
	<b>Rateable Land and Buildings</b>					
	Residential, Commercial Property, State	3 529 711      3 904 817				
	Agricultural	3 259 523      3 904 817				
	Less: Rebates	270 188      -				
	<b>Total Assessment Rates</b>	-				
		<b>(504 309)</b>				
		<b>3 529 711      3 400 508</b>				
	<b>Valuations</b>					
	<b>Rateable Land and Buildings:</b>					
	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      64 498 000				
	Exempt Properties	28 396 500      13 302 400				
	<b>Total Assessment Rates</b>	<b>781 504 493      575 138 050</b>				
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.					
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.					

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

18	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	<b>Unconditional Grants</b>	<b>69 797 100</b>	<b>61 056 000</b>
	Equitable Share	69 797 100	61 056 000
	<b>Conditional Grants</b>	<b>36 410 909</b>	<b>12 517 763</b>
	Grants and subsidies	36 410 909	12 517 763
	Subsidies	-	-
	<b>Total Government Grants and Subsidies</b>	<b>106 208 009</b>	<b>73 573 763</b>
	Government Grants and Subsidies - Capital	20 792 761	1 425 468
	Government Grants and Subsidies - Operating	85 415 248	72 148 295
		<b>106 208 009</b>	<b>73 573 763</b>
	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
	IPED	2 348 936	1 574 490
	Roads Transport	22 150 761	1 867 704
	Water and Sanitation	311 079	429 573
		<b>106 208 009</b>	<b>73 573 763</b>
	The municipality does not expect any significant changes to the level of grants.		
<b>18.1</b>	<b>Equitable share</b>		
	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	-	-
		<b>-</b>	<b>-</b>
	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.		
<b>18.2</b>	<b>Local Government Financial Management Grant (FMG)</b>		
	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)
		<b>-</b>	<b>(121 102)</b>
	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).		
<b>18.3</b>	<b>Municipal Systems Improvement Grant (MSIG)</b>		
	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)
		<b>-</b>	<b>(64 424)</b>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>18.4</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
	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	<b>2 518 239</b>	<b>(0)</b>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		

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

18	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2013 R	2012 R
18.5	<b>Housing Grant</b>		
	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>
	Housing grants was utilised for the development of even; erection of top structures and the installing of basic service infrastructure, for example Water; Streets and Sewerage.		
18.6	<b>Integrated National Electrification Grant (INEP)</b>		
	Opening balance	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.		
18.7	<b>Other Grants</b>		
	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)		
18.8	<b>Total Grants</b>		
	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)	(1 425 488)
	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>
19	<b>SERVICE CHARGES</b>		
	Electricity	6 424 632	5 595 727
	Water	2 896 205	3 092 649
	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)
	<b>Total Service Charges</b>	<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.		
20	<b>OTHER INCOME</b>		
	Administration charges	1 781 301	191 905
	Cemetery Fees	34 703	28 872
	Chris Hanu DM (Water & Sanitation)	18 405 660	19 316 577
	Duplicate documents	3 379	20 837
	Pound Fees	30 823	40 837
	Registrations	64	1 264
	Sundry Income	983 783	322 496
	<b>Total Other Income</b>	<u>21 239 932</u>	<u>19 922 588</u>
	Sundry income represents sundry income such as cleaning of sites, private work and fees for items not		

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

21	<b>EMPLOYEE RELATED COSTS</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>
	Salaries and Wages	33 601 293	25 567 376
	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	316 259	212 044
	Overtime	1 070 398	1 313 739
	Post Employment Health	327 868	307 648
	Performance bonus	-	-
	Skills development levy	252 969	303 273
	Travel, motor car, telephone, assistance and other allowances	698 827	1 014 933
		<u>43 434 377</u>	<u>39 179 775</u>
	<b>Less:</b> Employee Costs allocated elsewhere	-	-
	<b>Total Employee Related Costs</b>	<b>43 434 377</b>	<b>39 179 775</b>
	Municipal Manager and all other Senior Managers are appointed on fixed term contracts.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<i>Remuneration of the Municipal Manager</i>		
	Annual Remuneration	125 026	489 068
	Performance Bonuses	-	56 229
	Back dated remuneration	-	34 809
	Leave encashment	-	-
	Travel, motor car, telephone, assistance and other allowances	47 211	192 096
	Contributions to UIF, Medical and Pension Funds	14 852	123 526
	<b>Total</b>	<b>187 088</b>	<b>895 730</b>
	<i>Remuneration of the Manager Technical Services</i>		
	Annual Remuneration	477 681	414 775
	Performance Bonuses	-	35 850
	Back dated remuneration	24 059	30 489
	Leave encashment	-	-
	Travel, motor car, telephone, assistance and other allowances	190 152	163 200
	Contributions to UIF, Medical and Pension Funds	146 742	127 581
	<b>Total</b>	<b>838 633</b>	<b>771 895</b>
	<i>Remuneration of the Manager Corporate Services</i>		
	Annual Remuneration	191 800	414 775
	Performance Bonuses	-	50 283
	Back dated remuneration	-	30 489
	Travel, motor car, telephone, assistance and other allowances	16 820	163 200
	Contributions to UIF, Medical and Pension Funds	13 830	127 581
	<b>Total</b>	<b>222 450</b>	<b>786 328</b>
	<i>Remuneration of the Chief Financial Officer</i>		
	Annual Remuneration	499 600	465 373
	Performance Bonuses	-	44 696
	Back dated remuneration	31 773	30 489
	Acting Allowance	5 989	-
	Travel, motor car, telephone, assistance and other allowances	214 166	132 719
	Contributions to UIF, Medical and Pension Funds	136 485	107 468
	<b>Total</b>	<b>888 013</b>	<b>780 744</b>
	<i>Remuneration of the Manager Community Services</i>		
	Annual Remuneration	477 681	450 775
	Acting Allowance	-	-
	Back dated remuneration	24 059	30 489
	Leave encashment	-	26 461
	Travel, motor car, telephone, assistance and other allowances	190 152	127 200
	Contributions to UIF, Medical and Pension Funds	146 742	127 581
	<b>Total</b>	<b>838 633</b>	<b>311 731</b>
	<i>Remuneration of the Manager IPED Services</i>		
	Annual Remuneration	477 681	414 775
	Performance Bonuses	-	11 640
	Back dated remuneration	24 059	30 489
	Leave encashment	-	-
	Travel, motor car, telephone, assistance and other allowances	190 152	163 200
	Contributions to UIF, Medical and Pension Funds	146 742	127 581
	<b>Total</b>	<b>838 633</b>	<b>747 685</b>
	<i>Remuneration of the Manager Strategic Services</i>		
	Annual Remuneration	477 681	414 775
	Performance Bonuses	-	55 870
	Back dated remuneration	24 059	30 489
	Travel, motor car, telephone, assistance and other allowances	190 152	163 200
	Contributions to UIF, Medical and Pension Funds	146 742	127 581
	<b>Total</b>	<b>838 633</b>	<b>791 915</b>



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

22	<b>REMUNERATION OF COUNCILLORS</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>
	Mayor	885 379	631 963
	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
	<b>Total Councillors' Remuneration</b>	<b>9 101 125</b>	<b>8 269 699</b>
	<i>In-kind Benefits</i>		
	The Mayor and Speaker are full-time. The Mayor and Speaker are provided with offices and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle and a driver for official duties.		
23	<b>DEBT IMPAIRMENT</b>		
	Trade Receivables from exchange transactions - Note 13	9 553 180	45 237 255
	Trade Receivables from non-exchange transactions - Note 14	-	-
	<b>Total Contribution to Debt Impairment</b>	<b>9 553 180</b>	<b>45 237 255</b>
24	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	19 966 419	19 872 453
	Investment Property	7 600	104 206
	Intangible Assets	156 618	141 859
	<b>Total</b>	<b>20 130 637</b>	<b>20 118 519</b>
25	<b>FINANCE CHARGES</b>		
	Bank Overdraft	-	-
	Long service awards	56 669	54 696
	Long-term Liabilities	219 459	89 244
	Post Employment Health	228 467	196 505
	<b>Total finance charges</b>	<b>504 595</b>	<b>340 445</b>
26	<b>BULK PURCHASES</b>		
	Electricity	11 232 475	9 699 328
	<b>Total Bulk Purchases</b>	<b>11 232 475</b>	<b>9 699 328</b>
27	<b>OTHER OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Budget and Treasury	1 968 523	2 548 751
	Community Services	-	141 003
	Corporate Services	84 236	89 974
	Council	425 943	939 034
	Electricity	7 894 737	4 503 156
	Housing Services	-	5 400
	IPED	2 494 035	1 549 257
	Roads Transport	2 100 634	255 886
	Water and Sanitation	-	24 310
	<b>Total Operating grant expenditure</b>	<b>15 304 079</b>	<b>10 036 770</b>
28	<b>GENERAL EXPENSES</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>
	Advertisements	277 820	188 396
	Auditors Remuneration	2 074 217	1 638 748
	Bank Charges	193 683	171 486
	Chris Hani DM (Capital items)	1 776 395	3 056 284
	Cleaning	365 145	145 723
	Conferences and Seminars	471 983	617 561
	Consulting and Professional fees	604 116	992 405
	Contribution: Restoration cost landfill sites	1 664 936	130 456
	Fuel and oil	2 654 158	2 691 091
	Insurance	588 865	566 369
	Lease rentals on operating lease	233 143	522 942
	Marketing	319 693	100 570
	New Connections	786 342	678 957
	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	1 310 535	1 426 210
	Telephone and fax	1 082 586	567 199
	Training	758 866	566 577
	Transport and freight	485 729	653 720
	Travel - local	3 026 093	2 961 761
	Ward Committee cost	165 290	841 998
	Water samples	248 862	646 039
	General Expenses	3 786 297	2 467 844
	<b>General Expenses</b>	<b>31 299 893</b>	<b>38 731 026</b>

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

29	CORRECTION OF ERROR IN TERMS OF GRAP 3	2012	2011
29.01	CONSUMER DEPOSITS	R	R
	<b>Balance previously reported</b>	152 813	34 428
	Correction of Consumer Deposits opening balance - Refer to note 4	(52 067)	-
		<u>100 746</u>	<u>34 428</u>
	The period of the amortisation tables and lease agreement differed.		
29.02	EMPLOYEE BENEFITS		
	<b>Balance previously reported</b>	3 518 623	2 613 884
	Reclassification of Non-current employee benefits - Refer to note 2		
	Correction of Non-current employee benefits (Continued Medical aid) - Refer to note 2		
	First time implementation of Long Service awards - Refer to note 2		
		<u>3 518 623</u>	<u>2 613 884</u>
	Reclassification of current provisions as Employee benefits (Non-current) and correcting the provision for continued medical aid as well as the first time recognition of Long Service Awards.		
29.03	PROVISIONS (Non- Current and Current)		
	<b>Balance previously reported</b>	2 708 478	2 578 022
	Reclassification of current employee benefits (Prorata bonuses) - Refer to note and note 5	-	-
	Reclassification of non-current provision (Landfill sites) - Refer to note and note 3	-	-
	Correction of the provision for Landfill sites - Refer to note 3	-	-
		<u>2 708 478</u>	<u>2 578 022</u>
	Reclassification of current provisions as a non-current provision and correcting the provision for landfill sites rehabilitations.		
29.04	CURRENT EMPLOYEE BENEFITS		
	<b>Balance previously reported</b>	5 874 147	3 003 348
	Reclassification of prorata bonus provisions to current employee benefits - Refer to note 5	(10 557)	-
	Reclassification of accrued leave provision to current employee benefits - Refer to note 5	16 819	-
	First time recognition of current portion of non current employee benefits - Refer to note 5	-	-
	First time recognition of other current employee benefits - Refer to note 5	-	-
		<u>5 880 409</u>	<u>3 003 348</u>
	Reclassification of the prorata bonuses; accrued leave; and current portions of non current employee benefits. The reclassifications are from payables and provisions. Performance bonuses has been recognised for the first time.		
29.05	PAYABLES FROM EXCHANGE TRANSACTIONS		
	<b>Balance previously reported</b>	6 498 802	3 737 969
	Reclassified and correction of Third party payables and Long service awards pay - Refer to note 6	159 986	(20 756)
	Reclassified accrued leave as current employee benefits - Refer to note 6 and to note 5	-	-
	Corrections of Sundry Deposits - Refer to note 6	(1 333)	-
	Corrections of Sundry Creditors - Refer to note 6	289 972	-
	Recognition and correction of payments received in advance - Refer to note 5	61 932	175
	Corrections of trade payables - Refer to note 6	382 973	-
		<u>7 392 332</u>	<u>3 717 389</u>
	Reclassification of payables; clearing and correction of trade payables.		
29.06	UNSPENT GOVERNMENT GRANTS AND SUBSIDIES		
	<b>Balance previously reported</b>	3 138 174	4 397 734
	Previously reported as Prepayments now reported as unpaid government grants and subsidies - Refer to note 7		
	Revenue equal to expenditure not recognised prior to 1 July 2010 - Refer to note 7		
	Revenue equal to expenditure not recognised for 2010/2011 - Refer to note 7	2 000 000	2 000 000
		<u>5 138 174</u>	<u>6 397 734</u>
	Some of the unspent Government grants and subsidies was previously reported as prepayments. The recognition of the revenue equal to the value of expenditure that met the conditions of the grant; was not performed correctly.		

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

29	CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)	2012 R	2011 R
<b>29.07</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	<b>Balance previously reported</b>		
	Writing back of original cost once identification and measurement of existing assets after 30 June 2008 - Refer to note 9	367 142 242	
	Assets incorrectly written off prior year	157 645	
	Reclassification of intangible assets - Refer to note 9 and note 29.09		
	First time recognition of depreciation on property plant and equipment prior to 1 July 2010 - Refer to note 9	536 767	
	Recognition of depreciation charges for 2011/2012 - Refer to note 9		
		<u>367 836 654</u>	
	Implementation of GRAP 17 as well as to ensure that all property, plant and equipment is identified and measured.		
<b>29.08</b>	<b>INVESTMENT PROPERTY</b>		
	<b>Balance previously reported</b>		
	First time identification and measurement of properties registered in the name of the Municipality - Refer to note 10		
	First time recognition of depreciation on investment properties prior to 1 July 2010 - Refer to note 10		
	Recognition of depreciation charges for 2010/2011 - Refer to note		
<b>29.09</b>	<b>UNPAID GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Balance previously reported</b>		
	Previously reported as Prepayments now reported as unpaid government grants and subsidies - Refer to note 7	5 663 272	22 581 392
		(3 745 722)	(3 745 722)
			-
		<u>1 917 550</u>	<u>18 835 670</u>
<b>29.10</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	<b>Balance previously reported</b>		
	Reclassification from receivables from non exchange transactions - Refer to note 13	27 137 665	29 227 349
	Correction of general ledger accounts - Refer to note 13	(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.		
<b>29.11</b>	<b>RECEIVABLES FROM NON EXCHANGE TRANSACTIONS</b>		
	<b>Balance previously reported</b>		
	Difference between prior financial statements and trail balance	1 565 449	1 925 808
	Reclassification of debtors- Refer to note 13; 14 and note 29.1		
	Correction of general ledger accounts - Refer to note 14	-	-
		<u>1 565 449</u>	<u>1 925 808</u>
	The 2011 AFS and the trail balance did not balance and the receivables from exchange was out. The reclassification is mainly the Chris Hani District Municipality		
<b>29.12</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Balance previously reported</b>		
	Correction of prior year Call Investments Deposits - Refer to note 16	42 427 590	43 756 996
		3 636 647	3 258 146
		<u>46 064 237</u>	<u>47 015 141</u>
	Based on the available information the operating leases was recalculated .		
<b>29.13</b>	<b>TAXES</b>		
	<b>Balance previously reported</b>		
	Debt impairment prior periods and 2010/2011- Refer to note 8	3 075 757	12 122 970
	Corrections due to reconciliation of payables - Refer to note 8		
	<b>Balance of Taxes - Current Liabilities</b>	87 476	476 019
		<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 position of financial performance was corrected.		

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

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

29.14 STATEMENT OF FINANCIAL POSITION

	2012 R	2011 R
<b>REVENUE PREVIOUSLY REPORTED</b>	<b>126 720 943</b>	
<b>Property rates</b>		
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	
<b>Government grants and subsidies</b>		
The revenue was not recognised correctly.		
<b>Actuarial gains</b>		
An actuarial gain was recognised in the statement of financial performance based on the actuarial calculations of employee benefits.		
<b>Fines</b>		
The revenue was not recognised correctly.	18	
<b>Service charges</b>		
Correction of levies	(230 671)	
<b>Rental of facilities and equipment</b>		
Relates to the operating lease register entries	(36 022)	
<b>Interest earned - external investments</b>		
Relates to call deposits	338 925	
<b>Interest earned - outstanding debtors</b>		
Relates to interest charges on outstanding debtors		
<b>Licences and permits</b>		
Reclassification of accounts	(25)	
<b>Agency services</b>		
Recognition of vehicle licensing in correct period and reclassification of accounts	(28 102)	
<b>Other income</b>		
Recognition the debt impairment reversal and the correction of long-term receivables.	(6 398 620)	
	<b>120 369 818</b>	<b>-</b>
<b>EXPENDITURE PREVIOUSLY REPORTED</b>	<b>180 254 728</b>	
<b>Employee related costs</b>		
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.	(1 457 604)	
<b>Remuneration of councillors</b>		
The expenditure of continued medical contribution in respect of retired persons was incorrectly classified as remuneration of Councillors.		
<b>Depreciation and amortisation charges</b>		
Depreciation charges was recognised based first time implementation of GRAP 17.		
<b>Contracted Services</b>		
This expenditure was not previously reported as a separate line item.	1 522 954	
<b>Repairs and maintenance</b>		
The figure was adjusted to the reconciliation of payables.	244 023	
<b>Actuarial losses</b>		
The correcting of post retirement benefits and long service awards; based on an actuarial report; an actuarial loss was recognised.		
<b>Finance charges</b>		
The post retirement benefits and long service awards; based on an actuarial report; required finance charges to be recognised against the statement of financial performance. The correcting of the finance lease interest had also an influence.		
<b>Other operating grant expenditure</b>		
This expenditure was not previously reported as a separate line item.	(1 162 954)	
<b>Administration and Management Fees paid</b>		
Only the agency fees of the vehicle registration function is reported.		
<b>General expenses</b>		
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.	832 675	
	<b>180 233 823</b>	<b>-</b>

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

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

**29.15 STATEMENT OF CHANGES IN NETT ASSETS**

	2012 R	2011 R
<b>Balance previously reported</b>	<b>449 466 802</b>	<b>503 000 587</b>
Cash and cash equivalents	3 636 647	3 258 146
Current employee benefits	(6 262)	-
Consumer Deposits	52 067	-
Payables from exchange transactions	(803 530)	20 580
Investment property	-	-
Long-term liabilities	-	-
Non-current provisions	-	-
Operating lease arrangements	-	-
Property, plant and equipment	694 412	-
Receivables from exchange transactions	(21 441 021)	(14 484 223)
Receivables from non exchange transactions	-	-
Taxes	87 476	476 019
Unspent conditional government grants and receipts	(2 000 000)	(2 000 000)
Unpaid conditional government grants and receipts	(3 745 722)	(3 745 722)
	<b>425 850 869</b>	<b>486 525 386</b>

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

	2013 R	2012 R
Surplus/(Deficit) for the year	2 424 838	(61 368 931)
<b>Adjustments for:</b>		
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)	-	-
Contributions to Non-Current Provisions	-	-
Contribution from/to provisions - Non-Current	2 594 199	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 from/to provisions - Non-Current transfer to Current Provision	-	-
Contribution to provisions – current	2 576 754	4 804 133
Contribution to provisions – current - Expenditure incurred	(1 809 456)	(1 730 186)
Debt Impairment	9 553 180	45 237 255
Actuarial Losses	-	-
Actuarial (Gains)	-	-
Unamortised discount	-	-
Impairment written off	-	-
Bad debt written-off	-	-
Finance charges	(14 081)	-
Interest on Investments	-	-
Grants Received	-	-
Grant Expenditure	-	-
Operating lease income accrued	4 249	(28 000)
Operating lease expenses accrued	-	-
Operating Surplus/(Deficit) before changes in working capital	38 897 038	8 448 979
Changes in working capital	(14 455 429)	(7 186 783)
Increase/(Decrease) in Payables from exchange transactions	(157 623)	3 674 943
Increase/(Decrease) in Provisions	-	-
Increase/(Decrease) in Employee benefits	-	-
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2 087 374	(1 259 560)
Increase/(Decrease) in Unspent Public Contributions	-	-
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	214 932	16 918 120
Increase/(Decrease) in Taxes	998 220	9 435 755
(Increase)/Decrease in Inventory	(26 667)	(125 627)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(17 571 664)	(35 830 414)
<b>Cash generated/(absorbed) by operations</b>	<b>24 441 609</b>	<b>1 262 196</b>

**31 CASH AND CASH EQUIVALENTS**

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

**32 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 31	53 115 160	46 064 237
Less:	53 115 160	46 064 237
Unspent Committed Conditional Grants - Note 7	7 225 548	5 138 174
<b>Resources available for working capital requirements</b>	<b>45 889 612</b>	<b>40 926 063</b>
<b>Allocated to:</b>		
Employee Benefits Reserve	11 274 073	9 399 032
Non-Current Provisions Reserve	4 373 414	2 708 478
<b>Resources available for working capital requirements</b>	<b>30 242 124</b>	<b>28 818 553</b>

**33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - Note 1	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	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

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

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

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013 R	2012 R
<b>34.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	74 695 925	2 757 950
Unauthorised expenditure for the year - capital	251 388	1 804 796
Unauthorised expenditure for the year - operating	8 146 572	72 891 128
Written off by council	(74 695 925)	(2 757 950)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	<b>8 397 960</b>	<b>74 695 925</b>

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)
<b>Unauthorised expenditure current year - operating</b>				
Budget and Treasury	18 300 976	18 673 340	(572 363)	-
Community Services	8 809 113	10 485 635	(1 676 522)	-
Corporate Services	12 744 999	14 069 223	(1 314 224)	-
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	8 094 894	9 836 879	(1 742 195)	-
Refuse	6 927 111	9 576 360	(2 649 249)	-
Roads Transport	26 103 785	19 614 268	6 489 516	6 489 516
Water and Sanitation	30 452 103	31 710 557	(1 258 454)	-
	<b>154 465 603</b>	<b>160 688 794</b>	<b>(6 223 191)</b>	<b>8 146 572</b>
<b>Unauthorised expenditure current year - capital</b>				
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	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)	-
	<b>17 070 236</b>	<b>27 448 172</b>	<b>(10 377 936)</b>	<b>251 388</b>

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

34	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continue)	2013 R	2012 R
<b>34.2</b>	<b>Fruitless and wasteful expenditure</b>		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	469 333	52 559
	Fruitless and wasteful expenditure the year	296 336	416 774
	Written off by council	(52 559)	-
	Transfer to receivables for recovery	-	-
	Fruitless and wasteful expenditure awaiting further action	<u>713 110</u>	<u>469 333</u>
	<b>Incident</b>		
	Interest was paid to Eskom and Telkom	119 617	24 824
	Payment to Ezibeleni Sheriff i.r.o. L. Mateta	176 719	-
		<u>296 336</u>	<u>24 824</u>
	<b>Balance previously reported</b>		24 824
	Correction of Fruitless and wasteful expenditure the year		<u>391 950</u>
			<u>416 774</u>
<b>34.3</b>	<b>Irregular expenditure</b>		
	Reconciliation of irregular expenditure:		
	Opening balance	5 855 458	36 600 000
	Irregular expenditure for the year	22 941 856	5 855 458
	Material Losses for the year	7 763 359	-
	Irregular expenditure for the prior year	36 600 000	-
	Written off by council	(5 855 458)	(36 600 000)
	Transfer to receivables for recovery	-	-
	Irregular expenditure awaiting further action	<u>67 305 215</u>	<u>5 855 458</u>
	<b>Balance previously reported</b>		-
	Correction of Irregular expenditure for the year		<u>5 855 458</u>
	<b>Incident</b>		
	SCM procedures not followed	22 941 856	5 855 458
	SCM procedures not followed prior year	36 600 000	-
		<u>59 541 856</u>	<u>5 855 458</u>
<b>34.4</b>	<b>Material Losses</b>		
	Electricity distribution losses		
	Units purchased (Kwh)	13 000 403	
	Units sold (Kwh)	5 424 177	
	Units lost during distribution (Kwh)	7 576 227	
	Percentage lost during distribution	58.28%	
	Loss in Rand Value	<u>7 763 359</u>	
<b>35</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>35.1</b>	<b>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
	Opening balance	68 268	68 268
	Council subscriptions	400 000	400 000
	Amount paid - current year	(468 268)	(400 000)
	Amount paid - previous years	-	-
	<b>Balance unpaid (included in creditors)</b>	<u>0</u>	<u>68 268</u>
<b>35.2</b>	<b>Audit fees - [MFMA 125 (1)(c)]</b>		
	Opening balance	0	2 307 628
	Current year audit fee	2 074 217	1 638 748
	External Audit - Auditor-General	<u>2 074 217</u>	<u>1 638 748</u>
	Amount paid - current year	(2 074 217)	(1 638 748)
	Amount paid - previous year	-	(2 307 627)
	<b>Balance unpaid (included in creditors)</b>	<u>0</u>	<u>0</u>
<b>35.3</b>	<b>VAT - [MFMA 125 (1)(c)]</b>		
	Opening balance	294 447	(5 381 071)
	Amounts received - current year	6 561 791	9 056 556
	Amounts received - previous years	(295 163)	5 381 071
	Amounts claimed - current year	(4 719 718)	(8 502 621)
	<b>Closing balance - (Receivable) / Payable</b>	<u>1 831 357</u>	<u>552 935</u>
	<b>Balance previously reported</b>		552 935
	Amounts received - current year		(710 675)
	Amounts received - previous years		(107 748)
	Amounts claimed - current year		559 934
	<b>Closing balance - (Receivable) / Payable</b>		<u>294 447</u>
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
<b>35.4</b>	<b>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</b>		
	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)
	<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>
<b>35.5</b>	<b>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>		
	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)
	<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>

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

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

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

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

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
Godla, M.	2 012	535
Komani, B.	93 196	76 391
<b>Total Councillor Arrear Consumer Accounts</b>	<b>95 208</b>	<b>76 926</b>

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

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

**36 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
Approved and contracted for:		
Infrastructure	19 683 527	516 455
	<b>19 683 527</b>	<b>516 455</b>
Approved but not yet contracted for	-	-
<b>Total</b>	<b>19 683 527</b>	<b>516 455</b>
This expenditure will be financed from:		
Government Grants	19 683 527	516 455
<b>Total</b>	<b>19 683 527</b>	<b>516 455</b>



37 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The municipality did not engage in one foreign currency transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

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

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

37 **FINANCIAL RISK MANAGEMENT (CONTINUE)**

Balances past due not impaired:

	2013 %	2013 R	2012 %	2012 R
<b>Non-Exchange Receivables</b>				
Rates and other receivables	100.00%	5 495 959	100.00%	1 565 449
<b>Exchange Receivables</b>				
Electricity	18.27%	1 790 541	9.17%	522 248
Water	13.32%	1 305 462	9.01%	513 302
Refuse	-1.80%	(156 761)	3.87%	220 705
Sewerage	5.98%	585 954	5.93%	338 050
Other	64.02%	6 273 504	72.01%	4 102 338
	<b>100.00%</b>	<b>9 798 700</b>	<b>100.00%</b>	<b>5 696 644</b>

No receivables are pledged as security for financial liabilities.

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

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

	2013 %	2013 R	2012 %	2012 R
<b>Non-Exchange Receivables</b>				
Rates and other receivables	100.00%	13 062 616	100.00%	14 312 704
<b>Exchange Receivables</b>				
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%	29 805 806	34.58%	24 685 636
Other	1.56%	1 258 104	5.75%	4 107 373
	<b>100.00%</b>	<b>80 418 528</b>	<b>100%</b>	<b>71 380 114</b>

No debts were written-off.

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

The entity has no non-current investment transactions.

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

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

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

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

Receivables from exchange transactions	9 798 700	5 696 644
Receivables from non-exchange transactions	5 495 959	1 565 449
Cash and Cash Equivalents	53 116 160	46 064 237
Unpaid conditional grants and subsidies	1 702 618	1 917 550
	<b>70 112 437</b>	<b>55 243 880</b>

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

**37 FINANCIAL RISK MANAGEMENT (CONTINUE)**

**(e) Liquidity Risk**

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2013</b>				
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	-	-	-	-
	<b>14 500 556</b>	<b>620 145</b>	<b>-</b>	<b>-</b>

**37 FINANCIAL RISK MANAGEMENT (CONTINUE)**

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2012</b>				
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	131924.8	-	-
Trade and Other Payables	6 991 172	-	-	-
Unspent conditional government grants and receipts	5 138 174	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<b>12 650 849</b>	<b>1 368 745</b>	<b>-</b>	<b>-</b>

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

		2013 R	2012 R
<b>38 FINANCIAL INSTRUMENTS</b>			
	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.		
<b>38.1 Financial Assets</b>	<u>Classification</u>		
<b>Investments</b>			
Fixed Deposits	Financial instruments at amortised cost	-	-
<b>Receivables</b>			
Receivables from exchange transactions	Financial instruments at amortised cost	9 798 700	5 696 644
Receivables from non-exchange transactions	Financial instruments at amortised cost	5 495 959	1 565 449
<b>Other Receivables</b>			
Government Subsidies and Grants	Financial instruments at amortised cost	1 702 618	1 917 550
<b>Short-term Investment Deposits</b>			
Call Deposits	Financial instruments at amortised cost	43 690 557	29 917 347
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	9 415 869	16 140 375
Cash Floats and Advances	Financial instruments at amortised cost	8 735	6 515
		<b>70 112 437</b>	<b>55 243 880</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial instruments at amortised cost	70 112 437	55 243 880
	<b>At amortised cost</b>	<b>70 112 437</b>	<b>55 243 880</b>
<b>38 FINANCIAL INSTRUMENTS (CONTINUE)</b>			
<b>38.2 Financial Liability</b>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	-	-
Capitalised Lease Liability	Financial instruments at amortised cost	203 916	411 443
Hire Purchase	Financial instruments at amortised cost	341 859	693 399
<b>Payables from exchange transactions</b>			
Trade Payables	Financial instruments at amortised cost	2 788 258	4 010 158
Third party payables (Payroll)	Financial instruments at amortised cost	10 205	0
Payments received in advance	Financial instruments at amortised cost	402 997	401 160
Sundry Deposits	Financial instruments at amortised cost	21 067	21 490
Sundry Creditors	Financial instruments at amortised cost	4 012 181	2 959 524
<b>Other Payables</b>			
Government Subsidies and Grants	Financial instruments at amortised cost	7 225 548	5 138 174
<b>Current Portion of Long-term Liabilities</b>			
Capitalised Lease Liability	Financial instruments at amortised cost	207 528	151 406
Hire Purchase	Financial instruments at amortised cost	99 084	141 560
		<b>15 312 642</b>	<b>13 928 314</b>
<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial instruments at amortised cost	<b>15 312 642</b>	<b>13 928 314</b>
<b>39 EVENTS AFTER THE REPORTING DATE</b>			
	The municipality has no events after reporting date during the financial year ended 2012/2013.		
<b>40 IN-KIND DONATIONS AND ASSISTANCE</b>			
	The municipality did not receive any in-kind donations or assistance during the year under review.		
<b>41 PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.		

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

**42 CONTINGENT LIABILITY**

Joubert, Anna GJ ( Damages)  
MHLANGENKULULEKO CONSTRUCTION (Construction Work done and not paid)

Claim against Council

Estimate legal Fees

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

IMATU / SALGA - TASK implementation

280 000	
84 000	
<b>364 000</b>	<b>-</b>
50 000	-
-	1 130 204
<b>-</b>	<b>1 130 204</b>

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

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

**43 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.

**43.1 Related Party Loans**

None

**43.2 Compensation of key management personnel**

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

**43.3 Other related party transactions**

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

**44 FINANCIAL SUSTAINABILITY**

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

**Financial Indicators**

The current ratio improved from 3.13:1 to 3.39:1 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 R 53115160 positive.

**Other Indicators**

Possible outflow of resources due the contingent liability disclosed in note 42

**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
<b>HIRE PURCHASE</b>											
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
<b>Total Hire Purchase</b>				<b>834 959</b>	<b>-</b>	<b>834 959</b>	<b>-</b>	<b>-</b>	<b>60 338</b>	<b>394 016</b>	<b>440 942</b>
<b>LEASE LIABILITY</b>											
NRG Office Solutions (Pty) Ltd	32.04%		2015/03/20	562 849	-	562 849	-	-	159 121	151 406	411 443
<b>Total Lease Liabilities</b>				<b>562 849</b>	<b>-</b>	<b>562 849</b>	<b>-</b>	<b>-</b>	<b>159 121</b>	<b>151 406</b>	<b>411 443</b>
<b>TOTAL LONG-TERM LIABILITIES</b>				<b>1 397 808</b>	<b>-</b>	<b>1 397 808</b>	<b>-</b>	<b>-</b>	<b>219 459</b>	<b>545 422</b>	<b>852 385</b>

**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	(13 965 363)	56 715 909	Budget and Treasury	82 549 354	(18 300 976)	64 248 378
1 065 044	(7 495 171)	(6 430 127)	Community Services	921 807	(8 809 113)	(7 887 306)
90 236	(9 752 453)	(9 662 217)	Corporate Services	84 017	(12 744 999)	(12 660 982)
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	(6 927 111)	(2 584 347)
2 245 139	(31 925 053)	(29 679 914)	Roads Transport	22 638 281	(26 103 785)	(3 465 503)
29 619 360	(61 685 039)	(32 065 679)	Water and Sanitation	28 849 066	(30 452 103)	(1 603 037)
						-
120 369 818	(180 233 823)	(59 864 005)	Sub Total	156 890 441	(154 465 603)	2 424 838
-	-	-		-	-	-
120 369 818	(180 233 823)	(59 864 005)	<b>Total</b>	156 890 441	(154 465 603)	2 424 838

**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	(13 965 363)	56 715 909	Budget and Treasury Office	82 549 354	(18 300 976)	64 248 378
90 236	(9 989 291)	(9 899 055)	Corporate Services	84 017	(12 981 190)	(12 897 173)
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	919 158	(7 707 512)	(6 788 354)
-	(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	(6 927 111)	(2 584 347)
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	(26 103 785)	(3 465 503)
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	(180 233 823)	(59 864 005)	<b>Total</b>	156 890 441	(154 465 603)	2 424 838



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	Unpaid
									30 JUNE 2013	30 JUNE 2013
									Current Liability	Current Asset
	R		R	R	R	R	R	R	R	R
<b>National Government Grants</b>	<b>(3 038 072)</b>	<b>5 745 722</b>	<b>2 707 650</b>	<b>105 766 101</b>		<b>82 269 575</b>	<b>20 792 761</b>	<b>4 057 415</b>	<b>4 057 415</b>	<b>-</b>
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	-
<b>Provincial Government Grants</b>	<b>734 027</b>	<b>-</b>	<b>734 027</b>	<b>890 990</b>		<b>356 396</b>	<b>-</b>	<b>1 268 621</b>	<b>2 286 589</b>	<b>1 017 968</b>
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	-	-	-	-	-	-	-	-	-	-
<b>District Municipality Grants</b>	<b>463 598</b>	<b>-</b>	<b>463 598</b>	<b>3 101 360</b>		<b>2 705 042</b>	<b>-</b>	<b>859 917</b>	<b>859 917</b>	<b>-</b>
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	-
<b>Other Grants</b>	<b>(684 650)</b>	<b>-</b>	<b>(684 650)</b>	<b>105 863</b>		<b>84 236</b>	<b>-</b>	<b>(663 023)</b>	<b>21 627</b>	<b>684 650</b>
LGSETA	-	-	-	105 863	-	84 236	-	21 627	21 627	-
Elitheni Coal Mine	(684 650)	-	(684 650)	-	-	-	-	(684 650)	-	684 650
<b>Total</b>	<b>(2 525 097)</b>	<b>5 745 722</b>	<b>3 220 625</b>	<b>109 864 314</b>	<b>-</b>	<b>85 415 248</b>	<b>20 792 761</b>	<b>5 522 930</b>	<b>7 225 548</b>	<b>1 702 618</b>