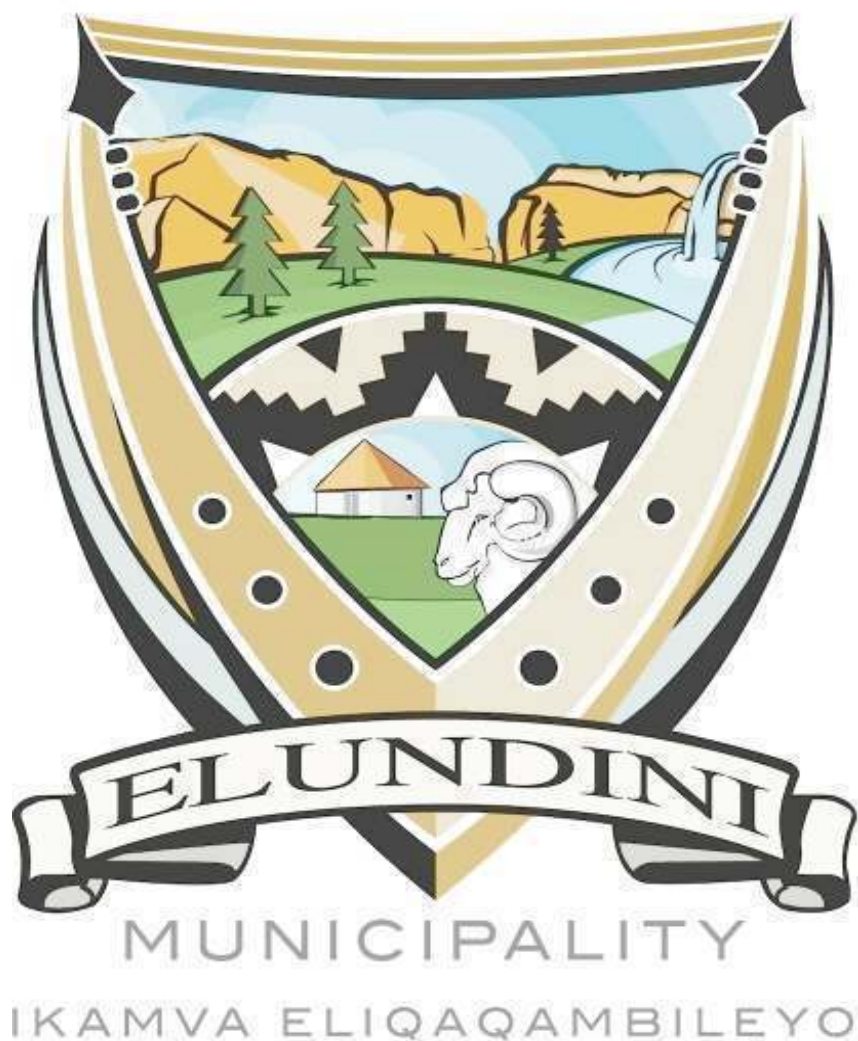


Elundini

LOCAL MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2013

ELUNDINI LOCAL MUNICIPALITY

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ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Elundini 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

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

JURISDICTION

The Elundini Municipality includes the following areas:

Maclear
Mt Fletcher
Ugie
Parts of Tsolo and Qumbu

MEMBERS OF THE MAYORAL COMMITTEE

Mayor	NR Lengs	
Speaker	M Bomela	
Councillor	TJ Lehata	Portfolio head: Corporate Services
Councillor	LS Baduza	Portfolio head: Community Services
Councillor	AM Mqamelo	Portfolio head: Financial Services
Councillor	MP Leteba	Portfolio head: Technical Services
Councillor	KA Mgjima	Portfolio head: Strategic Planning and Economic Development

MUNICIPAL MANAGER

K Gashi

CHIEF FINANCIAL OFFICER

SW Goodall

OTHER DIRECTORS

XW Mntonintshi	Manager: Infrastructure Planning and Development
S Matubatuba	Manager: Corporate Services
NC Eddie	Manager: Strategic Planning and Economic Development
AM Ntaba	Manager: Community and Social Services

Section 79 Chairpersons

JM Klaas	Members Interest and Ethics Committee
LB Magqashela	Municipal Public Accounts Committee
CN Mfecane	Mandate Committee
N Nkalitshana	Remuneration Committee

REGISTERED OFFICE

No 1 Sellar Street
Maclear
5480

AUDITORS

Office of the Auditor General (Eastern Cape)

PRINCIPLE BANKERS

First National Bank, Maclear
Standard Bank, Maclear

AUDIT COMMITTEE

N Mnconywa	- Chairperson
L Dart	- Member
G Richards	- Member
Q Williams	- Member

ATTORNEYS

McFarlane & Associates	Sodo Inc RM
Wesley Pretorius & Associates	Van der Walt Attorneys
Mantyi Attorneys	Fikile Ntanyiya & Associates
Jolwana Mgidlana Incorporated	Nompilo Sidondi Consulting
O'Conner Attorneys	

ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

REGULATORY FRAMEWORK

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)
Municipal Property Rates Act (Act no 6 of 2004)
Remuneration of Public Office Bearers' Act (Act 20 of 1998)
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
SALGBC Leave Regulations
National Environmental Management Act
Preferential Procurement Policy Framework Act, 200
Occupational Health and Safety Act

MEMBERS OF THE ELUNDINI LOCAL MUNICIPALITY

Ward 1	F W Ngayeka
Ward 2	T J Pikinini
Ward 3	J M Klaas
Ward 4	K A Mgijima
Ward 5	N Kapatile
Ward 6	C N Mfecane
Ward 7	A T T Tsolo
Ward 8	N L Motema
Ward 9	M Marubelela
Ward 10	M E Tabana
Ward 11	V V Majikijela
Ward 12	N Q Lebenya
Ward 13	S N Mdlazi
Ward 14	N G Ntaopane
Ward 15	K W Rabohome
Ward 16	Z L Thwethiso
Ward 17	V Ntuthu
Proportional	N R Lengs
Proportional	A M Mqamelo
Proportional	M L Naketsana
Proportional	L S Baduza
Proportional	M Bomela
Proportional	D D Mvumvu
Proportional	E V Zililo
Proportional	N Nkalitshana
Proportional	G M Moni
Proportional	M T Heisi
Proportional	T J Lehata
Proportional	M Magqashela
Proportional	M R Moore
Proportional	L Pili
Proportional	T J Koteli
Proportional	M Tsoananyana
Proportional	M Leteba

ELUNDINI LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL 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 75 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 2014 and am 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.

Municipal Manager

Date

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	Restated 2012 R
NET ASSETS AND LIABILITIES			
Net Assets		354 043 974	369 009 724
Accumulated Surplus		354 043 974	369 009 724
Non-Current Liabilities		9 321 244	9 314 852
Long-term Liabilities	2	343 302	146 783
Employee Benefits	3	3 485 400	2 978 365
Non-Current Provisions	4	5 492 543	6 189 704
Current Liabilities		38 615 496	43 187 074
Consumer Deposits	5	233 511	179 069
Current Employee Benefits	6	6 530 323	8 343 235
Payables from Exchange Transactions	7	19 924 799	18 635 277
Unspent Conditional Government Grants and Receipts	8	11 679 274	10 880 459
Taxes	9	-	5 092 086
Current Portion of Long-term Liabilities	2	247 589	56 948
Liabilities associated with Discontinued Operations	37	-	1 439 984
Total Net Assets and Liabilities		401 980 715	422 951 634
ASSETS			
Non-Current Assets		352 538 850	348 037 188
Property, Plant and Equipment	10	324 153 248	319 815 644
Investment Property	11	28 286 184	28 094 168
Intangible Assets	12	99 418	127 375
Current Assets		49 441 865	72 780 989
Inventory	13	7 844 712	8 239 465
Receivables from Exchange Transactions	14	11 737 197	18 896 461
Receivables from Non-exchange Transactions	15	3 171 853	4 625 002
Unpaid Conditional Government Grants and Receipts	8	1 022 535	36
Taxes	9	3 705 020	-
Cash and Cash Equivalents	16	21 960 547	41 020 026
Assets associated with Discontinued Operations	37	-	2 133 457
Total Assets		401 980 715	422 951 634

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	Restated 2012 R
REVENUE			
Revenue from Non-exchange Transactions		126 232 719	117 441 531
Taxation Revenue		14 126 128	11 980 138
Property Rates	17	14 126 128	11 980 138
Transfer Revenue		111 837 737	105 359 639
Government Grants and Subsidies - Capital	18	30 363 179	35 072 663
Government Grants and Subsidies - Operating	18	81 474 558	70 224 221
Public Contributions and Donations		-	62 755
Other Revenue		268 854	101 754
Actuarial Gains	19	205 050	-
Fines		63 804	101 754
Revenue from Exchange Transactions		28 979 067	29 130 955
Service Charges	20	18 335 328	18 619 463
Plant Income	21	-	(1 701)
Rental of Facilities and Equipment	22	1 023 089	668 414
Interest Earned - external investments		1 833 624	2 077 383
Interest Earned - outstanding debtors		2 827 490	4 704 536
Licences and Permits	23	2 009 772	1 703 237
Agency Services	24	1 217 607	-
Other Income	25	1 398 211	1 359 623
Gain on disposal of Property, Plant and Equipment		333 946	-
Total Revenue		155 211 786	146 572 486
EXPENDITURE			
Employee Related Costs	26	48 673 026	40 223 007
Remuneration of Councillors	27	8 429 575	7 738 431
Debt Impairment	28	14 101 250	10 899 557
Depreciation and Amortisation	29	29 863 261	34 064 701
Impairments	30	1 482 468	3 498
Actuarial Losses	19	-	305 419
Collection Cost		1 071 842	780 709
Stock Adjustments		315 713	-
Repairs and Maintenance	31	5 241 235	4 204 890
Finance Charges	32	797 512	1 398 126
Bulk Purchases	33	14 722 367	13 618 844
Grants and Subsidies Paid	34	350 000	350 000
Operating Grant Expenditure	35	4 293 833	2 608 197
General Expenses	36	39 742 992	29 178 973
Loss on disposal of Property, Plant and Equipment		-	178 174
Loss on disposal of Inventory		70 554	54 926
Loss on disposal of Investment Property		152 772	-
Total Expenditure		169 308 399	145 607 452
NET (DEFICIT)/SURPLUS FOR THE YEAR FROM CONTINUED OPERATIONS		(14 096 613)	965 034
Discontinued Operations	37	(869 136)	4 394 307
NET (DEFICIT)/SURPLUS FOR THE YEAR		(14 965 749)	5 359 340

ELUNDINI LOCAL MUNICIPALITY

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

	Accumulated Surplus R
Balance at 1 July 2011	362 940 540
Prior period adjustments - note 38.01	709 845
Rounding	(1)
Restated Balance at 1 July 2011	363 650 384
Net Surplus for the year	5 359 340
Balance at 30 June 2012	369 009 724
Net Deficit for the year	(14 965 749)
Rounding	(1)
Balance at 30 June 2013	354 043 974

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 R	Restated 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates, Services and Other		24 426 990	40 669 376
Government		111 614 053	100 896 193
Interest		4 661 114	6 781 919
Payments			
Suppliers and employees		(122 307 163)	(95 576 606)
Finance charges		(797 512)	(1 398 126)
Net Cash from Operating Activities	39	17 597 482	51 372 756
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(37 421 206)	(37 981 554)
Proceeds on Disposal of Investment Property		348 038	-
Purchase of Intangible Assets		-	(139 783)
Net Cash from Investing Activities		(37 073 168)	(38 121 337)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) of Long-term Liabilities		387 160	(126 609)
Increase/(Decrease) in Consumer Deposits		29 047	(1 350)
Net Cash from Financing Activities		416 207	(127 959)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(19 059 479)	13 123 460
Cash and Cash Equivalents at the beginning of the year		41 020 026	27 896 566
Cash and Cash Equivalents at the end of the year	40	21 960 547	41 020 026

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2013

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	57 291 000	-	57 291 000	49 441 865	(7 849 135)
Total non-current assets	167 624 000	188 276 666	355 900 666	352 538 850	(3 361 816)
Total current liabilities	20 354 000	-	20 354 000	38 615 496	18 261 496
Total non-current liabilities	8 302 000	-	8 302 000	9 321 244	1 019 244
TOTAL NET ASSETS	253 571 000	188 276 666	441 847 666	449 917 456	8 069 790
STATEMENT OF FINANCIAL PERFORMANCE					
Revenue					
Property Rates	13 547 552	-	13 547 552	14 126 128	578 576
Government Grants and Subsidies - Capital	29 616 000	(1 363 000)	28 253 000	30 363 179	2 110 179
Government Grants and Subsidies - Operating	87 103 114	3 243 870	90 346 984	81 474 558	(8 872 426)
Actuarial Gains	-	-	-	205 050	205 050
Fines	1 059	57 282	58 341	63 804	5 463
Service Charges	17 551 828	(2 551 575)	15 000 253	18 335 328	3 335 075
Rental of Facilities and Equipment	9 899 467	(7 030 007)	2 869 460	1 023 089	(1 846 371)
Interest Earned - external investments	2 811 645	(1 059 784)	1 751 861	1 833 624	81 763
Interest Earned - outstanding debtors	3 496 392	(108 197)	3 388 195	2 827 490	(560 705)
Licences and Permits	1 877 114	(161 801)	1 715 313	2 009 772	294 459
Agency Services	1 323 750	-	1 323 750	1 217 607	(106 143)
Other Income	16 091 830	18 829 544	34 921 374	1 398 211	(33 523 163)
Gain on Disposal of Property, Plant and Equipment	-	-	-	333 946	333 946
Total Revenue	183 319 751	9 856 332	193 176 083	155 211 786	(37 964 296)
Expenditure					
Employee Related Costs	51 433 984	1 093 607	52 527 591	48 673 026	(3 854 566)
Remuneration of Councillors	8 647 839	(597 868)	8 049 971	8 429 575	379 604
Debt Impairment	9 583 304	(5 730 010)	3 853 294	14 101 250	10 247 956
Depreciation and Amortisation	3 170 800	4 620 376	7 791 176	29 863 261	22 072 085
Impairments	-	-	-	1 482 468	1 482 468
Collection Cost	-	-	-	1 071 842	1 071 842
Stock Adjustments	-	-	-	315 713	315 713
Repairs and Maintenance	9 889 254	(1 591 318)	8 297 936	5 241 235	(3 056 701)
Finance Charges	178 653	-	178 653	797 512	618 859
Bulk Purchases	15 885 000	-	15 885 000	14 722 367	(1 162 633)
Grants and Subsidies Paid	350 000	-	350 000	350 000	-
Operating Grant Expenditure	2 300 000	-	2 300 000	4 293 833	1 993 833
General Expenses	47 936 207	(901 815)	47 034 392	39 742 992	(7 291 400)
Loss on disposal of Inventory	-	-	-	70 554	70 554
Loss on disposal of Investment Property	-	-	-	152 772	152 772
Total Expenditure	149 375 041	(3 107 028)	146 268 013	169 308 399	23 040 386
Net Surplus for the year from Continued Operations	33 944 710	12 963 359	46 908 069	(14 096 613)	(61 004 682)
Discontinued Operations	(6 623 104)	6 131 104	(492 000)	(869 136)	(377 136)
Net Surplus for the year	27 321 606	19 094 463	46 416 069	(14 965 749)	(61 381 818)
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	40 468 000	5 948 347	46 416 347	17 597 482	(28 818 865)
Net Cash Flow from Investing Activities	(40 468 000)	(5 948 000)	(46 416 000)	(37 073 168)	9 342 832
Net Cash Flow from Financing Activities	(65 000)	-	(65 000)	416 207	481 207
Net increase/(decrease) in cash and cash equivalents	(65 000)	347	(64 653)	(19 059 479)	(18 994 826)
OPERATING EXPENDITURE BY VOTE					
Executive Council	23 372 554	1 736 075	25 108 629	23 567 884	(1 540 745)
Budget & Treasury	28 206 727	(427 462)	27 779 265	39 498 467	11 719 202
Corporate Services	23 633 903	740 937	24 374 840	18 418 658	(5 956 182)
Community Services	22 563 749	(1 278 226)	21 285 523	22 320 694	1 035 171
Strategic Planning & Development	7 110 368	(445 534)	6 664 834	6 430 333	(234 501)
Technical services	43 376 883	(1 829 961)	41 546 922	59 941 498	18 394 576
Total Expenditure by vote	148 264 184	(1 504 171)	146 760 013	170 177 534	23 417 521
CAPITAL EXPENDITURE BY VOTE					
Executive Council	-	1 420 000	1 420 000	645 204	(774 796)
Budget & Treasury	1 200 000	1 165 235	2 365 235	2 214 213	(151 022)
Corporate Services	-	300 000	300 000	694 901	394 901
Community Services	690 000	1 642 152	2 332 152	1 973 471	(358 681)
Strategic Planning & Development	3 637 464	1 520 000	5 157 464	1 212 710	(3 944 754)
Technical Services	35 040 350	(199 132)	34 841 218	30 680 708	(4 160 510)
Total Capital Expenditure	40 567 814	5 848 255	46 416 069	37 421 207	(8 994 862)

Refer to note 54.01 for explanations of material variances between the original and final budget.

Refer to note 54.02 for explanations of material variances between actual amounts and the final budget.

Refer to note 54.03 for reconciliation between final budget amounts and final approved budget.

Material variances are considered to be any variances greater than R1.5 million.

ELUNDINI LOCAL MUNICIPALITY

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

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the 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 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 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.

ELUNDINI LOCAL MUNICIPALITY

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

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 a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

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

The comparable information includes the following:

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

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 Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	Consolidated and Separate Financial Statements 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. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	Unknown

ELUNDINI LOCAL MUNICIPALITY

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

<p>GRAP 7 (Revised – Mar 2012)</p>	<p>Investments in Associate This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does have any interest in associates.</p>	<p>1 April 2013</p>
<p>GRAP 8 (Revised – Nov 2010)</p>	<p>Interest in Joint Ventures The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p>Unknown</p>
<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>

ELUNDINI LOCAL MUNICIPALITY

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

<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</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 expected as no such transactions or events are expected in the foreseeable future. GRAP 106 establishes guidelines for the entity which receives assets and liabilities associated with the transfer of function. Although a transfer of function took place in the current year, the principles of GRAP 106 were not used to account for the transfer of function.</p>	<p align="center">Unknown</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers</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 expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>IGRAP 11</p>	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<p align="center">Unknown</p>
<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<p align="center">Unknown</p>

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

ELUNDINI LOCAL MUNICIPALITY

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

1.10. LEASES

1.10.1 Municipality as Lessee

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

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

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

1.10.2 Municipality as Lessor

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

1.13. PROVISIONS

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

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

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.14. EMPLOYEE BENEFITS

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

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

1.14.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 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.

ELUNDINI LOCAL MUNICIPALITY

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

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 Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.14.2 Long Service Awards

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

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

1.14.3 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.

1.14.4 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.

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

1.14.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrue. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

1.14.6 Pension and retirement fund obligations

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

1.14.7 Other Short-term Employee Benefits

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

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

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

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

1.15.3 Depreciation and Impairment

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

	<u>Years</u>
<u>Land and Buildings</u>	
Buildings	20 - 100
Capitalised Restoration Costs	20
<u>Infrastructure</u>	
Electricity	6 - 50
Roads, Pavements, Bridges & Storm Water	5 -120
<u>Leased Assets</u>	
Office Equipment	3 - 7
<u>Other Assets</u>	
Furniture & Fittings	3 - 15
Motor Vehicles	5 - 7
Computer Equipment	3 - 7
Plant and Machinery	5 - 10

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.

1.15.4 De-recognition

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

ELUNDINI LOCAL MUNICIPALITY

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

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

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

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

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

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

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

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.

1.16.2 Subsequent Measurement – Cost Model

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

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

1.16.3 *Amortisation and Impairment*

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

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

1.16.4 *De-recognition*

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

1.17. INVESTMENT PROPERTY

1.17.1 *Initial Recognition*

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

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Depreciation and Impairment – Cost Model

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

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

1.17.4 De-recognition

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

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

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

1.18.2 Subsequent Measurement

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 *Cash-generating assets*

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

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

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

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

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

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

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

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

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

1.19.2 Non-cash-generating assets

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

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

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

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

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

(b) Internal sources of information

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

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

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

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

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

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

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

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

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

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

1.20.2 Subsequent Measurement

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

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

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

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

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

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

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 Initial Recognition

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

1.21.2 Subsequent Measurement

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

ELUNDINI LOCAL MUNICIPALITY

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

1.21.2.1 Receivables

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

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

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

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

1.21.2.2 Payables and Annuity Loans

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

ELUNDINI LOCAL MUNICIPALITY

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

1.21.2.3 Cash and Cash Equivalents

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

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

1.21.3 **De-recognition of Financial Instruments**

1.21.3.1 Financial Assets

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

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

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

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

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

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

1.21.3.2 Financial Liabilities

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

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

1.21.4 **Offsetting of Financial Instruments**

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

1.22. REVENUE

1.22.1 **Revenue from Non-Exchange Transactions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.22.2 Revenue from Exchange Transactions

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

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

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

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.23. RELATED PARTIES

The Municipality 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 Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

ELUNDINI LOCAL MUNICIPALITY

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

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

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

Management personnel include:

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

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

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

1.24. UNAUTHORISED EXPENDITURE

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

ELUNDINI LOCAL MUNICIPALITY

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

1.25. IRREGULAR EXPENDITURE

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

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

ELUNDINI LOCAL MUNICIPALITY

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

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.28.1 *Post retirement medical obligations and Long service awards*

The cost of post retirement medical obligations and long service awards 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 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 *Impairment of Receivables*

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

1.28.3 *Property, Plant and Equipment*

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

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

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

ELUNDINI LOCAL MUNICIPALITY

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

1.28.4 Intangible Assets

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

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

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

1.28.5 Investment Property

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

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

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

1.28.6 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.

1.28.7 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

ELUNDINI LOCAL MUNICIPALITY

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

1.28.8 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.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.9 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.28.10 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.

1.28.11 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.

1.28.12 Componentisation of Infrastructure assets

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

ELUNDINI LOCAL MUNICIPALITY

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

1.29. TAXES – VALUE ADDED TAX

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

1.30. CAPITAL COMMITMENTS

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

1.31. EVENTS AFTER REPORTING DATE

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

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

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

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

	2013 R	2012 R
2 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	146 783	203 731
Capitalised Lease Liability - At amortised cost	444 108	-
	590 891	203 731
Less: Current Portion transferred to Current Liabilities	(247 589)	(56 948)
Annuity Loans - At amortised cost	67 286	56 948
Capitalised Lease Liability - At amortised cost	180 303	-
Total Long-term Liabilities - At amortised cost using the effective interest rate method	343 302	146 783

Annuity loans at amortised cost are calculated at 17.36% interest rate, with maturity date of 30 June 2015.
Capital lease liabilities at amortised cost is calculated at 7.97% interest rate, with maturity date of August 2015

Minimum annuity payments

The obligations under annuity loans are scheduled below

Amounts payable under annuity loans		
Payable within one year	90 022	90 022
Payable within two to five years	90 022	180 044
Payable after five years	-	-
	180 044	270 066
Less: Future finance obligations	(33 261)	(66 335)
Present value of annuity obligations	146 783	203 731

Annuity loans are unsecured

Minimum lease payments

The obligations under finance leases are scheduled below

Amounts payable under finance leases		
Payable within one year	209 211	-
Payable within two to five years	278 947	-
Payable after five years	-	-
	488 158	-
Less: Future finance obligations	(44 050)	-
Present value of lease obligations	444 108	-

Leases are secured by Property, Plant and Equipment - note 10

3 EMPLOYEE BENEFITS

Post Retirement Medical Obligation - note 3.1	1 753 563	1 664 566
Long Service Awards - note 3.2	1 731 837	1 703 868
Total Non-current Employee Benefit Liabilities	3 485 400	3 368 434
Less: Liabilities associated with Discontinued Operations - note 3	-	(390 069)
Total Non-current Employee Benefit Liabilities - Continued Operations	3 485 400	2 978 365

Post Retirement Medical Obligation

Balance 1 July	1 777 306	1 628 157
Contribution for the year	124 301	132 393
Expenditure for the year	(104 622)	(97 825)
Actuarial Loss	80 466	114 581
Total post retirement benefits 30 June	1 877 451	1 777 306
Less: Transfer of Current Portion - note 6	(123 888)	(112 740)
Balance 30 June	1 753 563	1 664 566

Long Service Awards

Balance 1 July	2 249 029	1 742 671
Contribution for the year	540 922	383 712
Expenditure for the year	(247 868)	(68 192)
Actuarial (Gain)/Loss	(285 516)	190 838
Transferred to Discontinued Operations - note 37	(390 069)	-
Total long service 30 June	1 866 498	2 249 029
Less: Transfer of Current Portion - note 6	(134 661)	(545 161)
Balance 30 June	1 731 837	1 703 868

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	4 026 335	3 370 828
Contribution for the year	665 223	516 105
Expenditure for the year	(352 490)	(166 017)
Actuarial (Gain)/Loss	(205 050)	305 419
Transferred to Discontinued Operations - note 37	(390 069)	-
Total employee benefits 30 June	3 743 949	4 026 335
Less: Transfer of Current Portion - note 6	(258 549)	(657 901)
Balance 30 June	3 485 400	3 368 434

	2013 Employees	2012 Employees
3.1 Post Retirement Medical Obligation		
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)	4	4
Total Members	4	4

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

Bonitas;
LA Health
SAMWU Med
Key Health
Hosmed/Medichex

Key actuarial assumptions used:	2013 %	2012 %
i) Rate of interest		
Discount rate	7.76%	7.22%
Health Care Cost Inflation Rate	7.06%	6.50%
Net Effective Discount Rate	0.66%	0.68%

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.

The liability in respect of past service recognised in the Statement of Financial Position is as follows:	Continuation Members R	Present value of fund obligations R
30 June 2013	1 877 451	1 877 451
30 June 2012	1 777 306	1 777 306
30 June 2011	1 628 157	1 628 157
30 June 2010	1 748 348	1 748 348
30 June 2009	1 711 641	1 711 641

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2013	77 000	-
30 June 2012	(34 000)	-
30 June 2011	(108 000)	-
30 June 2010	-	-
30 June 2009	-	-

The Municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 777 306	1 628 157
Total contribution	19 679	34 568
Interest Cost	124 301	132 393
Benefits Paid	(104 622)	(97 825)
Actuarial Loss	80 466	114 581
Present value of fund obligation at the end of the year	1 877 451	1 777 306
Less: Transfer of Current Portion - Note 6	(123 888)	(112 740)
Balance 30 June	1 753 563	1 664 566

The liability is unfunded

Sensitivity Analysis on the Accrued Liability

Year ending 30 June 2013	Current Liability (R)	Change	Liability Change (R)	Change (%)
Health Care Inflation	1 877 451	1%	2 085 000	11%
Health Care Inflation	1 877 451	-1%	1 699 000	-9%
Post-retirement mortality	1 877 451	- 1 year	1 948 000	4%

Sensitivity Analysis on the Interest Costs

Year ending 30 June 2013	Current Interest Cost (R)	Change	Interest Cost Change (R)	Change (R)
Health Care Inflation	124 301	+1%	139 000	12%
Health Care Inflation	124 301	-1%	111 700	-10%
Post-retirement mortality	124 301	-1 year	129 000	4%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 199 employees (2012 - 223 employees), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

	2013 %	2012 %
i) Rate of interest		
Discount rate	7.28%	6.27%
General Salary Inflation (long-term)	6.83%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.42%	0.28%

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

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

	Present value of fund obligations R
30 June 2013	1 866 498
30 June 2012	2 249 029
30 June 2011	1 742 671
30 June 2010	1 455 713
30 June 2009	1 352 741

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2013	(352 275)	-
30 June 2012	68 809	-
30 June 2011	-	-
30 June 2010	-	-
30 June 2009	-	-

The Municipality performed their first actuarial valuation on 30 June 2011. Thus there are no experience adjustment figures available on or before 30 June 2011 to fully comply with GRAP 25

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2 249 029	1 742 671
Total contribution	293 054	315 520
Current service cost	416 787	254 147
Interest Cost	124 135	129 565
Benefits Paid	(247 868)	(68 192)
Actuarial (Gain)/Loss	(285 516)	190 838
Transferred to Discontinued Operations - note 37	(390 069)	-
Present value of fund obligation at the end of the year	1 866 498	2 249 029
Less: Transfer of Current Portion - Note 6	(134 661)	(545 161)
Balance 30 June	1 731 837	1 703 868

The liability is unfunded

Sensitivity Analysis on the Unfunded Accrued Liability

Year ending 30 June 2013	Current Liability (R)	Change	Interest Cost Change (R)	Change (R)
General Salary Inflation	1 866 498	1%	1 995 000	7%
General Salary Inflation	1 866 498	-1%	1 751 000	-6%
Average retirement inflation	1 866 498	- 2 years	1 688 000	-10%
Average retirement inflation	1 866 498	+ 2 years	2 049 000	10%
Withdrawal rates	1 866 498	- 50%	2 296 000	23%

Sensitivity Analysis on the Current-service and Interest Costs

Year ending 30 June 2013	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
General Salary Inflation	+1%	437 800	132 300	570 100	5%
General Salary Inflation	-1%	398 000	116 700	514 700	-5%
Average retirement age	-2 years	398 900	113 400	512 300	-5%
Average retirement age	+2 years	439 000	136 400	575 400	6%
Withdrawal Rate	-50%	501 300	148 100	649 400	20%

3.3 Retirement Funds

Both the Cape Joint Pension Fund and the Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the funds' assets from the fund administrator. The fund administrator confirmed that assets of the 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 administrators. The fund administrators 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 the Cape Joint Retirement Fund and Cape Retirement Fund are defined as a defined benefit plan, it will be accounted for as defined contribution plan.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund is in a sound financial position with a funding level of 99.4% (30 June 2011 - 98.1%).

Contributions paid recognised in the Statement of Financial Performance:

85 496

-

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund was in a sound financial position with a funding level of 99.9% (30 June 2011 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance:

848 148

601 381

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contributes to the SALA Pension Fund, SAMWU National Provident Fund and National Fund Municipal Managers 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		
Contributions paid recognised in the Statement of Financial Performance:		
SALA Pension Fund	563 450	586 514
SAMWU National Provident Fund	2 351 088	2 415 384
National Fund Municipal Managers	48 000	-
	2 962 538	3 001 898

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	5 492 543	6 189 704
Total Non-current Provision	5 492 543	6 189 704

Landfill Sites

Balance 1 July	6 189 704	5 894 956
Contribution for the year	280 148	294 748
Expenditure for the year	-	-
Disposal of Liability	(977 309)	-
Balance 30 June	5 492 543	6 189 704

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

- Mount Fletcher	423 929	592 372
- Maclear	2 534 307	2 781 962
- Ugie	2 534 307	2 815 369
	5 492 543	6 189 704

No landfill sites are scheduled for closure in the year that would require closure by capping. All sites are to remain operational. Allowance has been made for survey, environmental and community issues in providing cover to the existing waste to a suitable standard.

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1350 tonnes per year (i.e. 5 tonnes as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

In calculating the provision for rehabilitation, the following four items have been included, viz.

- 1 Direct Contract Cost
- 2 Indirect Professional Fees
- 3 Indirect Disbursements
- 4 Escalation

There are currently three landfill sites in Elundini which service Mount Fletcher, Maclear and Ugie, hence they are named after the town which they service.

Mt Fletcher Landfill Site:-

- Size of operational landfill area? 1 500 m² (Measured on site)
- Is the site licensed? Yes
- What is the classification of the site? G:C:B-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? 785 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? No
- Is there a monitoring program in place? N/A
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? N/A. Trench System, cover material available from trenching process.

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
Macleair Landfill Site:-		
· Size of operational landfill area? 12 000 m ² (Platform)		
· Is the site licensed? Yes		
· What is the classification of the site? G:S:B+		
· Is the site operational? Yes		
· If the site is operational, is there an expected closure date? No – There are plans to "Mothball" the site in the future and transport waste to Ugie		
· If the site is operational, what is the annual tonnage of waste deposited on site? 1350.7 tons		
· If the site is not operational what was the date the site was last operated? N/A		
· Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site		
· Is there a monitoring program in place? No, DWA take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area.		
· Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm		
· Status of cover material? Cover material on site, volume unknown		
Ugie Landfill Site:-		
· Size of landfill area? 12 000 m ² (Platform)		
· Is the site licensed? Yes		
· What is the classification of the site? G:S:C-		
· Is the site operational? Yes		
· If the site is operational, is there an expected closure date? No		
· If the site is operational, what is the annual tonnage of waste deposited on site? N/A		
· If the site is not operational what was the date the site was last operated? N/A		
· Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.		
· Are there any existing boreholes for monitoring? Yes		
· Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.		
· Are there any physical/geographical features that should be taken into consideration? No		
· Status of cover material? Cover material on site, volume unknown		
5 CONSUMER DEPOSITS		
Electricity	179 631	133 811
Water	-	25 398
Housing Rental	53 880	45 258
Total Consumer Deposits	233 511	204 467
Less: Liabilities associated with Discontinued Operations	-	(25 398)
Total Consumer Deposits - Continued Operations	233 511	179 069
As previously reported		159 209
Correction of error restatement - note 38.06		19 860
Restated balance		179 069

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

6 CURRENT EMPLOYEE BENEFITS		
Provision for Performance Bonuses	1 811 666	2 113 374
Bonuses Accrued	1 155 586	1 186 589
Provision for Staff Leave	3 304 522	3 028 036
Other Provisions	-	2 031 404
Current Portion of Non-Current Employee Benefits	258 549	657 901
Current Portion of Post Retirement Medical Obligation - note 3	123 888	112 740
Current Portion of Long-Service Provisions - note 3	134 661	545 161
Total Current Employee Benefits	6 530 323	9 017 304
Less: Liabilities associated with Discontinued Operations - note 3	-	(674 069)
Total Current Employee Benefits - Continued Operations	6 530 323	8 343 235
As previously reported		8 462 697
Correction of error restatement - note 38.06		(119 462)
Restated balance		8 343 235

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
The movement in current employee benefits are reconciled as follows		
<u>Provision for Performance Bonuses</u>		
Balance at beginning of year	2 113 374	1 929 827
Contribution for the year	902 262	1 307 675
Expenditure incurred	(1 084 508)	(1 124 128)
Transferred to Discontinued Operations - note 37	(119 462)	-
Balance at end of year	1 811 666	2 113 374

Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.

Bonuses Accrued

Balance at beginning of year	1 186 589	950 851
Contribution for the year	2 243 503	1 912 581
Expenditure incurred	(2 159 901)	(1 676 843)
Transferred to Discontinued Operations - note 37	(114 605)	-
Balance at end of year	1 155 586	1 186 589

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer who elected not to structure within package. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Provision for Staff Leave

Balance at beginning of year	3 028 036	2 553 198
Contribution for the year	1 258 609	700 513
Expenditure incurred	(542 121)	(225 675)
Transferred to Discontinued Operations - note 37	(440 002)	-
Balance at end of year	3 304 522	3 028 036

Staff leave accrued to employees according to a collective agreement. 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.

Other Provisions

Balance at beginning of year	2 031 404	93 927
Contribution to current portion - Task Job Evaluation Provisor	-	1 937 477
Expenditure incurred - Task Job Evaluation Provisor	(1 937 477)	-
Expenditure incurred - Shortfall in annual earnings of Cape Joint Pension Fun	(93 927)	-
Balance at end of year	-	2 031 404
Shortfall in annual earnings of Cape Joint Pension Fun	-	93 927
TASK Job Evaluation Provisor	-	1 937 477

Other provisions are non-recurring provisions which consists out of the following at year enc

Shortfall in annual earnings of Cape Joint Pension Func

It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, including the Economic Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

TASK Job Evaluation Provision

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	14 454 666	13 447 867
Sundry Creditors	441 361	-
Payments received in advance	851 021	1 130 683
Retentions	4 041 919	3 652 804
Bursary Scheme - payments received from students	5 271	39 083
Sundry Deposits	95 649	244 958
Unknown Receipts	34 912	270 147
Total Payables from Exchange Transactions	19 924 799	18 785 542
Less: Liabilities associated with Discontinued Operations - note 3;	-	(150 265)
Total Payables from Exchange Transactions - Continued Operations	19 924 799	18 635 277
As previously reported		18 446 251
Correction of error restatement - note 38.02		862 826
Correction of error restatement - note 38.02		(523 535)
Correction of error restatement - note 38.06		(150 265)
Restated balance		<u>18 635 277</u>

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 payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals

Deposits amounting to R560 555 (2012 - R564 055) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	11 679 274	10 880 459
National Government Grants	1 405 708	681 339
Provincial Government Grants	5 895 490	5 174 041
District Municipality Grants	118 696	118 696
Other Grant Providers	4 259 380	4 906 383
Less: Unpaid Grants	(1 022 535)	(36)
Provincial Government Grants	(1 022 499)	-
Other Grant Providers	(36)	(36)
Total Conditional Grants and Receipts	10 656 738	10 880 423

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

The Unspent Grants are cash-backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld

9 TAXES

VAT Receivable/(Payable)	2 793 065	(4 786 730)
VAT Input in suspense	1 659 000	1 023 588
VAT Output in suspense - nei	(747 045)	(1 529 127)
VAT Output in suspense	(5 022 367)	(5 190 822)
Less: VAT on Provision for Debt Impairment	4 275 322	3 661 695
Total Taxes	3 705 020	(5 292 269)
Less: Liabilities associated with Discontinued Operations - note 3;	-	200 183
Total Taxes - Continued Operations	3 705 020	(5 092 086)
As previously reported		(5 696 454)
Correction of error restatement - note 38.02		46 616
Correction of error restatement - note 38.02		(19 710)
Correction of error restatement - note 38.03		569 688
Correction of error restatement - note 38.05		7 774
Restated balance		<u>(5 092 086)</u>
VAT is payable/receivable on the cash basis		
Reconciliation of VAT on Provision for Debt Impairment		
Balance at beginning of year	3 661 695	5 593 091
Debt Impairment for current year - note 28	1 202 444	(1 931 396)
Transferred to Discontinued Operations	(588 817)	-
Balance at end of year	4 275 322	3 661 695

ELUNDINI LOCAL MUNICIPALITY

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

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Transfers to		Closing Balance	Opening Balance	Depreciation Charge	Transfers to		Closing Balance			
			Investment Property	Disposals				Investment Property	Impairment Charge		Disposals		
R	R	R	R	R	R	R	R	R	R	R	R		
Land and Buildings	47 087 335	7 931 957	(779 000)	(561 369)	-	53 678 924	2 206 378	472 214	(9 126)	1 482 468	-	4 151 933	49 526 991
Land	14 323 000	-	(551 000)	-	-	13 772 000	-	-	-	1 465 500	-	1 465 500	12 306 500
Buildings	27 683 561	-	(228 000)	-	2 104 513	29 560 074	722 008	277 692	(9 126)	-	-	990 574	28 569 500
Capitalised Restoration Costs	3 995 672	-	-	(561 369)	-	3 434 303	1 484 370	194 521	-	16 968	-	1 695 859	1 738 444
Work in Progress	1 085 102	7 931 957	-	-	(2 104 513)	6 912 547	-	-	-	-	-	-	6 912 547
Infrastructure	350 414 324	24 123 970	-	-	-	374 538 294	97 323 001	24 529 696	-	-	-	121 852 697	252 685 597
Electricity	64 315 795	-	-	-	-	64 315 795	4 867 325	1 743 780	-	-	-	6 611 106	57 704 689
Roads, Pavements, Bridges & Storm Water	269 343 326	-	-	-	7 604 525	276 947 850	92 455 676	22 785 915	-	-	-	115 241 591	161 706 259
Work in Progress	16 755 204	24 123 970	-	-	(7 604 525)	33 274 649	-	-	-	-	-	-	33 274 649
Lease Assets	282 415	556 593	-	-	-	839 008	225 776	180 012	-	-	-	405 788	433 220
Office Equipment	282 415	556 593	-	-	-	839 008	225 776	180 012	-	-	-	405 788	433 220
Other Assets	31 226 588	4 808 686	-	(334 490)	-	35 700 783	9 439 863	5 005 975	-	-	(252 494)	14 193 344	21 507 439
Furniture & Fittings	2 944 397	482 703	-	(87 128)	-	3 339 972	1 161 486	454 893	-	-	(56 264)	1 560 115	1 779 857
Motor Vehicles	13 078 076	3 322 328	-	-	-	16 400 404	3 062 639	2 435 598	-	-	-	5 498 237	10 902 167
Computer Equipment	2 129 716	631 088	-	(220 057)	-	2 540 747	903 426	393 584	-	-	(189 000)	1 108 011	1 432 736
Plant and Machinery	13 074 398	372 567	-	(27 305)	-	13 419 660	4 312 312	1 721 899	-	-	(7 230)	6 026 981	7 392 679
	429 010 662	37 421 206	(779 000)	(895 859)	-	464 757 009	109 195 018	30 187 896	-	1 482 468	(252 494)	140 603 761	324 153 248

The leased property, plant and equipment and the buildings are secured as set out in note 2.

Reconciliation of accumulated impairment included in accumulated depreciation:

- Opening balance	74 336
- Impairment charge for the year	1 482 468
	<u>1 556 804</u>
- Closing balance	1 556 804
- Capitalised Restoration Costs	91 304
- Land	1 465 500

During the current year useful lives of Property, Plant and Equipment were re-assessed. The effect on the current as well as future periods are as follow:

	2013	2014	2015
Effect on Accumulated Surplus - Decrease/(Increase) in depreciation	(8 464 293)	(7 413 385)	8 017 031
Increase / (Decrease) in Accumulated Depreciation: Property, Plant and Equipment	(8 464 293)	(15 877 678)	(7 860 647)

ELUNDINI LOCAL MUNICIPALITY

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

30 JUNE 2012

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance	Additions	Transfers to Investment Property	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Transfers to Investment Property	Impairment Charge		Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	44 870 685	2 216 650	-	-	-	47 087 335	1 800 189	402 690	-	3 498	-	2 206 378	44 880 957
Land	14 323 000	-	-	-	-	14 323 000	-	-	-	-	-	-	14 323 000
Buildings	19 418 601	237 546	-	-	8 027 415	27 683 561	514 110	207 898	-	-	-	722 008	26 961 554
Capitalised Restoration Costs	3 995 672	-	-	-	-	3 995 672	1 286 079	194 792	-	3 498	-	1 484 370	2 511 302
Work in Progress	7 133 412	1 979 105	-	-	(8 027 415)	1 085 102	-	-	-	-	-	-	1 085 102
As previously reported	7 133 412	2 023 761	-	-	(8 027 415)	1 129 758	-	-	-	-	-	-	1 129 758
Correction of error restatement - note 38.04	-	(44 656)	-	-	-	(44 656)	-	-	-	-	-	-	(44 656)
Infrastructure	321 593 313	28 821 011	-	-	-	350 414 324	65 913 378	31 409 623	-	-	-	97 323 001	253 091 323
Electricity	41 668 549	-	-	-	22 647 245	64 315 795	3 290 503	1 576 822	-	-	-	4 867 325	59 448 469
Roads, Pavements, Bridges & Storm Water	247 627 774	-	-	-	21 715 552	269 343 326	62 622 875	29 832 801	-	-	-	92 455 676	176 887 650
Work in progress	32 296 990	28 821 011	-	-	(44 362 797)	16 755 204	-	-	-	-	-	-	16 755 204
As previously reported	32 296 990	28 889 576	-	-	(44 362 797)	16 823 769	-	-	-	-	-	-	16 823 769
Correction of error restatement - note 38.04	-	70 560	-	-	-	70 560	-	-	-	-	-	-	70 560
Correction of error restatement - note 38.04	-	(139 125)	-	-	-	(139 125)	-	-	-	-	-	-	(139 125)
Lease Assets	282 415	-	-	-	-	282 415	169 294	56 482	-	-	-	225 776	56 639
Office Equipment	282 415	-	-	-	-	282 415	169 294	56 482	-	-	-	225 776	56 639
Other Assets	24 576 198	6 943 892	-	(293 502)	-	31 226 588	5 592 931	3 962 260	-	-	(115 328)	9 439 863	21 786 725
Furniture & Fittings	2 320 276	712 736	-	(88 616)	-	2 944 397	801 886	376 241	-	-	(16 641)	1 161 486	1 782 911
Motor Vehicles	7 642 296	5 473 580	-	(37 800)	-	13 078 076	1 577 957	1 509 177	-	-	(24 494)	3 062 639	10 015 437
Computer Equipment	1 685 973	546 757	-	(103 014)	-	2 129 716	589 216	369 764	-	-	(55 553)	903 426	1 226 290
Plant and Machinery	12 927 652	210 819	-	(64 072)	-	13 074 398	2 623 873	1 707 078	-	-	(18 640)	4 312 312	8 762 087
	391 322 610	37 981 554	-	(293 502)	-	429 010 662	73 475 792	35 831 055	-	3 498	(115 328)	109 195 018	319 815 644

The leased property, plant and equipment and the buildings are secured as set out in note 2.

Reconciliation of accumulated impairment included in accumulated depreciation:

- Opening balance	70 838
- Impairment charge for the year	3 498
	<hr/>
- Closing balance	74 336
- Capitalised Restoration Costs	74 336

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	28 094 168	28 169 480
Cost	28 394 798	28 394 798
Accumulated Depreciation	(300 630)	(225 318)
Depreciation	(77 048)	(75 312)
Transfers from Property, Plant and Equipment	769 874	
Cost	779 000	-
Accumulated Depreciation	(9 126)	-
Disposals	(500 810)	-
Cost	(502 500)	-
Accumulated Depreciation	1 690	-
Net Carrying amount at 30 June	28 286 184	28 094 168
Cost	28 671 298	28 394 798
Accumulated Depreciation	(385 114)	(300 630)
Revenue derived from the rental of investment property	1 017 789	656 080

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.

	2013 R	2012 R
12 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	127 375	-
Cost	139 783	-
Accumulated Amortisation	(12 408)	-
Acquisitions	-	139 783
Amortisation	(27 957)	(12 408)
Net Carrying amount at 30 June	99 418	127 375
Cost	139 783	139 783
Accumulated Amortisation	(40 365)	(12 408)

No intangible asset were 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

	2013 R	2012 R
13 INVENTORY		
Fuel and oil	-	40 346
Consumable Stores	597 212	1 327 412
Land held for sale	7 247 500	7 363 000
Water	-	21 634
Total Inventory	7 844 712	8 752 392
Less: Assets associated with Discontinued Operations - note 37	-	(512 927)
Total Inventory - Continued Operations	7 844 712	8 239 465
As previously reported		8 152 984
Correction of error restatement - note 38.06		86 480
Restated balance		8 239 465
Inventory recognised as an expense during the year	872 213	3 282 249
Consumable stores materials losses/(gains) identified during stock counts	315 713	-

No inventory assets were pledged as security for liabilities

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
14 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	7 380 765	9 835 900
Water	-	5 638 357
Refuse	7 176 098	19 409 595
Sewerage	-	764 636
Other	31 993 671	14 672 974
Total Receivables from Exchange Transactions	46 550 534	50 321 462
Less: Allowance for Doubtful Debts	(34 813 337)	(29 804 471)
Total Net Receivables from Exchange Transactions	11 737 197	20 516 991
Less: Assets associated with Discontinued Operations - note 37	-	(1 620 530)
Total Net Receivables from Exchange Transactions - Continued Operations	11 737 197	18 896 461
As previously reported		18 487 057
Correction of error restatement - note 38.05		(70 013)
Correction of error restatement - note 38.05		479 417
Restated balance		<u>18 896 461</u>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	29 804 471	40 038 197
Contribution to provision	11 745 060	10 169 846
Debt Impairment written off against provision	(1 953 732)	(20 403 572)
Transferred to Discontinued Operations - note	(4 782 463)	-
Balance at end of year	34 813 337	29 804 471
Electricity	6 034 918	7 468 317
Water	-	4 165 622
Refuse	6 085 976	15 644 067
Sewerage	-	616 841
Other	22 692 443	1 909 624

Concentrations of credit risk with respect to Receivables from exchange transactions are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of 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 receivables.

Service Receivables	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2013			
Electricity	7 380 765	(6 034 918)	1 345 847
Refuse	7 176 098	(6 085 976)	1 090 122
Other	31 993 671	(22 692 443)	9 301 228
Total	46 550 534	(34 813 337)	11 737 197
2012			
Electricity	9 835 900	(7 468 317)	2 367 583
Water	5 638 357	(4 165 622)	1 472 735
Refuse	19 409 595	(15 644 067)	3 765 528
Sewerage	764 636	(616 841)	147 795
Other	14 672 974	(1 909 624)	12 763 350
Total	50 321 462	(29 804 471)	20 516 991

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
Ageing of Receivables from Exchange Transactions		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	654 285	646 196
31 to 60 days	224 340	400 373
61 to 90 days	158 079	207 916
91 to 120 days	111 836	147 129
121 to 150 days	125 150	138 144
>150 days	6 107 076	8 296 142
Total	7 380 765	9 835 900
<u>(Water): Ageing</u>		
Current (0 - 30 days)	-	300 348
31 to 60 days	-	147 229
61 to 90 days	-	862 871
91 to 120 days	-	52 668
121 to 150 days	-	63 712
>150 days	-	4 211 529
Total	-	5 638 357
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	324 138	705 699
31 to 60 days	46 952	601 840
61 to 90 days	34 994	182 713
91 to 120 days	29 757	180 018
121 to 150 days	25 433	176 529
>150 days	6 714 824	17 562 795
Total	7 176 098	19 409 595
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	-	77 897
31 to 60 days	-	62 260
61 to 90 days	-	35 462
91 to 120 days	-	34 046
121 to 150 days	-	34 759
>150 days	-	520 213
Total	-	764 636
<u>(Other): Ageing</u>		
Current (0 - 30 days)	1 616 266	2 525 534
31 to 60 days	51 724	862 839
61 to 90 days	51 230	1 053 066
91 to 120 days	42 316	638 936
121 to 150 days	1 178 579	1 935 958
>150 days	29 053 556	7 656 641
Total	31 993 671	14 672 974

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	15 808 746	14 240 340
Other Receivables	615 142	646 532
RD Cheques	-	32 745
Underbanking of Cash	54 587	54 587
Deposits	560 555	559 200
Total Receivables from Non-Exchange Transactions	16 423 888	14 886 872
Less: Allowance for Doubtful Debts	(13 252 035)	(10 261 870)
Total Net Receivables from Non-Exchange Transactions	3 171 853	4 625 002

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 rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	10 261 870	11 291 995
Contribution to/(reversal of) provision - note 28	3 558 634	(880 298)
Debt Impairment written off against provision	(568 470)	(149 826)
Balance at end of year	13 252 035	10 261 870
Rates	13 252 035	10 261 870

Concentrations of credit risk with respect to receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of 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 receivables.

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2013			
Rates	15 808 746	(13 252 035)	2 556 711
Other Receivables	615 142	-	615 142
Underbanking of Cash	54 587	-	54 587
Deposits	560 555	-	560 555
Total	16 423 888	(13 252 035)	3 171 853
2012			
Rates	14 240 340	(10 261 870)	3 978 470
Other Receivables	646 532	-	646 532
RD Cheques	32 745	-	32 745
Underbanking of Cash	54 587	-	54 587
Deposits	559 200	-	559 200
Total	14 886 872	(10 261 870)	4 625 002

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	42 295	155 995
31 to 60 days	225 430	443 294
61 to 90 days	204 710	311 545
91 to 120 days	188 595	307 041
121 to 150 days	176 913	344 930
>150 days	14 970 804	12 677 535
Total	15 808 746	14 240 340

(Other Receivables): Ageing

Current (0 - 30 days)	-	-
31 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
121 to 150 days	-	-
>150 days	615 142	53 978
Total	615 142	646 532

ELUNDINI LOCAL MUNICIPALITY

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

16	CASH AND CASH EQUIVALENTS	2013 R	2012 R
	Assets		
	Call Investment Deposits	21 669 775	37 584 839
	Primary Bank Account	288 397	3 433 016
	Cash Floats	2 375	2 171
	Total Cash and Cash Equivalents - Assets	21 960 547	41 020 026
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	Call Investments Deposits to an amount of R11 837 876 are held to fund the Unspent Conditional Grants (2012: R10 880 458).		
	The Municipality has the following bank accounts		
	Current Accounts		
	First National Bank - Acc no 62159933772	(2 235 106)	490 822
	First National Bank - Acc no 62312151848 (Petty Cash Account)	3 511	2 012
	Standard Bank - Acc no 280642407	2 519 992	2 940 182
		288 397	3 433 016
	First National Bank - Acc no 62159933772		
	Cash book balance at beginning of year	352 405	4 485 484
	Cash book balance at end of year	(2 235 106)	352 405
	Bank statement balance at beginning of year	352 489	726 052
	Bank statement balance at end of year	2 204 139	352 489
	First National Bank - Acc no 62312151848 (Petty Cash Account)		
	Cash book balance at beginning of year	2 012	-
	Cash book balance at end of year	3 511	2 012
	Bank statement balance at beginning of year	2 012	-
	Bank statement balance at end of year	3 511	2 012
	Standard Bank - Acc no 280642407		
	Cash book balance at beginning of year	2 940 182	965 567
	Cash book balance at end of year	2 519 992	2 940 182
	Bank statement balance at beginning of year	2 940 182	7 642
	Bank statement balance at end of year	2 453 063	2 940 182
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts		
	Standard Bank - Acc no 388497173001 - Elundini Expanded Public Works	762 595	498 160
	Standard Bank - Acc no 388492554001 - Elundini Housing	72 089	71 882
	Standard Bank - Acc no 388497165001 - Elundini Voting Station	301 769	479 882
	Standard Bank - Acc no 388493410002 - FMG	452 197	794 729
	Standard Bank - Acc no 388492570001 - Housing Pilot	113 209	113 663
	Standard Bank - Acc no 388492716001 - Katlehong Planning	2 798	2 795
	Standard Bank - Acc no 388492406001 - Leave Reserve	12 148	12 133
	Standard Bank - Acc no 388493410001 - LED	156 425	55 282
	Standard Bank - Acc no 388494255001 - Library	108 500	108 106
	Standard Bank - Acc no 388493003001 - Maclear Greenfields	670 312	673 617
	Standard Bank - Acc no 388492325001 - MSIG	441 027	740 083
	Standard Bank - Acc no 388494387001 - MSP	1 651 231	1 643 121
	Standard Bank - Acc no 388490810001 - NER	260 579	5 364 213
	Standard Bank - Acc no 388492759001 - Revolving Fund	322	107 332
	Standard Bank - Acc no 388493518001 - Tourism	566 543	544 249
	FNB - Acc no 62189194170 - Equitable Share	11 778	179 310
	FNB - Acc no 62246726197 - Furniture Management Project	1 028 912	979 581
	FNB - Acc no 62246719176 - Hawkers Stalls	2 482 415	2 690 973
	FNB - Acc no 62189180011 - MIG	5 506 295	2 072 730
	FNB - Acc no 62268632934 - Ward Functions	42 498	42 322
	FNB - Acc no 62314984106 - IDP Commercial	68	26 966
	FNB - Acc no 62284785303 - Internal Road Reserve	15 227	15 075
	FNB - Acc no 62284785121 - Working Capital Reserve	4 561 028	20 368 635
	FNB - Acc no 62411792353 - Public Works	1 994 088	-
	FNB - Acc no 62378875226 - Mayoral Investment Account	455 722	-
		21 669 775	37 584 839

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
17		
PROPERTY RATES		
Actual		
Rateable Land and Buildings	16 314 404	15 417 915
<u>Less:</u> Rebates	<u>(2 188 276)</u>	<u>(3 437 777)</u>
Total Assessment Rates	<u>14 126 128</u>	<u>11 980 138</u>
Valuations - 1 July 2010		
Residential	296 217 900	296 687 400
Special Residential	10 374 800	10 374 800
Business and Government Property used by Local Governmen	170 045 500	169 608 000
Industrial	102 220 600	102 220 600
Government Property used by Provincial and District Governmen	270 943 261	270 943 261
Government Property used by National Governmen	8 798 900	8 798 900
Public Service Infrastructure and Agriculture	1 998 801 434	1 998 801 434
Municipal Owned Property and Churches	356 755 068	356 723 068
Rateable Land and Buildings	<u>3 214 157 463</u>	<u>3 214 157 463</u>
Rebates on Income - Basic Rate:		
Residential	0.951c/R	0.898c/R
Special Residential	1.238c/R	1.168c/R
Business and Government Property used by Local Governmen	1.428c/R	1.348c/R
Industrial	1.903c/R	1.797c/R
Government Property used by Provincial and District Governmen	1.523c/R	1.438c/R
Government Property used by National Governmen	1.712c/R	1.617c/R
Public Service Infrastructure and Agriculture	0.237c/R	0.224c/R
Municipal Owned Property and Churches	0.000c/R	0.000c/R

Rates are levied annually and monthly. Monthly rates are payable by the last day of each month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

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

	2013	2012
18		
GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	73 466 000	66 072 795
Equitable Share	73 466 000	64 855 000
Other Grants	-	1 217 795
Conditional Grants	38 371 737	39 224 089
Municipal Infrastructure Grant (MIG)	26 455 558	22 686 730
Municipal Systems Improvement Grant (MSIG)	800 000	790 000
Financial Management Grant (FMG)	1 500 000	1 500 000
Public Works	442 308	-
National Electrification Programme Grant (NER)	1 073 073	86 987
ECDC	4 494 969	12 999 594
Other Grants	3 605 830	1 160 778
Total Government Grants and Subsidies	<u>111 837 737</u>	<u>105 296 884</u>
Government Grants and Subsidies - Capita	30 363 179	35 072 663
Government Grants and Subsidies - Operating	81 474 558	70 224 221
	<u>111 837 737</u>	<u>105 296 884</u>
The Municipality does not expect any significant changes to the level of grants		
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable Share	73 466 000	64 855 000
Budget & Treasury	2 300 000	2 290 000
Community Services	1 364 017	1 217 795
Strategic Planning & Development	488 812	1 160 778
Technical services	34 218 908	35 773 310
Total Grants	<u>111 837 737</u>	<u>105 296 884</u>

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
18.1 Equitable Share		
Opening balance	-	-
Grants received	73 466 000	64 855 000
Conditions met - operating	(73 466 000)	(64 855 000)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>-</u>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury

18.2 Municipal Infrastructure Grant (MIG)		
Opening balance	-	220 730
Grants received	27 253 000	22 466 000
Conditions met - operating	(1 676 464)	(700 648)
Conditions met - capital	(24 779 094)	(21 986 082)
Closing balance	<u>797 442</u>	<u>-</u>

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.

18.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	-
Grants received	800 000	790 000
Conditions met - operating	(800 000)	(790 000)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>-</u>

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act.

18.4 Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 500 000	1 500 000
Conditions met - operating	(1 500 000)	(1 500 000)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>-</u>

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

18.5 National Electrification Programme Grant (NER)		
Opening balance	681 339	(231 674)
Grants received	1 000 000	1 000 000
Conditions met - operating	(325 475)	-
Conditions met - capital	(747 599)	(86 987)
Closing balance	<u>608 266</u>	<u>681 339</u>

The National Electrification Grant is used for electrical connections in previously disadvantaged areas

18.6 Public Works		
Opening balance	-	-
Grants received	1 994 088	-
Conditions met - operating	(442 308)	-
Conditions met - capital	-	-
Closing balance	<u>1 551 780</u>	<u>-</u>

The Public Works Grant is used for routine activities linked to selected district roads

18.7 ECDC		
Opening balance	2 906 725	7 815 866
Grants received	3 847 965	8 090 453
Conditions met - operating	-	-
Conditions met - capital	(4 494 969)	(12 999 594)
Closing balance	<u>2 259 721</u>	<u>2 906 725</u>

The ECDC Grant is used for the Ugie / PG Bison development

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
18.8 Other Grants		
Opening balance	7 292 359	7 476 192
Grants received	1 753 000	976 945
Conditions met - operating	(3 264 312)	(1 160 778)
Conditions met - capital	(341 518)	-
Closing balance	<u>5 439 529</u>	<u>7 292 359</u>
Various grants were received from other spheres of government.		
18.9 Total Grants		
Opening balance	10 880 423	15 281 114
Grants received	111 614 053	100 896 193
Conditions met - Operating	(81 474 558)	(70 224 221)
Conditions met - Capital	(30 363 179)	(35 072 663)
Closing balance	<u>10 656 738</u>	<u>10 880 423</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	11 679 274	10 880 459
Unpaid Conditional Government Grants and Receipts	(1 022 535)	(36)
	<u>10 656 738</u>	<u>10 880 423</u>
19 ACTUARIAL GAINS/(LOSSES)		
Post Retirement Medical Obligation - note 3	(80 466)	(114 581)
Long Service Awards - to note 3	285 516	(190 838)
Total Actuarial Gains/(Losses)	<u>205 050</u>	<u>(305 419)</u>
20 SERVICE CHARGES		
Electricity	16 108 570	14 203 835
Refuse Removal	3 694 738	6 917 434
	<u>19 803 308</u>	<u>21 121 269</u>
Less: Rebates	(1 467 980)	(2 501 806)
Total Service Charges	<u>18 335 328</u>	<u>18 619 463</u>
As previously reported		18 663 485
Correction of error restatement - note 38.05		(44 022)
Restated balance		<u>18 619 463</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission		
21 PLANT INCOME		
Earnings prior to expenditure	1 756 412	1 852 373
Less: Employee Related Costs - note 26	(694 228)	-
Less: Depreciation and Amortisation - note 25	(429 639)	(1 854 074)
Less: Repairs and Maintenance - note 31	(99 614)	-
Less: General Expenses - note 36	(532 930)	-
Total Plant Income	<u>-</u>	<u>(1 701)</u>
Plant Income is associated with roads construction for MIG and Public Works projects		
22 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of Buildings, Halls and Facilities	1 017 789	656 080
Rental of Equipment	5 300	12 334
Total Rental of Facilities and Equipment	<u>1 023 089</u>	<u>668 414</u>

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
23 LICENCES AND PERMITS		
Driving Licences	423 912	420 384
Learner Driving Licences	345 591	357 065
Number Plates	11 212	11 700
Public Drivers Permits	209 223	161 088
Registrations	1 019 834	753 000
Total Licences and Permits	2 009 772	1 703 237
24 AGENCY SERVICES		
Water and Sanitation Agency Function	1 217 607	-
Total Agency Services	1 217 607	-
<p>The agency service relates to the water and sanitation function conducted on behalf of the Joe Gqabi District Municipality. The agency service includes a fixed fee for the administration of accounts as well as a 15% fee on all collections made.</p>		
25 OTHER INCOME		
Commission Received	59 663	65 419
Insurance Claims Received	610 163	219 572
Tender Document Sales	91 350	66 200
LGSETA Claims Received	43 586	219 431
Pound Fees	95 590	89 474
Cemetery Fees	21 323	19 660
Building Plan & Inspector	67 273	50 394
Auction Sales	25 000	41 570
Discounts received	15 066	150 795
Sundry Income	369 197	437 108
Total Other Income	1 398 211	1 359 623
26 EMPLOYEE RELATED COSTS		
Bursary Scheme	47 432	50 721
Contribution to Current Employee Benefits - Bonuses Accrued - note 1	2 243 503	1 912 581
Contribution to Current Employee Benefits - Staff Leave - note 1	1 258 609	558 536
Contribution to Current Employee Benefits - Performance Bonuses - note 1	902 262	1 307 675
Contribution to Employee Benefits - Long Service Awards - note 1	416 787	254 417
Medical Aid Contributions	2 393 425	2 208 820
Overtime	926 725	521 436
Pension Fund Contributions	3 733 124	2 867 797
Salaries and Wages	30 695 590	24 782 616
Skills Development Levy	465 422	417 951
Travel, motor car, telephone, assistance and other allowances	5 309 664	4 723 349
UIF Contributions	276 210	215 305
Workmens Compensation Contributions	698 501	401 803
Total Employee Related Costs	49 367 254	40 223 007
Less: Employee Related Costs associated with Plant Income - note 21	(694 228)	-
Total Employee Related Costs	48 673 026	40 223 007
As previously reported		39 925 776
Correction of error restatement - note 38.02		392 787
Correction of error restatement - note 38.02		(95 556)
Restated balance		40 223 007

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
MANAGEMENT PERSONNEL		
Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.		
REMUNERATION OF MANAGEMENT PERSONNEL		
Municipal Manager - K Gashi		
Remuneration	838 800	763 579
Car and other allowances	175 274	152 547
Performance Bonuses	154 158	128 474
Contributions to UIF, Medical and Pension Fund:	87 058	84 992
Leave days paid	94 123	-
Total	1 349 414	1 129 592
Manager Infrastructure Planning and Development - C Qotoyi (resigned 30/04/2012)		
Remuneration	-	536 158
Car and other allowances	-	289 720
Performance Bonuses	-	97 456
Contributions to UIF, Medical and Pension Fund:	-	1 547
Total	-	924 881
Manager Infrastructure Planning and Development - X Mntonintshi (appointed 01/10/2012)		
Remuneration	431 599	-
Car and other allowances	239 247	-
Performance Bonuses	119 671	-
Contributions to UIF, Medical and Pension Fund:	1 392	-
Total	791 908	-
Manager Corporate Services - SR Matubatuba		
Remuneration	518 761	473 940
Car and other allowances	442 135	432 302
Performance Bonuses	134 785	127 091
Contributions to UIF, Medical and Pension Fund:	1 856	1 547
Leave days paid	90 719	-
Total	1 188 255	1 034 880
Chief Financial Officer - SW Goodall		
Remuneration	612 384	689 958
Car and other allowances	299 100	180 600
Performance Bonuses	129 280	122 095
Contributions to UIF, Medical and Pension Fund:	60 306	1 547
Total	1 101 070	994 200
Manager Strategic Planning and Economic Development - L Mqokoyi (resigned 26/04/2012)		
Remuneration	-	508 680
Car and other allowances	-	395 775
Performance Bonuses	-	107 349
Contributions to UIF, Medical and Pension Fund:	-	1 547
Total	-	1 013 351
Manager Strategic Planning and Economic Development - NC Eddie (appointed 01/10/2012)		
Remuneration	402 712	-
Car and other allowances	285 202	-
Performance Bonuses	127 088	-
Contributions to UIF, Medical and Pension Fund:	1 392	-
Total	816 394	-
Manager Community Services - M Ntaba (appointed 03/04/2012)		
Remuneration	576 266	130 833
Car and other allowances	312 336	105 933
Performance Bonuses	93 133	29 001
Contributions to UIF, Medical and Pension Fund:	1 856	387
Total	983 591	266 153

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
27 REMUNERATION OF COUNCILLORS		
Mayor - NR Lengs	669 021	630 745
Speaker - M Bomela	539 911	508 364
Part-time Members of the Executive Committee (5 members)	1 397 211	1 320 807
Part-time Section 79 Chairpersons (4 members)	711 041	-
Part-time Councillors (23 Councillors for 2012/13 and 27 Councillors for 2011/12)	5 112 391	5 278 515
Total Remuneration of Councillors	8 429 575	7 738 431
<i>In-kind Benefits</i>		
The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council.		
28 DEBT IMPAIRMENT		
Receivables from Exchange Transactions - note 14	11 745 060	10 169 846
Receivables from Non-exchange Transactions - note 15	3 558 634	(880 298)
Total Contribution to Impairment Provision	15 303 694	9 289 548
(Less)/Add: Portion Relating to VAT - note 9	(1 202 444)	1 931 396
Less: Discontinued Operations - note 37	-	(321 386)
Total Debt Impairment	14 101 250	10 899 557
29 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	30 187 896	35 831 055
Investment Property	77 048	75 312
Intangible Assets	27 957	12 408
Total Depreciation and Amortisation	30 292 900	35 918 775
Less: Depreciation and Amortisation associated with Plant Income - note 2	(429 639)	(1 854 074)
Total Depreciation and Amortisation	29 863 261	34 064 701
30 IMPAIRMENTS		
Property, Plant and Equipment	1 482 468	3 498
Total Impairments	1 482 468	3 498
Impairment amounting to R16 968 (2012: R3 498) relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.		
Impairment amounting to R1 465 500 relate to land. This land was previously ear-marked for development, but subsequently this development has been abandoned. Accordingly the market value of the property value decreased.		
31 REPAIRS AND MAINTENANCE		
Infrastructure	3 267 453	3 315 605
Land and Buildings	831 409	187 434
Other Assets	1 241 987	701 851
Total Repairs and Maintenance	5 340 849	4 204 890
Less: Repairs and Maintenance associated with Plant Income - note 2	(99 614)	-
Total Repairs and Maintenance	5 241 235	4 204 890
As previously reported		4 234 888
Correction of error restatement - note 38.02		(4 094)
Correction of error restatement - note 38.04		(70 560)
Correction of error restatement - note 38.04		44 656
Restated balance		4 204 890
32 FINANCE CHARGES		
Long-term Liabilities	33 074	46 070
Finance leases	26 989	13 317
Non-Current Employee Benefits	248 436	261 958
Non-Current Provisions - Rehabilitation of Landfill Site:	280 148	294 748
SARS Interest and Penalties	-	694 321
Interest charged by Creditors	208 865	87 712
Total Finance Charges	797 512	1 398 126
As previously reported		1 341 222
Correction of error restatement - note 38.02		56 904
Restated balance		1 398 126

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
33 BULK PURCHASES		
Electricity	14 722 367	13 618 844
Total Bulk Purchases	14 722 367	13 618 844
As previously reported		13 608 906
Correction of error restatement - note 38.02		9 938
Restated balance		13 618 844
34 GRANTS AND SUBSIDIES PAID		
Joe Gqabi Economic Development Agency	350 000	350 000
Total Grants and Subsidies	350 000	350 000
35 OPERATING GRANT EXPENDITURE		
Executive Council	-	248 727
Budget & Treasury	2 125 495	2 013 886
Community Services	1 022 499	-
Strategic Planning & Development	441 764	-
Technical Services	704 075	345 584
Total Grant Expenditure	4 293 833	2 608 197
As previously reported		2 469 072
Correction of error restatement - note 38.04		139 125
Restated balance		2 608 197
36 GENERAL EXPENSES		
Advertising	462 166	326 333
Auditors Remuneration	2 264 516	1 730 683
Bank Charges	214 100	156 134
Cleaning Materials	67 482	32 172
Commission Paid	439 227	479 823
Conferences and Seminars	406 641	595 039
Consulting, Professional and Legal Fees	6 826 378	6 910 310
Entertainment and Catering	827 427	1 314 367
Fraud Prevention Plan	31 500	81 237
Fuel and Oil	2 604 999	989 896
Gifts	198 753	28 601
Insurance	782 064	952 510
Job Evaluation	86 800	113 125
Lease rentals	531 320	230 288
Licence Fees	585 105	237 336
Postage and Courier	36 084	25 658
Printing and Stationery	584 450	478 255
Promotions and Sponsorships	1 598 481	1 475 834
Protective Clothing	173 540	261 747
Public Participation	206 044	245 113
Refuse Bags and Containers	262 332	71 154
Security	896 396	855 431
Service Standard Charter	232 728	110 313
Small Tools and Equipment	375 817	191 822
Special Programmes	4 206 367	3 301 231
Subscriptions and Membership Fees	875 222	798 478
Telephone and fax	2 039 216	1 534 406
Town Planning and Property Valuation Fee:	1 672 044	44 872
Traffic Department Costs	120 436	89 603
Training	1 264 791	786 045
Travel and Subsistence	6 101 175	4 115 911
Ward Committees	597 517	325 650
Other Expenditure	2 704 804	289 596
Total General Expenses	40 275 922	29 178 973
Less: General Expenses associated with Plant Income - note 21	(532 930)	-
Total General Expenses	39 742 992	29 178 973
As previously reported		29 282 970
Correction of error restatement - note 38.02		85 908
Correction of error restatement - note 38.02		(189 905)
Restated balance		29 178 973

ELUNDINI LOCAL MUNICIPALITY

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

37

DISCONTINUED OPERATIONS

The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.

The effect of Discontinued Operations on the Statement of Financial Position is as follows:

Liabilities associated with Discontinued Operations

	2013 R	2012 R
Employee Benefits	-	390 069
Consumer Deposits	-	25 398
As previously reported		45 258
Correction of error restatement - note 38.06		(19 860)
Current Employee Benefits	-	674 069
As previously reported		554 607
Correction of error restatement - note 38.06		119 462
Payables from Exchange Transactions	-	150 265
As previously reported		-
Correction of error restatement - note 38.06		150 265
Taxes	-	200 183
As previously reported		200 183
Correction of error restatement - note 38.05		96 764
Correction of error restatement - note 38.05		(96 764)

Total Liabilities associated with Discontinued Operations

- **1 439 984**

Assets associated with Discontinued Operations

Receivable from exchange transactions	-	1 620 530
Water		1 472 735
As previously reported		1 950 007
Correction of error restatement - note 38.05		(800 127)
Correction of error restatement - note 38.05		800 127
Correction of error restatement - note 38.06		(477 272)
Sewerage	-	147 795
As previously reported		149 940
Correction of error restatement - note 38.06		(2 145)
Inventory	-	512 927
As previously reported		599 408
Correction of error restatement - note 38.06		(86 480)

Total Assets associated with Discontinued Operations

- **2 133 457**

The effect of Discontinued Operations on the Statement of Financial Performance is as follows:

Revenue

Service Charges	-	3 179 733
As previously reported		3 870 907
Correction of error restatement - note 38.05		(691 174)
Water Services Authority Contribution	-	9 903 000
Total Revenue	-	13 082 733

Expenditure

Employee Related Costs	-	6 606 336
Debt Impairment	-	321 386
As previously reported		1 024 749
Correction of error restatement - note 38.05		(703 363)
Repairs and Maintenance	-	829 465
As previously reported		710 507
Correction of error restatement - note 38.02		118 958
Operating Grant Expenditure	-	6 659
General Expenses	-	924 580
As previously reported		835 468
Correction of error restatement - note 38.02		94 389
Correction of error restatement - note 38.02		(5 277)
Transfer of Assets and Liabilities	869 136	-
Employee Benefits	(390 069)	-
Current Employee Benefits	(674 069)	-
Taxes	(200 183)	-
Inventory	512 927	-
Receivables from Exchange Transactions - Water and Sanitation - net value	1 620 530	-

Total Expenditure

869 136 **8 688 426**

Net (Deficit)/Surplus for the year

(869 136) **4 394 307**

ELUNDINI LOCAL MUNICIPALITY

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

2012
R

38	CORRECTION OF ERROR IN TERMS OF GRAP 3	
38.01	Accumulated Surplus - 1 July 2011	
	Payables from Exchange Transactions - note 38.02	(57 327)
	Payables from Exchange Transactions - note 38.02	208 992
	Taxes - note 38.03	569 688
	Receivables from Exchange Transactions - note 38.02	(11 508)
	Total	709 845

38.02 Payables from Exchange Transactions

The following errors were noted and corrected:

- The opening balance of bursary schemes for 1 July 2011 was understated by R15 585
- Bulk purchases were understated by R11 012 (R9 938 relate to 2011/12 and R1 073 to 2010/11)
- Worksmen Compensation final assessment for 2010 and 2011 was received which indicated that Worksmen Compensation was understated by R410 745 (R392 787 relate to 2011/12 and R17 959 relate to 2010/11). Worksmen Compensation is disclosed under Employee Related Costs.
- Finance Charges relating to late payment of court orders amounting to R56 903 were not accrued for in 2011/12.
- Repair and Maintenance and General Expenses relating to Discontinued were not accrued for. The amounts are respectively R118 958 and R94 389.
-
- General Expenses amounting to R108 614 were not accrued for. R85 908 of the expenditure relate to Public Participation, Protective Clothing, Legal Fees, Fraud Prevention Plan and Commission Paid for the 2011/12 year. The remaining R22 706 relate to 2010/11 and includes Telephone Costs and Legal Costs.
- Input VAT on the above mentioned was therefor understated by R40 297

The above mentioned errors were disclosed as follow

Refer to Payables from Exchange Transactions - note 7	(862 826)
Refer to Taxes - note 9	46 616
Refer to Employee Related Costs - note 26	392 787
Refer to Finance Charges - note 32	56 904
Refer to Bulk Purchases - note 33	9 938
Refer to Discontinued Operations - Repair and Maintenance - note 31	118 958
Refer to Discontinued Operations - General Expenses - note 31	94 389
Refer to General Expenses - note 36	85 908
Refer to Accumulated Surplus - 1 July 2011 - note 38.01	57 327

In addition to the above mentioned, it was also noted that payables amounting to R523 535 were duplicated in the prior year. The majority of the duplications related overtime, repair and maintenance and travel and subsistence.

Refer to Payables from Exchange Transactions - note 7	523 535
Refer to Taxes - note 9	(19 710)
Refer to Employee Related Costs - note 26	(95 556)
Refer to Repairs and Maintenance - note 31	(4 094)
Refer to General Expenses - note 36	(189 905)
Refer to Discontinued Operations - General Expenses - note 31	(5 277)
Refer to Accumulated Surplus - 1 July 2011 - note 38.01	(208 992)

38.03 Taxes

A VAT audit conducted concluded that an amount of R569 689 was underclaimed. These underclaims related to 2007/08, 2008/09 and 2009/10.

Refer to Taxes - note 9	569 688
Refer to Accumulated Surplus - 1 July 2011 - note 38.01	(569 688)

38.04 Property, Plant and Equipment

In the prior year work in progress capital expenditure was incorrectly recognised as operating expenditure.

Refer to Property, Plant Equipment - note 10	70 560
Refer to Repairs and Maintenance - note 31	(70 560)

It was also noted that operating expenditure was incorrectly recognised as capital expenditure

Refer to Property, Plant Equipment - note 10	(139 125)
Refer to Property, Plant Equipment - note 10	(44 656)
Refer to Repairs and Maintenance - note 31	44 656
Refer to Operating Grant Expenditure - note 31	139 125

ELUNDINI LOCAL MUNICIPALITY

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

2012
R

38.05 Receivables from Exchange Transactions

The following error were noted:

- Water sales amounting to R691 174 for 2011/12 were overstated due to incorrect meter readings taken. Water sales are disclosed as Discontinued Operations.
- Interest Charges on debtors amounting to R16 650 were incorrectly charged for 2011/12
- Electricity sales amounting to R55 530 were overstated due to incorrect meter readings taken. R44 022 relate to 2011/12 and R11 508 to 2010/11.
- Rentals amounting to R2 247 were overstated for 2011/12
- The effect on the above mentioned was that Output VAT was overstated by R104 539. R96 764 relate to Discontinued Operations and the remaining R7 774 relate to Continued Operations.

The above mentioned errors were disclosed as follow

Receivables from Exchange Transactions - note 14	(70 013)
Refer to Discontinued Operations - Receivables from Exchange Transactions - note 3:	(800 127)
Refer to Taxes - note 9	7 774
Refer to Discontinued Operations - Taxes - note 37	96 764
Refer to Service Charges - note 20	44 022
Refer to Discontinued Operations - Service Charges - note 37	691 174
Refer to Statement of Financial Performance - Rental of Facilities and Equipment - note 38.0:	2 247
Refer to Statement of Financial Performance - Interest Earned - outstanding debtors - note 38.0:	16 650
Refer to Accumulated Surplus - 1 July 2011 - note 38.0:	11 508

Of the R870 140 corrections made to receivables, R800 127 were impaired in 2011/12. Accordingly, this impairment was also overstated.

Refer to Taxes - note 9	(96 764)
Refer to Discontinued Operations - Debt Impairment - note 37	(703 363)
Refer to Discontinued Operations - Receivables from Exchange Transactions - note 3:	800 127

38.06 Discontinued Operations

The following corrections have been effected relating to Discontinued Operations

- The Consumer Deposits relating to housing rental was incorrectly disclosed as a Discontinued Operation. It should have been water deposits. Difference between the two deposits was R19 860.
- Performance bonuses relating to staff active in the water and sanitation function was not disclosed separately. Liabilities associated Discontinued Operations was understated by R119 462.
- Payments received in advance from water and sanitation debtors amounting to R150 265 were not disclosed as a Discontinued Operations.
- Upon final validation, the Inventory relating to water and sanitation was R512 927. This is R86 480 less than what was disclosed Assets associated with Discontinued Operations.
- Receivables from Exchange transactions amounting to R479 417 were incorrectly disclosed as Discontinued Operations.

The above mentioned errors were disclosed as follow

Refer to Consumer Deposits - note 5	(19 860)
Refer to Current Employee Benefits - note 6	119 462
Refer to Payables from Exchange Transactions - note 7	150 265
Refer to Inventory - note 13	86 480
Refer to Receivables from Exchange Transactions - note 14	479 417
Refer to Discontinued Operations - Consumer Deposits - note 37	19 860
Refer to Discontinued Operations - Current Employee Benefits - note 37	(119 462)
Refer to Discontinued Operations - Payables from Exchange Transactions - note 37	(150 265)
Refer to Discontinued Operations - Inventory - note 37	(86 480)
Refer to Discontinued Operations - Receivables from Exchange Transactions - note 37	(477 272)
Refer to Discontinued Operations - Receivables from Exchange Transactions - note 37	(2 145)

38.07 Statement of Financial Performance

Rental of Facilities and Equipment	668 414
As previously reported	670 661
Refer to Receivables from Exchange Transactions note - 38.05	(2 247)
Interest Earned - outstanding debtors	4 704 536
As previously reported	4 721 186
Refer to Receivables from Exchange Transactions note - 38.05	(16 650)

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
39 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
(Deficit)/Surplus for the year	(14 965 749)	5 359 340
Adjustments for:		
(Gain)/Loss on disposal of Property, Plant and Equipmen	(333 946)	178 174
(Gain)/Loss on disposal of Investment Property	152 772	-
Contribution from/to employee benefits - non-curren	665 223	516 105
Contribution from/to employee benefits - non-current - expenditure incurre	(352 490)	(166 017)
Contribution from/to employee benefits - non-current - loss/(actuarial gains	(205 050)	305 419
Contribution to employee benefits – curren	4 404 374	5 858 246
Contribution to employee benefits – current - expenditure incurre	(5 817 934)	(3 026 646)
Contribution to provisions – non-curren	280 148	294 748
Contribution of provisions – Allowance for Doubtful Deb	14 101 250	11 220 944
Bad debts written off	(2 522 202)	(20 553 398)
Grants Received	111 614 053	100 896 193
Grant Expenditure	(111 837 737)	(105 296 884)
Depreciation and Amortisation	30 292 900	35 918 775
Impairments	1 482 468	3 498
Discontinued Operations - Assets and Liabilities Transferrec	869 136	-
Operating Surplus before changes in working capita	27 827 216	31 508 497
Changes in working capital - Restated for prior year	(10 229 734)	19 864 259
Increase in Payables from Exchange Transactions	1 139 257	6 640 480
(Decrease)/Increase in Taxes	(7 594 662)	8 858 917
Decrease/(Increase) in Inventory	394 753	(422 579)
(Increase)/Decrease in Receivables from exchange transactions	(2 632 065)	7 096 612
(Increase) in Receivables from non-exchange transactions	(1 537 016)	(2 309 171)
Cash generated/(absorbed) by operations	17 597 482	51 372 756
40 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following		
Call Investments Deposits - Note 16	21 669 775	37 584 839
Bank - Note 16	288 397	3 433 016
Cash Floats - Note 16	2 375	2 171
Total cash and cash equivalents	21 960 547	41 020 026
41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - note 4C	21 960 547	41 020 026
Less:	(11 679 274)	(15 667 153)
Unspent Committed Conditional Grants - note E	(11 679 274)	(10 880 423)
VAT Payable - note 9	-	(4 786 730)
Net cash resources available for internal distribution	10 281 273	25 352 873
42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - note 2	590 891	203 731
Used to finance property, plant and equipment - at cos	(590 891)	(203 731)
Cash invested for repayment of long-term liabilities	-	-

Annuity loans at amortised cost are calculated at 17.36% interest rate, with maturity date of 30 June 2015.
Capital lease liabilities at amortised cost is calculated at 7.97% interest rate, with maturity date of August 2015

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
43.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	36 599 042	1 274 466
Unauthorised expenditure current year - capita	394 901	-
Unauthorised expenditure current year - operating	31 148 950	35 324 576
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	68 142 893	36 599 042

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2013 Actual R	2013 Final Budget R	2013 Variance R	2013 Unauthorised Expenditure R
Operating Expenditure by Vote				
Executive Council	23 567 884	25 108 629	(1 540 745)	-
Budget & Treasury	39 498 467	27 779 265	11 719 202	11 719 202
Corporate Services	18 418 658	24 374 840	(5 956 182)	-
Community Services	22 320 694	21 285 523	1 035 171	1 035 171
Strategic Planning & Development	6 430 333	6 664 834	(234 501)	-
Technical services	59 941 498	41 546 922	18 394 576	18 394 576
Total Expenditure	170 177 534	146 760 013	23 417 521	31 148 950

	2013 Actual R	2013 Final Budget R	2013 Variance R	2013 Unauthorised Expenditure R
Capital Expenditure by Vote				
Executive Council	645 204	1 420 000	(774 796)	-
Budget & Treasury	2 214 213	2 365 235	(151 022)	-
Corporate Services	694 901	300 000	394 901	394 901
Community Services	1 973 471	2 332 152	(358 681)	-
Strategic Planning & Development	1 212 710	5 157 464	(3 944 754)	-
Technical services	30 680 708	34 841 218	(4 160 510)	-
Total Expenditure	36 776 003	44 996 069	(8 220 066)	394 901

43.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	735 271	11 021
Fruitless and wasteful expenditure - current year	281 269	722 913
Fruitless and wasteful expenditure - prior year	-	12 358
Condoned or written off by Council	-	(11 021)
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	1 016 540	735 271

Incident	Disciplinary steps/criminal proceedings
Interest charged by creditors	Disciplinary steps have been taken.
SARS interest and penalties on VAT overclaimed	Disciplinary steps have been taken.
	293 627
	722 913
	1 016 540
	735 271

43.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	686 693	-
Irregular expenditure current year	644 080	686 693
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	1 330 773	686 693

Incident	Disciplinary steps/criminal proceedings
Non-compliance with Supply Chain Management Policy	None

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
44 MATERIAL LOSSES		
Electricity distribution losses		
Kwh purchased	19 316 961	19 578 645
Less: Kwh sold	(13 727 878)	(13 488 402)
Kwh losses	5 589 083	6 090 243
% Losses	28.93%	31.11%
Average cost per Kwh unit	0.6931	0.6890
Losses in Rand Value	3 873 907	4 196 127
A loss deduction strategy was developed. A revenue protection plan has been established for 2012/2013 to implement the reduction strategy in line with NERSA requirements to reduce losses.		
Water distribution losses		
Kilolitres purified	-	1 452 396
Kilolitres lost during distributor	-	539 696
Percentage lost during distributor	-	37.16%
Average cost per Kilolitre	-	6.0490
Losses in Rand Value	-	3 264 597
45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT AC1		
45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Council subscriptions	672 810	395 374
Amount paid - current year	(672 810)	(395 374)
Balance unpaid (included in creditors)	-	-
45.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	48 166	183 323
Current year audit fees	3 197 087	3 111 893
Amount paid - current year	(3 104 492)	(3 247 050)
Balance unpaid (included in creditors)	140 761	48 166
45.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(4 786 730)	(5 126 767)
Amounts received - current year	(7 337 318)	(15 804 525)
Amounts claimed - current year	14 917 113	16 144 562
VAT Receivable	2 793 065	(4 786 730)
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
45.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	(10 000)
Current year payroll deductions and Council Contribution	8 860 268	7 856 518
Amount paid - current year	(8 860 268)	(7 846 518)
Balance unpaid (included in creditors)	-	-

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contribution	10 175 263	10 079 922
Amount paid - current year	(10 175 263)	(10 079 922)
Balance unpaid (included in creditors)	-	-
45.6 Other non-compliance (MFMA 125(2)(e))		
Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:		
All the deviations were ratified by the Municipal Manager and reported to Council		
Section 36(1)(a)(i) - Emergencies	1 008 466	2 059 367
Section 36(1)(a)(ii) - Single provider	601 094	2 781 562
Section 36(1)(a)(iii) - Specialised services	2 162 325	1 569 008
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical to follow official procurement process	1 335 622	3 041 726
	5 107 508	9 451 663
Municipal Manager Office	1 070 614	1 815 564
Budget and Treasury Office	206 087	915 650
Infrastructure Planning and Development	1 924 529	5 578 966
Corporate Services	276 078	499 507
Strategic Planning and Development	1 376 697	357 279
Community Services	253 503	284 697
	5 107 508	9 451 663
45.7 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
	Outstanding more than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts for more than 90 days as at 30 June		
N R Lengs	-	407
S L Baduza	2 585	2 623
Total Councillor Arrear Consumer Accounts as on 30 June	2 585	3 030
46 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	3 858 234	39 706 993
Infrastructure	3 858 234	39 706 993
Total	3 858 234	39 706 993
This expenditure will be financed from		
Government Grants	3 035 027	38 672 967
Own funding	823 207	1 034 026
	3 858 234	39 706 993

ELUNDINI LOCAL MUNICIPALITY

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

47

FINANCIAL RISK MANAGEMENT

2013
R

2012
R

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 does not engage in foreign currency transactions

(b) Price risk

The Municipality is not exposed to price risk

(c) Interest Rate Risk

As the Municipality has significant interest-bearing liabilities, the Municipality'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 Municipality 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 Municipality's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2012 - 0.5%) Increase in interest rates	184 348	322 707
0.5% (2012 - 0.5%) Decrease in interest rates	(184 348)	(322 707)

(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. Receivables 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.

All rates and services are payable within 30 days from invoice date. Refer to note 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 14 for balances included in receivables that were re-negotiated for the period under review.

	2013 %	2013 R	2012 %	2012 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	80.34%	2 514 417	98.61%	3 822 475
Other	19.66%	615 142	1.39%	53 978
	100%	3 129 559	100%	3 876 453
<u>Exchange Receivables</u>				
Electricity	7.56%	691 563	10.59%	1 721 388
Water	0.00%	-	7.21%	1 172 386
Refuse	8.38%	765 985	18.82%	3 059 829
Sewerage	0.00%	-	0.43%	69 898
Other	84.06%	7 684 962	62.96%	10 237 816
	100%	9 142 509	100%	16 261 316

No trade and other receivables are pledged as security for financial liabilities

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

ELUNDINI LOCAL MUNICIPALITY

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

The Municipality 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 banks utilised by the Municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). 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 expectation of counter party default.

Receivables are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable

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

	2013 R	2012 R
Receivables from Exchange Transactions	11 737 197	18 896 461
Receivables from Non-Exchange Transactions	3 171 853	4 625 002
Cash and Cash Equivalents	21 960 547	41 020 026
Unpaid conditional grants and subsidies	1 022 535	36
	<u>37 892 133</u>	<u>64 541 524</u>

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

The table below analyses the Municipality'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	Over 5 years	Total
2013				
Long Term liabilities - Annuity Loans	90 042	90 002	-	180 044
Capital repayments	67 286	79 497	-	146 783
Interest	22 756	10 505	-	33 261
Long Term liabilities - Finance Lease Liability	209 211	278 947	-	488 158
Capital repayments	180 303	263 806	-	444 108
Interest	28 908	15 142	-	44 050
Provision for Landfill Sites	-	-	9 283 741	9 283 741
Capital repayments	-	-	5 492 542	5 492 542
Interest	-	-	3 791 199	3 791 199
Payables from Exchange Transactions	19 073 778	-	-	19 073 778
Unspent conditional government grants and receipts	10 656 738	-	-	10 656 738
	<u>29 820 558</u>	<u>90 002</u>	<u>9 283 741</u>	<u>39 194 301</u>
2012				
Long Term liabilities - Annuity Loans	90 022	180 044	-	270 066
Capital repayments	56 948	146 783	-	203 731
Interest	33 074	33 261	-	66 335
Provision for Landfill Sites	-	-	11 618 419	11 618 419
Capital repayments	-	-	6 189 704	6 189 704
Interest	-	-	5 428 715	5 428 715
Payables from Exchange Transactions	17 654 859	-	-	17 654 859
Unspent conditional government grants and receipts	10 880 459	-	-	10 880 459
	<u>28 625 340</u>	<u>180 044</u>	<u>11 618 419</u>	<u>40 423 803</u>

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
48 FINANCIAL INSTRUMENTS		
In accordance with GRAP 104 the financial instruments of the Municipality are classified as follow:		
48.1 Financial Assets		
Financial Instruments at Amortised Cost		
Receivables from Exchange Transactions	11 737 197	18 896 461
Receivables from Non-exchange Transactions	3 171 853	4 625 002
Unpaid Conditional Government Grants and Receipts	1 022 535	36
Cash and Cash Equivalents	21 960 547	41 020 026
Total carrying amount of financial assets	37 892 133	64 541 524
48.2 Financial Liability		
Financial Instruments at Amortised Cost		
Long-term Liabilities	343 302	146 783
Payables from Exchange Transactions	19 924 799	18 635 277
Unspent Conditional Grants and Receipts	11 679 274	10 880 459
Current Portion of Long-term Liabilities	247 589	56 948
Total carrying amount of financial liabilities	32 194 964	29 719 467

49 EVENTS AFTER THE REPORTING DATE

The Municipality has no events after reporting date during the financial year ended 2012/2013.

50 IN-KIND DONATIONS AND ASSISTANCE

National Treasury under the MFMA Reform Programme has seconded a MFMA advisor to assist with compliance and reporting matters.

51 PRIVATE PUBLIC PARTNERSHIPS

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

52 CONTINGENT LIABILITIES

Council do have the following contingent liabilities at the end of the financial year 2012/2013:

There is an employee benefits dispute relating to housing allowances and benefits payable under these terms. The amount in question R40 000. This matter is still on arbitration level. Legal fees are estimated at R50 000 if this matter were to go to court.

A labour related dispute was declared. The SALGBC has found in favour of the applicant and as such has instructed the Council to appoint the applicant to the position of Community Services Manager, effective June 2012. The salary backpay is owed to the applicant is R539 671. The Municipality has solicited legal advice in the matter and has now considered appealing the outcome. The estimated legal costs for appealing this matter is estimated at R100 000.

A labour dispute was declared relating to unpaid employee benefits amounting to R663 417. This matter is currently pending litigation and legal costs are estimated at R50 000.

The Municipality obtained an eviction order against various invaders in Mount Fletcher. The matter is currently pending before the High Court in Mthatha. The estimated legal costs and eviction related costs are estimated at R100 000.

A labour related dispute was declared regarding a 2.5% noth increase not effected. The dispute is currently pending at SALGBC. Legal costs are estimated at R50 000.

53 RELATED PARTIES

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

53.1 Related Party Loans

Since 1 July 2004 loans to Councillors and Senior management employees are not permitted.

53.2 Compensation of management personnel

The compensation of management personnel is set out in note 26 and 27 to the financial statements.

ELUNDINI LOCAL MUNICIPALITY

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

	2013 R	2012 R
53.3 Joe Gqabi Economic Development Agency (SoC) Ltd - (JoGEDA)		
The Municipal Manager serves on the board of directors of JoGEDA. Transactions as disclosed in note 34 are therefor considered to be related party transactions. There were no other transactions with JoGEDA and no outstanding balances at year-end.		
53.4 Other related party transactions		
The following purchases were made during the year Key Management Personnel and Officials have an interest:		
Ganta Trading Enterprise (Spouse of Director A M Ntaba)	93 275	53 215
Mysa Implementation Agents CC (Brother of Manager Corporate Services: S Matubatuba)	137 701	236 698
Nosisanda Trading Enterprise (Niece of official Z Thuli)	4 910	1 530
Nobongoza Trading Enterprise (Spouse of official T Klaas)	3 120	9 680
	239 006	301 123

54 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

54.01 ORIGINAL BUDGET vs FINAL BUDGET

General activities affecting the budget

The Joe Gqabi District Municipality's Council approved the take over of the water and sanitation function on 26 June 2012. This approval was after the approval of the original budget on 30 May 2012. The original budget provided for the payment of a grant and subsidy to the Municipality. The final budget required the Municipality to exclude income and expenditure relating to the water and sanitation function.

In the previous financial year the Municipality was exempted in terms of Directive 5 with regards to the measurement of assets. In the 2011/12 financial statements the Municipality recognised Property, Plant and Equipment, Investment Property, Intangible Assets and Inventory at deemed cost as determined by Directive 7. Subsequent to this application the carrying value of Property Plant and Equipment, Investment Property, Intangible Assets and Inventory increased significantly, resulting in depreciation and amortisation also increasing significantly. These significant costs were not budgeted for within the 2012/13 budgeted framework.

Statement of Financial Position

The increase in non-current assets was due to the revisions in the carrying values brought about through the application of Directive 7.

Statement of Financial Performance - Revenue

Government Grants and Subsidies were increased due to additional funding allocation from EPWP. The roll-over application approved relating to the NER. The appropriation of additional resources rolled over from the 2011/12 financial year relating to capital expenditure.

Service Charges decreased after Council reviewed its tariff policy on solid waste activity as relates to low income users

Rental of Facilities and Equipment estimates were revised downwards, due to the unavailability of financing through MIG for internal roads construction activity.

Other Income increased to accommodate increased spending on capital programs financed from retained earnings

Statement of Financial Performance - Expenditure

Debt Impairment was decreased due to the reduction in tariff for solid waste activities

Depreciation and Amortisation was increased due to the assets valued in terms of Directive 7

Repairs and Maintenance was reduced due to late implementation of the service level agreement entered into with the Department of Public Works as relates to routine maintenance on district roads.

Discontinued operations were decreased with the income and expenditure associated with the transfer of the water and sanitation function

Cash Flow Statement

Additional funding became available from retained earnings and roll-over approvals grants. This resulted that in a net increase in investing activities and operating activities.

Operating Expenditure per Vote

Executive and Council increased due the Dare to Dream youth programme and also increased demand for travel related activities

Community Services decreased due to delays with the finalisation of the PPP on solid waste activities

Technical Services decreased due to transfer of the water and sanitation function to the District Municipality

Capital Expenditure per Vote

Community Services were increased to the acquisition of rear-end loader

Strategic Planning and Development was increased to accommodate informal traders within a formal area

ELUNDINI LOCAL MUNICIPALITY

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

54.02 ACTUAL AMOUNTS vs FINAL BUDGET

Statement of Financial Position

Cash and Cash Equivalents decreased due to Management's decision to limit recorded liabilities as at 30 June. Accordingly current assets is less than the final budget

Non-current assets was less than what was budgeted for due to impairments, sale of Investment Properties and also a decrease in Capital Restoration Costs based on the latest landfill site assessment. Further to this, there was an underspending of capital budget for the current year.

Current liabilities is more than what was budget for due to non-recognition of grant income due to underspending on grant funded capital expenditure.

Statement of Financial Performance - Revenue

Government grant and subsidies was less than budgeted for due to operating transfers rolled over not materialising due to slow project implementation - Furniture manufacturing and Craft Centre. Further to this there was also the library subsidy which was not received during the year.

Service charges was more than budgeted for due to the revenue protection strategy implemented and the reduced distribution losses

Rental of Facilities and Equipment was less than what was budgeted for due to MIG internal projects not materialising during the course of the year

Other Income include reserve funding for internal projects

Statement of Financial Performance - Expenditure

Employee related costs was less than budgeted for due to high level of vacancies that existed during the course of the financial year which was corrected towards the latter part of the financial year through a placement process.

Debt Impairment was less than budgeted for due to debtors assessed as irrecoverable which is still pending Council approval to be written off

Depreciation and Amortisation was more than what was budgeted for as Management was instructed not to budget for a deficit

Repairs and Maintenance was less than what was budgeted for due to late implementation of service level agreement associated with routine road maintenance on the district roads assigned to the Department of Public Works.

Operating grant expenditure is more than what was budgeted for as certain operating expenditure projects were budgeted as capital expenditure projects.

General Expenses was less than what was budgeted for due to the late implementation of special programmes

Cash Flow Statement

Net cash flow from operating activities was less than what was budgeted for due to the budgeted cash flow which contained errors

Net cash flow from investing activities was less than what was budgeted for due to non implementation of capital projects

Operating Expenditure per Vote

Budget & Treasury overspent on its vote due to bad debts not written off during the year as discussed above

Corporate Service underspent due to the late implementation of special programmes

Community Services overspent due to an allocation received from the Department of Human Settlements which was not budgeted for

Technical Services was overspent due to inadequate budgeting for depreciation and amortisation as discussed above

Capital Expenditure per Vote

Strategic Planning & Development underspent due to operating projects budgeted as capital projects and late implementation of capital projects

Technical Services underspent due to internal projects and NER projects underspent

54.03 RECONCILIATION BETWEEN BUDGETS DISCLOSED AND APPROVED BUDGETS

	Revenue R	Expenditure R
Original Budget		
Budget approved by Council as per A schedules	206 053 977	165 485 834
Rebates and indigent support budgeted as expenditure and not netted off against Revenue	(4 638 103)	(4 638 103)
Revenue and Expenditure included in Discontinued Operation	(18 095 930)	(11 472 826)
Other immaterial/rounding variances	(193)	136
Total as per Statement of Comparison of Budget and Actual Amounts	183 319 751	149 375 041
Adjustment Budget		
Budget approved by Council as per B schedules	197 813 701	151 397 978
Rebates and indigent support budgeted as expenditure and not netted off against Revenue	(4 638 103)	(4 638 103)
Expenditure included in Discontinued Operation:	-	(492 000)
Other immaterial/rounding variances	485	138
Total as per Statement of Comparison of Budget and Actual Amounts	193 176 083	146 268 013

**APPENDIX A - Unaudited
ELUNDINI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Rate	Loan Number	Maturity date	Balance at 30 June 2012	Received during the period	Redeemed during the period	Balance at 30 June 2013
ANNUITY LOANS							
DBSA loan	17.36%	9004857	30/06/2015	203 731	-	(56 948)	146 783
Total Annuity Loans				203 731	-	(56 948)	146 783
LEASE LIABILITIES							
Kyocera Taskalfa 8000i	7.97%	ELM-4/031/2011-2012	31/08/2015	-	160 581	(32 453)	128 128
Kyocera Taskalfa 6550i	7.97%	ELM-4/031/2011-2012	31/08/2015	-	207 067	(41 847)	165 220
Kyocera Taskalfa 4500i	7.97%	ELM-4/031/2011-2012	31/08/2015	-	82 157	(16 604)	65 553
Kyocera Taskalfa 3500i	7.97%	ELM-4/031/2011-2012	31/08/2015	-	48 040	(9 709)	38 331
Kyocera Ecosys FS-3140MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	-	11 222	(2 268)	8 954
Kyocera Ecosys FS-6525MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	-	23 763	(4 802)	18 961
Kyocera Ecosys FS-6525MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	-	23 763	(4 802)	18 961
Total Lease Liabilities				-	556 593	(112 485)	444 108
TOTAL EXTERNAL LOANS				203 731	556 593	(169 433)	590 891

APPENDIX B - Unaudited
ELUNDINI LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

	Balance 1 July 2012 R	Contributions during the year R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2013 R	Unspent 30 June 2013 (Creditor) R	Unpaid 30 June 2013 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
<u>National Government Grants</u>							
0201/1201 - EQUITABLE SHARE	-	73 466 000	(73 466 000)	-	-	-	-
7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT	-	27 253 000	(1 676 464)	(24 779 094)	797 442	797 442	-
7140/5402 - NER	681 339	1 000 000	(325 475)	(747 599)	608 266	608 266	-
7140/5404 - FINANCIAL MANAGEMENT GRANT	-	1 500 000	(1 500 000)	-	-	-	-
7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-	800 000	(800 000)	-	-	-	-
7140/5405 - EPWP	-	1 753 000	(1 753 000)	-	-	-	-
Total National Government Grants	681 339	105 772 000	(79 520 938)	(25 526 693)	1 405 708	1 405 708	-
<u>Provincial Government Grants</u>							
7140/5411 - HAWKERS STALLS	1 753 924	-	-	-	1 753 924	1 753 924	-
7140/5426 - ELUNDINI HOUSING	71 732	-	-	-	71 732	71 732	-
7140/5430 - HOUSING PILOT	112 508	-	-	-	112 508	112 508	-
7140/5432 - LIBRARY FUND	107 828	-	-	-	107 828	107 828	-
7140/5443 - TOURISM	562 756	-	-	-	562 756	562 756	-
7140/5446 - LED OPEN	155 403	-	-	-	155 403	155 403	-
7140/5447 - MACLEAR GREENFIELD	651 784	-	-	-	651 784	651 784	-
7140/5455 - MADIBA CORRIDOR	700 000	-	-	-	700 000	700 000	-
7140/5457 - DEDEA BOTTLING WATER	1 250	-	-	-	1 250	1 250	-
7140/5470 - FURNITURE MANUFACTURING	1 056 856	-	(488 812)	(341 518)	226 526	226 526	-
7140/5433 - PUBLIC WORKS	-	1 994 088	(442 308)	-	1 551 780	1 551 780	-
7140/5466 - DEPARTMENT OF HOUSING	-	-	(1 022 499)	-	(1 022 499)	-	(1 022 499)
Total Provincial Grants	5 174 041	1 994 088	(1 953 620)	(341 518)	4 872 991	5 895 490	(1 022 499)
<u>District Municipality Grants</u>							
7140/5461 - WARD FUNCTIONS	42 196	-	-	-	42 196	42 196	-
7140/5463 - COMMUNITY PARTICIPATION	76 500	-	-	-	76 500	76 500	-
Total District Municipality Grants	118 696	-	-	-	118 696	118 696	-
<u>Other Grant Providers</u>							
7140/5403 - MSP	1 637 912	-	-	-	1 637 912	1 637 912	-
7140/5416 - VOTER STATION	299 896	-	-	-	299 896	299 896	-
7140/5422 - TOWN REGISTER	(36)	-	-	-	(36)	-	(36)
7140/5429 - KATLEHONG HOUSING	2 791	-	-	-	2 791	2 791	-
7140/5449 - LEAVE RESERVE	12 118	-	-	-	12 118	12 118	-
7140/5476 - ECDC	2 906 725	3 847 965	-	(4 494 969)	2 259 721	2 259 721	-
7140/5465 - SOCIAL DEVELOPMENT PROGRAMME	46 941	-	-	-	46 941	46 941	-
Total Other Grant Providers	4 906 347	3 847 965	-	(4 494 969)	4 259 344	4 259 380	(36)
TOTAL	10 880 423	111 614 053	(81 474 558)	(30 363 179)	10 656 738	11 679 274	(1 022 535)