

EMALAHLENI MUNICIPALITY



[These financial statements have been audited]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2014

EMALAHLENI MUNICIPALITY

INDEX

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2 - 3
Report of the Auditor General	N/A
Report of the Chief Financial Officer	4 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes In Net Assets	11
Cash Flow Statement	12
Statement of comparison of budget and actual amounts - Statement of Financial Position	13 - 14
Statement of comparison of budget and actual amounts - Statement of Financial Performance	15 - 16
Statement of comparison of budget and actual amounts - Cash Flow Statement	17 - 18
Accounting Policies	19 - 50
Notes to the Financial Statements	51 - 82
APPENDICES - Unaudited	
A Schedule of External Loans	83
B Segmental Statement of Financial Performance - Municipal Votes	84
C Segmental Statement of Financial Performance - GFS	85
D Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, Act 56 of 2003	86
E National Treasury Appropriation Statements	
Reconciliation of Table A1 Budget Summary	87
Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)	88
Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)	89
Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)	90
Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding	91
Reconciliation of Table A7 Budgeted Cash Flows	92

EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Emalahleni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

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

Dordrecht

Indwe

Lady Frere

MUNICIPAL MANAGER

Dr. S. W. Vatala

CHIEF FINANCIAL OFFICER

GP De Jager

REGISTERED OFFICE

Emalahleni Municipality; 37 Indwe Road; Lady Frere; 5410

AUDITORS

Office of the Auditor General

PRINCIPLE BANKERS

Standard Bank; 92 Cathcart RD; Queenstown; 5320

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

EMALAHLENI MUNICIPALITY

MEMBERS OF THE EMALAHLENI MUNICIPALITY

COUNCILLORS

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

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 92 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 is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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



Dr. S. W. Vatala
ACCOUNTING OFFICER

31 AUGUST 2014
Date

EMALAHLENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

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

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

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

2. KEY FINANCIAL INDICATORS

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

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

Financial Statement Ratios:

INDICATOR	2013/2014	2012/2013
Surplus / (Deficit) for the year before Appropriations	(5 328 949)	2 657 598
Accumulated Surplus / (Deficit) at the end of the Year	469 783 147	475 112 096
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	24.15%	28.42%
Remuneration of Councillors	5.01%	5.92%
Debt Impairment	9.83%	6.20%
Depreciation and Amortisation	10.39%	13.95%
Impairments	5.80%	0.01%
Repairs and Maintenance	4.45%	4.73%
Actuarial losses	0.40%	0.28%
Finance Charges	0.35%	0.42%
Bulk Purchases	6.56%	7.31%
Contracted services	2.04%	1.76%
Operating Grant Expenditure	9.94%	9.68%
General Expenses	16.78%	19.54%
Loss on disposal of Property, Plant and Equipment	4.30%	1.78%
Fair Value Adjustments		
Current Ratio:		
Creditors Days	92	32
Debtors Days	1 443	1 526

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

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/2014 R	Actual 2012/2013 R	Percentage Variance %	Budgeted 2013/2014 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	475 112 096	472 468 813	0.56%	446 322 678	-
Operating income for the year (incl. gains in disposal of assets)	190 503 608	156 394 421	21.81%	188 528 606	1.05%
Appropriations for the year	-	(14 316)	0.00%	-	-
	665 615 704	628 848 918	5.85%	634 851 284	4.85%
Expenditure:					
Operating expenditure for the year	195 832 558	153 736 822	27.38%	188 645 313	3.81%
Sundry transfers	-	-	0.00%	-	-
Closing surplus / (deficit)	469 783 147	475 112 096	-1.12%	446 205 971	-
	665 615 704	628 848 918	5.85%	634 851 284	4.85%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 37 101 365 (2012/2013: R 17 070 236), and in percentage terms amounts to 84.30% of budget. Full details of Property, Plant and Equipment are disclosed in note number 10 to the Annual Financial Statements.

The capital expenditure of R 35 789 215 (2013/14) was financed as follows:

DETAILS	Actual 2013/2014 R	Budgeted 2013/2014 R	Percentage Variance %	Source of funding as % of total Cap exp
Appropriation Account (Own Funds)	11 018 125	15 871 000	69.42%	29.70%
External Loans	-	-	-	-
Grants and Subsidies	26 083 240	28 138 000	92.70%	70.30%
Leased Assets	-	-	-	-
Public Contributions	-	-	-	-
	37 101 365	44 009 000	84.30%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013/2014
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	(5 212 242)
Revenue variances	1 914 936
Expenditure variances:	
Executive and Council	(3 101 372)
Budget and Treasury Office	5 135 463
Corporate Services	170 054
Community and Social Services	7 442 139
IPED	(110 994)
Technical Services	(2 347 308)
Actual surplus before appropriations	<u>3 890 676</u>

DETAILS	2013/2014
<i>Variance per Expenditure by Type:</i>	
Budgeted surplus before appropriations	(5 212 242)
Employee related costs	(68 202)
Remuneration of councillors	-
Debt impairment	(3 206 801)
Depreciation & asset impairment	5 446 604
Finance charges	-
Bulk purchases	(509 833)
Other materials	-
Contracted services	-
Grants and subsidies paid	1 476
Other expenditure	60 703
Loss on disposal of PPE	5 463 297
Actual surplus before appropriations	<u>1 975 003</u>

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

5.2 Capital Budget:

DETAILS	Actual 2013/2014 R	Budgeted 2013/2014 R	Variance actual/ budgeted R
Budget and Treasury	1 647 820	1 751 000	(103 180)
Community and Social Services	12 434 964	12 434 000	964
Corporate Services	133 091	140 000	(6 909)
Executive and Council	808 932	2 840 000	(2 031 068)
IPED	1 596 783	2 749 000	(1 152 217)
Technical Services	20 479 775	24 095 000	(3 615 225)
	<u>37 101 365</u>	<u>44 009 000</u>	<u>(6 907 635)</u>

Refer to Note number 11 and 36 for more detail.

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June was :

2014	2013
R	R
546 033	852 386

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

-	-
---	---

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

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

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	8 793 293	6 847 945
Provision for Post Retirement Benefits	5 220 472	3 671 582
Provision for Ex-Gratia Pension Benefits	-	-
Provision for Long Service Awards	1 453 534	1 169 744
Provision for Rehabilitation of Landfill-sites	2 119 287	2 006 619
Provision for Clearing of Alien Vegetation	-	-
	8 793 293	6 847 945

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

Refer to Notes number 3 and 4 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note Number 5	-	110 146
Current Employee benefits	Note Number 6	6 118 278	8 026 348
Provisions	Note number 4	648 650	617 632
Payables from exchange transactions	Note Number 7	14 893 407	4 516 388
Unspent Conditional Government Grants and Receipts	Note Number 8	1 801 337	7 225 458
Current Portion of Long-term Liabilities	Note Number 2	311 299	306 611
		23 772 971	20 802 584

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

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:

258 564	255 189
----------------	----------------

These are assets which cannot physically be identified and verified and are all in respect

Refer to Note Number 13 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

421 797 594	418 864 300
--------------------	--------------------

Refer to Note Number 10 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :

41 614 217	43 690 557
-------------------	-------------------

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities, Unspent Conditional Grants and Capital Commitments.

Refer to Note Number 19 for more detail.

11. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note Number 15	618 865	400 069
Receivables from exchange transactions	Note Number 16	10 686 536	10 359 504
Receivables from non-exchange transactions	Note Number 17	5 906 595	2 531 337
Unpaid Conditional Government Grants and Receipts	Note Number 8	34 684	-
Operating Lease Asset	Note Number 18	79 225	71 794
Taxes	Note Number 9	2 522 476	2 175 096
Cash and Cash Equivalents	Note Number 19	50 993 250	53 115 160
		<u>70 841 632</u>	<u>68 652 961</u>

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

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

Refer to note 8 and 19 for more detail

14. EVENTS AFTER THE REPORTING DATE

Full details of all events after reporting date are disclosed in note 44.

15. DISCLOSURE ISSUES

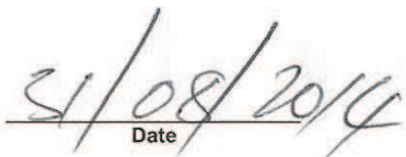
Possible outflow of recourses due the contingent liability disclosed in note 47.

16. EXPRESSION OF APPRECIATION

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

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.


Mr. G.P. De Jager
CHIEF FINANCIAL OFFICER


Date

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R	2013 R
NET ASSETS AND LIABILITIES			
Net Assets		469 783 147	475 112 096
Accumulated Surplus/(Deficit)		469 783 147	475 112 096
Non-Current Liabilities		8 811 669	7 261 107
Long-term Liabilities	2	234 735	545 775
Employee benefits	3	6 457 647	4 708 713
Non-Current Provisions	4	2 119 287	2 006 619
Current Liabilities		23 772 971	20 802 584
Consumer Deposits	5	-	110 146
Current Employee benefits	6	6 118 278	8 026 348
Provisions	4	648 650	617 632
Payables from exchange transactions	7	14 893 407	4 516 388
Unspent Conditional Government Grants and Receipts	8	1 801 337	7 225 458
Current Portion of Long-term Liabilities	2	311 299	306 611
Total Net Assets and Liabilities		502 367 787	503 175 787
ASSETS			
Non-Current Assets		431 526 155	434 522 825
Property, Plant and Equipment	10	421 797 594	418 864 300
Investment Property	11	8 394 358	14 200 523
Capitalised Restoration cost	12	951 638	1 202 813
Intangible Assets	13	258 564	255 189
Heritage Assets	14	124 000	-
Current Assets		70 841 632	68 652 961
Inventory	15	618 865	400 069
Receivables from exchange transactions	16	10 686 536	10 359 504
Receivables from non-exchange transactions	17	5 906 595	2 531 337
Unpaid Conditional Government Grants and Receipts	8	34 684	-
Operating Lease Asset	18	79 225	71 794
VAT	9	2 522 476	2 175 096
Cash and Cash Equivalents	19	50 993 250	53 115 160
Total Assets		502 367 787	503 175 787

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Actual R	2013 Restated R	2013 Correction of Error R	2013 Previously reported R
REVENUE					
Revenue from Non-exchange Transactions		131 289 151	109 782 105	(335 524)	110 117 629
Taxation Revenue		3 218 438	3 194 187	(335 524)	3 529 711
Property rates	20	3 218 438	3 194 187	(335 524)	3 529 711
Transfer Revenue		126 639 577	106 208 009	-	106 208 009
Government Grants and Subsidies - Capital	21	28 198 256	20 792 761	-	20 792 761
Government Grants and Subsidies - Operating	21	98 441 321	85 415 248	-	85 415 248
Other Revenue		1 431 136	379 908	-	379 908
Actuarial Gains		-	141 077	-	141 077
Reversal of Impairment		3 547	-	-	-
Fines		115 439	516	-	516
Contributed Assets		1 312 150	238 316	-	238 316
Revenue from Exchange Transactions		59 214 458	46 612 316	39 200	46 573 116
Service Charges	22	21 380 644	14 913 989	-	14 913 989
Rental of Facilities and Equipment		731 448	897 404	277 642	619 762
Interest Earned - external investments	23	3 004 556	2 861 731	-	2 861 731
Interest Earned - outstanding debtors	23	7 833 978	6 439 447	(31 875)	6 471 322
Licences and Permits		383 000	352 691	-	352 691
Agency Services		61 196	92 647	-	92 647
Other Income	24	25 819 636	21 054 407	90	21 054 317
Gain on disposal of Property, Plant and Equipment		-	-	(206 657)	206 657
Total Revenue		190 503 608	156 394 421	(296 324)	156 690 745
EXPENDITURE					
Employee related costs	25	47 294 569	43 684 642	-	43 684 642
Remuneration of Councillors	26	9 811 645	9 101 125	0	9 101 125
Debt Impairment	27	19 244 626	9 539 098	-	9 539 098
Depreciation and Amortisation	28	20 348 278	21 442 304	1 311 668	20 130 637
Impairments	10,11,12	11 354 726	9 163	9 163	-
Repairs and Maintenance	30	8 712 396	7 278 116	(20 556)	7 298 672
Actuarial losses	3	791 293	428 420	-	428 420
Finance Charges	29	689 786	642 254	112 640	529 615
Bulk Purchases	31	12 850 609	11 232 475	-	11 232 475
Contracted services		3 994 239	2 713 254	-	2 713 254
Other Operating Grant Expenditure	32	19 462 161	14 885 654	7 519	14 878 136
General Expenses	33	32 859 522	30 036 759	(2 051 944)	32 088 704
Loss on disposal of Property, Plant and Equipment		8 418 708	2 743 558	(721 339)	3 464 897
Total Expenditure		195 832 558	153 736 822	(1 352 851)	155 089 673
NET SURPLUS/(DEFICIT) FOR THE YEAR		(5 328 949)	2 657 598	1 056 527	1 601 071

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2012	424 665 094	424 665 094
Correction of error/Change in accounting policy	47 803 719	47 803 719
Restated Balance at 1 JULY 2012	472 468 813	472 468 813
Correction of error/Change in accounting policy	(14 316)	(14 316)
Net Surplus for the year	2 657 598	2 657 598
Balance at 30 JUNE 2013	475 112 096	475 112 096
Net Deficit for the year	(5 328 949)	(5 328 949)
Balance at 30 JUNE 2014	469 783 147	469 783 147

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		30 067 605	23 446 666
Government - operating	21	98 441 321	85 415 248
Government - capital	21	22 739 451	23 094 977
Interest		10 838 533	9 301 178
Payments			
Suppliers		(69 422 852)	(64 563 747)
Employees	25	(47 319 163)	(42 691 537)
Councillors	26	(9 811 645)	(9 101 125)
Finance charges	30	(137 297)	(244 479)
Cash generated by operations	35	35 395 953	24 657 181
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(36 899 452)	(16 944 128)
Proceeds on Disposals		-	-
Purchase of Heritage Assets		(124 000)	-
Purchase of Intangible Assets	13	(77 913)	(126 108)
Net Cash from Investing Activities		(37 101 365)	(17 070 236)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(306 352)	(545 422)
New loans raised		-	-
(Decrease)/Increase in Consumer Deposits		(110 146)	9 400
Net Cash from Financing Activities		(416 499)	(536 022)
NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS		(2 121 910)	7 050 923
Cash and Cash Equivalents at the beginning of the year		53 115 160	46 064 237
Cash and Cash Equivalents at the end of the year	36	50 993 250	53 115 160
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2 121 910)	7 050 923

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R	2014 R	2014 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Actual)	(Final Budget)	(Variance)		
ASSETS					
Current assets					
Cash	9 379 033	2 778 000	6 601 033	238%	Surplus cash has been invested to optimize the income from surplus cash
Call investment deposits	41 614 217	30 000 000	11 614 217	39%	More were invest than expected
Consumer debtors	10 686 536	6 461 130	4 225 406	65%	Increased billing with a lower than expected payment rate increased the debtor balance
Other Receivables	8 542 981	4 000 000	4 542 981	114%	Receivables increased due to transferring of Fruitless and Wasteful expenditure to Debtors for recovery & VAT Discontinued operation
Current portion of long-term receivables	-	-	-	-	
Inventory	6 18 865	400 000	218 865	55%	Inventory relates to higher stock levels for Water services R&M
Total current assets	<u>70 841 632</u>	<u>43 639 130</u>	<u>27 202 502</u>		
Non current assets					
Long-term receivables	-	-	-		
Capitalised Restoration cost	951 638	-	951 638	100%	First time recognition of Capitalised Restoration Cost
Investment property	8 394 358	25 416 900	(17 022 542)	-67%	Investment property were transferred to Land & Buildings
Property, plant and equipment	421 797 594	404 750 648	17 046 946	4%	Capital acquisitions for the year were not budget for in full
Biological Assets	-	-	-		
Intangible Assets	258 564	255 000	3 564	1%	
Heritage Assets	124 000	-	124 000		
Total non current assets	<u>431 526 155</u>	<u>430 422 548</u>	<u>1 103 607</u>		
TOTAL ASSETS	<u>502 367 787</u>	<u>474 061 678</u>	<u>28 306 109</u>		
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-		
Borrowing	311 299	-	311 299	100%	Lease payments budget for under balances and not for the short term portion. Short term portion provided for in statement of Financial Performance in Special adjustment budget
Consumer deposits	-	110 000	(110 000)	-100%	Consumer deposits written off as per council resolution.
Trade and other payables	16 694 745	10 593 000	6 101 745	58%	Increased due to provision for retention on all capital projects and surety.
Provisions and Employee Benefits	6 766 928	6 592 000	174 928	3%	
Total current liabilities	<u>23 772 971</u>	<u>17 295 000</u>	<u>6 477 971</u>		
Non current liabilities					
Borrowing	234 735	852 000	(617 265)	-72%	Lease payments budget for under balances and not for the short term portion. Short term portion provided for in statement of Financial Performance in Special adjustment budget
Provisions and Employee Benefits	8 576 934	9 592 000	(1 015 066)	-11%	Less were budget for Employee benefits provision
Total non current liabilities	<u>8 811 669</u>	<u>10 444 000</u>	<u>(1 632 331)</u>		
TOTAL LIABILITIES	<u>32 584 641</u>	<u>27 739 000</u>	<u>4 845 641</u>		
NET ASSETS	<u>469 783 146</u>	<u>446 322 678</u>	<u>23 460 468</u>	5%	
COMMUNITY WEALTH					
Accumulated Surplus/(Deficit)	469 783 147	446 322 678	23 460 469	5%	
Reserves	-	-	-	0%	
TOTAL COMMUNITY WEALTH/EQUITY	<u>469 783 147</u>	<u>446 322 678</u>	<u>23 460 469</u>	5%	

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R	2014 R	2014 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)		
ASSETS					
Current assets					
Cash	42 960 683	(40 182 683)	2 778 000	-94%	Budget was understated
Call investment deposits	50 000 000	(20 000 000)	30 000 000	100%	Final Budget was understated
Consumer debtors	1 771 742	4 689 388	6 461 130	265%	Reduced impairment provided in Adjustment budget
Other Receivables	4 184 190	(184 190)	4 000 000	-4%	
Current portion of long-term receivables	-	-	-		
Inventory	299 608	100 192	400 000	33%	Inventory were increased due to higher Repair & Maintenance
Total current assets	<u>99 216 423</u>	<u>(65 577 293)</u>	<u>43 639 130</u>		
Non current assets					
Long-term receivables	-	-	-		
Investments	-	-	-		
Investment property	-	25 416 900	25 416 900	100%	Were not budget for previous
Property, plant and equipment	256 080 341	148 670 307	404 750 648	58%	Additions were not provided for in the budget.
Biological Assets	-	-	-		
Intangible Assets	707 359	(452 359)	255 000	-64%	Removal/Depreciation of intangible assets higher than budget
Heritage Assets	-	-	-		
Total non current assets	<u>256 787 700</u>	<u>173 634 848</u>	<u>430 422 548</u>		
TOTAL ASSETS	<u>356 004 123</u>	<u>118 057 555</u>	<u>474 061 678</u>		
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-		
Borrowing	-	-	-		
Consumer deposits	41 987	68 013	110 000	162%	Budget was understated
Trade and other payables	5 081 815	5 511 185	10 593 000	108%	Budget was understated
Provisions and Employee Benefits	11 294 151	(4 702 151)	6 592 000	-42%	Final Budget was understated
Total current liabilities	<u>16 417 953</u>	<u>877 047</u>	<u>17 295 000</u>		
Non current liabilities					
Borrowing	-	852 000	852 000	-100%	Correction of budget oversight.
Provisions and Employee Benefits	7 305 656	2 286 344	9 592 000	31%	
Total non current liabilities	<u>7 305 656</u>	<u>3 138 344</u>	<u>10 444 000</u>		
TOTAL LIABILITIES	<u>23 723 609</u>	<u>4 015 391</u>	<u>27 739 000</u>		
NET ASSETS	<u>332 280 514</u>	<u>114 042 164</u>	<u>446 322 678</u>	34%	Net result off all adjustments made
COMMUNITY WEALTH					
Accumulated Surplus/(Deficit)	332 280 514	114 042 164	446 322 678	34%	Net result off all adjustments made
Reserves	-	-	-	0%	
TOTAL COMMUNITY WEALTH/EQUITY	<u>332 280 514</u>	<u>114 042 164</u>	<u>446 322 678</u>	34%	Net result off all adjustments made

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R	2014 R	2014 R	2014 R	2014 R	2014 R	2014 R
	(Actual)	(Adjustment Budget)	(Variance)	Special Adjustments / Unforeseen & Unavoidable	(Final Budget)	(Variance)	%
REVENUE BY SOURCE							
Property rates	3 218 438	1 974 800	1 243 638	-	1 974 800	1 243 638	63.0%
Property rates - penalties & collection charges	-	-	-	-	-	-	-
Service charges	21 380 644	16 215 880	5 164 764	-	16 215 880	5 164 764	31.9%
Rental of facilities and equipment	731 448	586 033	145 415	-	586 033	145 415	24.8%
Interest earned - external investments	3 004 556	2 025 000	979 556	-	2 025 000	979 556	48.4%
Interest earned - outstanding debtors	7 833 978	4 949 919	2 884 059	-	4 949 919	2 884 059	58.3%
Dividends received	-	-	-	-	-	-	-
Fines	115 439	-	115 439	-	-	115 439	100.0%
Licences and permits	383 000	483 600	(100 600)	-	483 600	(100 600)	-20.8%
Agency services	61 196	1 199 700	(1 138 504)	-	1 199 700	(1 138 504)	-94.9%
Government Grants and Subsidies - Operating	98 441 321	98 549 737	(108 416)	-	98 549 737	(108 416)	-0.1%
Other revenue	25 823 183	34 405 748	(8 582 565)	-	34 405 748	(8 582 565)	-24.9%
Contributed Assets	1 312 150	-	1 312 150	-	-	1 312 150	100.0%
Gains on disposal of PPE	-	-	-	-	-	-	0.0%
Total Operating Revenue	162 305 352	160 390 417	1 914 936	-	160 390 417	1 914 936	
EXPENDITURE BY TYPE							
Employee related costs	47 294 569	50 318 182	(3 023 613)	(2 955 411)	47 362 771	(68 202)	-0.1%
Remuneration of councillors	9 811 645	9 740 390	71 255	71 255	9 811 645	-	0.0%
Debt impairment	19 244 626	3 156 372	16 088 254	19 295 055	22 451 427	(3 206 801)	-14.3%
Depreciation & asset impairment	31 703 004	22 435 234	9 267 770	3 821 166	26 256 400	5 446 604	20.7%
Finance charges	689 786	170 000	519 786	519 786	689 786	-	0.0%
Bulk purchases	12 850 609	15 966 127	(3 115 518)	(2 605 685)	13 360 442	(509 833)	-3.8%
Other materials	-	-	-	-	-	-	-
Contracted services	3 994 239	4 685 000	(670 761)	(670 761)	3 994 239	-	0.0%
Grants and subsidies paid	19 462 161	25 614 183	(6 152 022)	(6 153 498)	19 460 685	1 476	0.0%
Other expenditure	42 363 210	56 579 825	(14 216 614)	(14 277 317)	42 302 507	60 703	0.1%
Loss on disposal of PPE	8 418 708	-	8 418 708	2 955 411	2 955 411	5 463 297	184.9%
Total Operating Expenditure	195 832 558	188 645 313	7 187 245	-0	188 645 313	7 187 245	3.8%
Operating Deficit for the year	(33 527 205)	(28 254 896)	(5 272 309)	0	(28 254 896)	(5 272 309)	18.7%
Government Grants and Subsidies - Capital	28 198 256	28 138 189	60 067	-	28 138 189	60 067	0.2%
Discontinued Operations	-	-	-	-	-	-	-
Net Deficit for the year	(5 328 949)	(116 707)	(5 212 242)	0	(116 707)	(5 212 242)	4466.1%

Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million

Correction of supplementary valuation roll.

Higher income due to revenue enhancement strategy and higher tariffs by CHDM
Lower rental than expected

Higher income due to aggressive investment approach on surplus cash

Higher levies of interest due to low payment rate by consumers

Fines were not budget for

Licence and permits not realising dependant on vehicle owners.

Administration cost from CHDM were wrongly budget for

Other revenue did not materialise as expected.

No budget for Contributed assets

Provision for depreciation is unknown until year end with additions included

Provision for Disposal loss unknown until actual disposal.

Water & Sanitation Revenue transferred to CHDM

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R	2014 R	2014 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Actual)	(Final Budget)	(Variance)		
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	30 067 605	54 865 978	(24 798 373)	-45%	Increase in Service Charges
Government - operating	98 441 321	98 549 737	(108 416)	0%	Grants and Subsidies were not utilized in full
Government - capital	22 739 451	28 138 189	(5 398 738)	-19%	Grants and Subsidies were not utilized in full
Interest	10 838 533	6 974 919	3 863 614	55%	More investments were made during the year
Dividends	-	-	-		
Payments					
Suppliers and Employees	(69 422 852)	(91 153 890)	21 731 038	-24%	Payments on Suppliers were wrongly budget for
Employees	(47 319 163)	(40 295 071)	(7 024 092)	17%	
Councillors	(9 811 645)	(8 977 258)	(834 387)	9%	
Finance charges	(137 297)	(170 000)	32 703	-19%	Interest were more for Employee Benefits Provision
Transfers and Grants	-	(25 614 183)	25 614 183	-100%	Were utilized under Ratepayers for indigents
NET CASH FROM/(USED) OPERATING ACTIVITIES	35 395 953	22 318 420	-		
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of Assets	-	-	-		
Decrease/(increase) in non-current receivables	-	-	-		
Decrease/(increase) in non-current investments	-	-	-	0%	No transfer of investments
Payments					
Capital assets	(37 101 365)	(43 709 000)	6 607 635	-15%	Less Capital grants were utilized
NET CASH FROM/(USED) INVESTING ACTIVITIES	(37 101 365)	(43 709 000)	6 607 635		
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Borrowing	-	-	-		
Increase/(decrease) in consumer deposits	(110 146)	-	(110 146)	0%	Were not budget for
Payments					
Repayment of borrowing	(306 352)	-	(306 352)	0%	Were not budget for
	(416 499)	-	-416 499		
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2 121 910)	(21 390 580)	6 191 136		
NET INCREASE/(DECREASE) IN CASH HELD	53 115 160	53 115 160	0	0%	
Cash and Cash Equivalents at the beginning of the year	50 993 250	31 724 580	19 268 669	61%	Less Grants were utilized and are invested.

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R	2014 R	2014 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)		
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	38 260 217	16 605 761	54 865 978	43%	Original Budget were wrongly allocated
Government - operating	125 636 050	(27 086 313)	98 549 737	-22%	More Grants for Operating Expenditure
Government - capital	25 916 950	2 221 239	28 138 189	9%	Less Grants for Capital Expenditure
Interest	5 793 157	1 181 762	6 974 919	20%	More Investments were made
Dividends	-	-	-		
Payments					
Suppliers and Employees	(156 880 323)	16 454 105	(140 426 219)	-10%	Payments on Suppliers were wrongly budget for
Finance charges	(389 416)	219 416	(170 000)	-56%	
Transfers and Grants	(6 587 350)	(19 026 833)	(25 614 183)	100%	No Budget for Subsidy of indigents
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>31 749 285</u>	<u>-9 430 864</u>	<u>22 318 420</u>		
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of Assets	-	-	-		
Decrease/(increase) in non-current receivables	-	-	-		
Decrease/(increase) in non-current investments	8 000 000	(8 000 000)	-	100%	Budget for transfer of investments
Payments					
Capital assets	(39 741 700)	(3 967 300)	(43 709 000)	10%	Capital budget increase
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(31 741 700)</u>	<u>(11 967 300)</u>	<u>(43 709 000)</u>		
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Borrowing	-	-	-		
Increase/(decrease) in consumer deposits	-	-	-		
Payments					
Repayment of borrowing	-	-	-		
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>		
NET INCREASE/(DECREASE) IN CASH HELD	7 585	(21 398 164)	(21 390 580)		
Cash and Cash Equivalents at the beginning of the year	42 952 984	10 162 176	53 115 160	24%	
Cash and Cash Equivalents at the end of the year	42 960 569	(11 235 988)	31 724 580	-26%	Budget for less cash available at year end

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations	1 April 2014

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.

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.4. COMPARATIVE INFORMATION

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

1.5 AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. 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 Statements of Comparison of Budget and Actual Amounts.

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an Municipality as a single entity.</p> <p>No significant impact is expected as the Municipality already complies with most of the changes.</p>	Unknown
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>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 appendices to the financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that an Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

<p>GRAP 32 (Original – Aug 2013)</p>	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<p>1 July 2015</p>
<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 is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<p>1 July 2015</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 is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<p>1 July 2015</p>
<p>GRAP 108 (Original – Sept 2013)</p>	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

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

1.9. LEASES

1.9.1 Municipality as Lessee

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

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.9.2 Municipality as Lessor

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

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

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.12. 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.

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.

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.

1.13. 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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

1.13.2 Long Service Awards

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

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

1.13.3 Provision for Accrued 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. Unused leave is being capped at 48 days.

Accumulated leave is vesting.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.13.4 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.

1.13.5 Provision for Performance Bonuses

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

1.13.6 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.

1.13.7 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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. 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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	20 - 100
Infrastructure	Landfill Site	10 – 100
	Electricity	2 – 75
	Water	12 – 182
	Roads	2 – 103
	Security Measures	5 – 50
Community Assets	Cemeteries & Fencing	10 – 100
	Halls	90 - 100
	Library	90 - 100
	Buildings Other	20 – 100
	Parks and Gardens	10 - 50
	Recreation	5 - 100
Leased Asset	None	1 - 13
Heritage	None	Indefinite
Other Assets	Computer Hardware	2 – 15
	Plant and Equipment	1 – 20
	Furniture and Other Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	2 – 55

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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

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

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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>	Years
Computer Software	2 - 10
Computer Software Licenses	2 - 10

1.16.4 De-recognition

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

1.16.5 Application of deemed cost (Directive 7)

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

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

1.17.2 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>	Years
Buildings	20 - 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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.17.5 Application of deemed cost - Directive 7

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

1.18. HERITAGE ASSETS

1.18.1 Initial Recognition

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

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

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

1.18.2 Subsequent Measurement – Cost Model

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

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets 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.

1.18.4 De-recognition

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.18.5 Application of deemed cost - Directive 7

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

1.19.2 Non-cash-generating assets

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

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

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

(a) External sources of information

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

An impairment loss is recognised immediately in surplus or deficit.

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.

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

1.21. FINANCIAL INSTRUMENTS

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

1.21.1 Initial Recognition

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

1.21.2 Subsequent Measurement

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

1.21.2.1 Receivables

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

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

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

1.21.2.2 *Payables and Annuity Loans*

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

1.21.2.3 *Cash and Cash Equivalents*

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

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

1.21.2.4 *Non-Current Investments*

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

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

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

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

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

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

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

1.21.3.2 Financial Liabilities

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

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

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.22. REVENUE

1.22.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

1.22.2 Revenue from Exchange Transactions

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

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

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

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

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

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

Revenue from the sale of goods is recognised when:

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

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

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

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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

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

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

1.23. RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

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

Management personnel include:

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

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

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

1.24. UNAUTHORISED EXPENDITURE

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

1.25. IRREGULAR EXPENDITURE

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

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. A Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.28.1 Post-retirement medical obligations 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 annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 Impairment of Receivables

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

1.28.3 Property, Plant and Equipment

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

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

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

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

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

- cost of items with a similar nature currently in the Municipality's asset register;

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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.

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

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

1.28.5 Provisions and Contingent Liabilities

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

1.28.6 Investment Property

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

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

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

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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 Accrued 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. Unused leave is being capped at 48 days.

1.28.10 Provision for Performance bonuses

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

1.28.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

1.28.13 Impairments of assets – Capitalised Restoration Cost

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

1.29. TAXES – VALUE ADDED TAX

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

1.30. CAPITAL COMMITMENTS

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

1.31. EVENTS AFTER REPORTING DATE

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

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

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

2 LONG-TERM LIABILITIES	2014 R	2013 R
Capitalised Lease Liability - At amortised cost	203 916	411 443
Hire Purchase	342 118	440 942
	546 033	852 386
Less: Current Portion transferred to Current Liabilities	311 299	306 611
Capitalised Lease Liability - At amortised cost	203 916	207 528
Hire Purchase	107 383	99 084
Total Long-term Liabilities - At amortised cost	234 735	545 775

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	232 895	310 526
Payable within two to five years	-	232 895
Payable after five years	-	-
	232 895	543 421
Less: Future finance obligations	(28 979)	(131 977)
Present value of lease obligations	203 916	411 444

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
NRG Office Solutions (Pty) Ltd	3 x Kyocera FS 3640	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	2 x Taskalfa 3500i	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	1 x Taskalfa 6550ci	32.04%	0%	3 Years	20/03/2015
NRG Office Solutions (Pty) Ltd	1 x Taskalfa 8000i	32.04%	0%	3 Years	20/03/2015

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	133 825	132 771
Payable within two to five years	256 499	387 250
Payable after five years	-	-
	390 324	520 022
Less: Future finance obligations	(48 206)	(79 079)
Present value of hire purchase obligations	342 118	440 942

Leases are secured by property, plant and equipment - Note

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

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Standard Bank	TOYOTA COROLLA	9.00%	0%	5 Years	15/05/2017
Standard Bank	NISSAN QASHQAI	9.00%	0%	5 Years	15/05/2017

3	EMPLOYEE BENEFITS	2014 R	2013 R
	Post Retirement Benefits - Refer to Note 3.1	5 220 472	3 648 530
	Long Service Awards - Refer to Note 3.2	1 237 175	1 060 183
	Total Non-current Employee Benefit Liabilities	6 457 647	4 708 713
	 <u>Post Retirement Benefits</u>	 2014 R	 2013 R
	Balance 1 July	3 671 582	2 718 236
	Contribution for the year	429 760	327 868
	Interest Cost	350 081	228 467
	Expenditure for the year	(14 405)	(31 410)
	Actuarial Loss/(Gain)	783 454	428 421
	Total post retirement benefits 30 June	5 220 472	3 671 582
	Less: Transfer of Current Portion - Note 6	-	(23 052)
	Balance 30 June	5 220 472	3 648 530
	 <u>Long Service Awards</u>	 2014 R	 2013 R
	Balance 1 July	1 169 744	1 015 347
	Contribution for the year	241 094	316 259
	Interest Cost	78 853	56 669
	Expenditure for the year	(43 996)	(77 454)
	Actuarial Loss/(Gain)	7 839	(141 077)
	Total long service 30 June	1 453 534	1 169 744
	Less: Transfer of Current Portion - Note 6	(216 359)	(109 561)
	Balance 30 June	1 237 175	1 060 183
	 <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>	 2014 R	 2013 R
	Balance 1 July	4 841 326	3 733 583
	Contribution for the year	670 854	644 127
	Interest cost	428 934	285 136
	Expenditure for the year	(58 401)	(108 864)
	Actuarial Loss/(Gain)	791 293	287 344
	Total employee benefits 30 June	6 674 006	4 841 326
	Less: Transfer of Current Portion - Note 6	(216 359)	(132 613)
	Balance 30 June	6 457 647	4 708 713
3.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined contribution plan, of which the members are made up as follows:		
	In-service (employee) members	87	71
	In-service (employee) non-members	112	98
	Continuation members (e.g. Retirees, widows, orphans)	-	1
	Total Members	199	170
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	4 533 826	3 423 100
	Continuation members	686 646	248 482
	Total Liability	5 220 472	3 671 582
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	In-service members	R 3 423 100	R 2 022 025
	Continuation members	248 482	196 663
	Total Liability	3 671 582	2 218 688
	Experience adjustments were calculated as follows:	2014 Rm	2 013 Rm
	Liabilities: (Gain) / loss	0.282	0.546
	Assets: Gain / (loss)	0.000	-
	The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25		

3 EMPLOYEE BENEFITS (CONTINUED)

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

Bonitas;
Hosmed
LA Health
Samwumed; and
Key health.

Key actuarial assumptions used:

i) Rate of interest

	2014	2013
Discount rate	9.19%	9.56%
Health Care Cost Inflation Rate	8.28%	8.07%
Net Effective Discount Rate	0.84%	1.39%

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

ii) Mortality rates

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

iii) Normal retirement age

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

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

	2014	2013
Present value of fund obligations	5 220 472	3 671 582
Total Liability	5 220 472	3 671 582

The fund is entirely unfunded.

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

Reconciliation of present value of fund obligation:

	2014	2013
Present value of fund obligation at the beginning of the year	3 671 582	2 718 236
Total expenses	765 436	524 925
Current service cost	429 760	327 868
Interest Cost	350 081	228 467
Benefits Paid	(14 405)	(31 410)
Actuarial (gains)/losses	783 454	428 421
Present value of fund obligation at the end of the year	5 220 472	3 671 582
Less: Transfer of Current Portion - Note 6	-	(23 052)
Balance 30 June	5 220 472	3 648 530

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	5.220	0.000	5.220	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	6.281	0.000	6.281	20%
Health care inflation	-1%	4.378	0.000	4.378	-16%
Discount Rate	1%	4.391	0.000	4.391	-16%
Discount Rate	-1%	6.282	0.000	6.282	20%
Post-retirement mortality	-1 year	5.417	0.000	5.417	4%
Average retirement age	-1 year	5.793	0.000	5.793	11%
Continuation of membership at retirement	-10%	4.399	0.000	4.399	-16%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		429 800	350 100	779 900	
Health care inflation	1%	524 200	417 000	941 200	21%
Health care inflation	-1%	355 700	296 500	652 200	-16%
Post-retirement mortality	-1 year	444 900	362 900	807 800	4%
Average retirement age	-1 year	481 500	389 900	871 400	12%
Withdrawal Rate	-50%	490 800	380 900	871 700	12%

3	EMPLOYEE BENEFITS (CONTINUED)	2014	2013
	3.2 Long Service Bonuses		
	The Long Service Bonus plans are defined benefit plans.		
	As at year end, the following number of employees were eligible for Long Service Bonuses.	199	177
	Key actuarial assumptions used:		
	i) Rate of interest	2014	2013
		%	%
	Discount rate	7.75%	7.07%
	General Salary Inflation (long-term)	6.99%	6.71%
	Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.70%	0.33%
	The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"		
	The amounts recognised in the Statement of Financial Position are as follows:	R	R
	Present value of fund obligations	1 453 534	1 169 744
	Net liability	1 453 534	1 169 744
	The liability in respect of periods commencing prior to the comparative year has been estimated as		
	Total Liability	1 453 534	1 169 744

Experience adjustments were calculated as follows:	2014	2 013	2 012
	R	R	R
Liabilities: (Gain) / loss	107 994	(9 640)	-
Assets: Gain / (loss)	-	-	-

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

Reconciliation of present value of fund obligation:	R	R
Present value of fund obligation at the beginning of the year	1 169 744	1 015 347
Total expenses	275 951	295 474
Current service cost	241 094	316 259
Interest Cost	78 853	56 669
Benefits Paid	(43 996)	(77 454)
Actuarial (gains)/losses	7 839	(141 077)
Present value of fund obligation at the end of the year	1 453 534	1 169 744
Less: Transfer of Current Portion - Note 6	(216 359)	(109 561)
Balance 30 June	1 237 175	1 060 183

Sensitivity Analysis on the Unfunded Accrued Liability			
Assumption	Change	Liability (R)	% change
Central assumptions		1,454	
General salary inflation	1.00%	1,534	6%
General salary inflation	-1.00%	1,380	-5%
Discount Rate	1.00%	1,376	-5%
Discount Rate	-1.00%	1,540	6%
Average retirement age	-2 yrs	1,358	-7%
Average retirement age	+2 yrs	1,540	6%
Withdrawal rates	-50.00%	1,743	20%

3 EMPLOYEE BENEFITS (CONTINUED)

3.3 Retirement funds

<u>CAPE JOINT PENSION FUND</u>	Contributing members
The contribution rate payable is 9% by members and 18% by Council.	80

Contributions paid recognised in the Statement of Financial Performance

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

Contributions paid recognised in the Statement of Financial Performance

DEFINED CONTRIBUTION FUNDS

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

	Last Actuarial Valuation	Contributing members
South African Local Authorities Pension Fund	2013/06/30	41
Municipal Councillors Pension Fund	2009/06/30	33
SAMWU National Provident Fund	2008/06/30	67

The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2012 - 100%). The fund's actuary recommended that the participating employers continue to contribute at the rate of 20.78% which prevailed prior to the 30 June 2013 valuation.

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

Contributions paid recognised in the Statement of Financial Performance

Sala Pension Fund
 Municipal Councillors Pension Fund
 SAMWU National Provident Fund

	2014	2013
	R	R
	1 618 198	1 015 198
	R	R
	-	-
	928 313	1 048 860
	736 760	739 169
	1 176 615	1 065 500
	2 841 689	2 853 529

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4	NON-CURRENT PROVISIONS	2014 R	2013 R
	Provision for Rehabilitation of Landfill-sites	2 119 287	2 006 619
	Total Non-current Provisions	2 119 287	2 006 619
	<p>The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial position. The provision is calculated in order to finance the rehabilitation cost of each cell when it reaches 100% capacity. The expected cash flow outflow, within one year; relates to all three sites of the case of all three sites there is already a shortcoming in the day to day operations of the sites these cost is represented by the short-term portion of the non-current provision.</p> <p>The landfill sites in operation are Lady Frere; Dordrecht and Indwe.</p>		
	Landfill Sites	R	R
	Balance 1 July	2 624 251	2 488 712
	Increase in Estimate	20 131	22 899
	Unwinding of discounted interest	123 555	112 640
	Total provision 30 June	2 767 937	2 624 251
	Less: Transfer of Current Portion to Current Provisions - Note	(648 650)	(617 632)
	Balance 30 June	2 119 287	2 006 619

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

<u>Location</u>	<u>Estimated decommission date</u>	<u>Rehabilitation cost of cell in use</u>	<u>Rehabilitation cost of cell in use</u>
		R	R
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	2034	1 211 112	1 142 716
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	2020	908 176	863 903
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	2014	648 650	617 632
		2 767 937	2 624 251

Material Assumptions used

Area of landfill site consumed	2012	2 013	2 014
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	37.80%	39.15%	40.45%
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	72.67%	73.79%	74.83%
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	74.54%	85.41%	89.78%
Discount Rate used		4.53%	4.71%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

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

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

6	CURRENT EMPLOYEE BENEFITS	2014 R	2013 R
	Current Portion of Post Retirement Benefits - Note 3	-	23 052
	Current Portion of Long-Service Provisions - Note 3	216 359	109 561
	Provision for Staff Leave	4 118 973	3 166 356
	Provision for Performance Bonuses	511 610	2 485 821
	Staff Bonuses accrued	932 737	780 571
	Provision for Compensation for injuries on duty contribution	338 599	1 460 988
	Total Current Employee Benefits	6 118 278	8 026 348
	The movement in current employee benefits is reconciled as follows:		
	<u>Provision for Staff Leave</u>		
	Balance at beginning of year	3 166 356	3 136 419
	Contribution to current portion	1 827 488	369 437
	Expenditure incurred	(874 871)	(339 501)
	Balance at end of year	4 118 973	3 166 356
	Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is a possibility of reimbursement based on trends in the past.		
	<u>Provision for Performance Bonuses</u>		
	Balance at beginning of year	2 485 821	1 854 687
	Contribution to current portion	435 190	631 134
	Expenditure incurred	(2 409 401)	-
	Balance at end of year	511 610	2 485 821
	Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. The evaluations for 2012 are outstanding.		
	<u>Staff Bonuses accrued</u>		
	Balance at beginning of year	780 571	674 343
	Contribution to current portion	1 827 363	1 576 183
	Expenditure incurred	(1 675 197)	(1 469 955)
	Balance at end of year	932 736	780 571
	Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.		
	<u>Provision for Compensation for injuries on duty contribution</u>		
	Balance at beginning of year	1 460 988	1 185 774
	Contribution to current portion	232 381	275 214
	Expenditure incurred	(1 354 770)	-
	Balance at end of year	338 599	1 460 988
	The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.		
7	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	9 155 830	2 764 560
	Third party payables (Payroll)	114 198	10 205
	Payments received in advance	126 273	402 997
	Retentions and Guarantees	1 978 352	490 647
	SECTION 57 EX GRATIA;	3 376 069	-
	Sundry Deposits	36 873	21 067
	Sundry Creditors	105 812	826 912
	Total Trade Payables	14 893 407	4 516 388

Payables are being recognised net of any discounts.

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

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

8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R
	Unspent Grants	1 801 337	7 225 458
	National Government Grants	764 069	4 057 415
	Provincial Government Grants	727 781	2 286 589
	District Municipality	309 487	859 827
	Other Grants	-	21 627
	Less: Unpaid Grants	34 684	-
	National Government Grants	0	-
	Provincial Government Grants	-	-
	District Municipality	34 684	-
	Other Grants	-	-
	Total Conditional Grants and Receipts	1 766 653	7 225 458

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

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

9	VAT	R	R
	VAT RECEIVABLE/(PAYABLE)	11 327 404	9 168 338
	Less: Provision for impairment of receivables	(8 804 928)	(6 993 242)
	NET VAT RECEIVABLE/(PAYABLE)	2 522 476	2 175 096

VAT is receivable/payable on the cash basis.

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	COST										Accumulated Depreciation																		
	Normal	Construction in Progress	Retained	Correction of Error	WIP	Correction of Error WIP	Retained WIP	Normal	Transfers	WIP	Disposals	Closing Balance	Opening Balance	Additions	Reversal	Disposals	Correction of Error	Correction of Error	Retained	Correction of Error	Opening Calculations	Normal	Closing Balance	Transfers from	Disposals or transfers to	Closing Balance	Opening Balance		
Land and Buildings	300 052.00	162 000.00	467 892.00	20 289 703.00	9 177 000.00	29 834 282.00	29 834 282.00	0.00	238 360.00	0.00	238 360.00	546 817.00	0.00	8 790 000.00	334 813.00	158 042.00	158 042.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	38 729 720.00
Land	14 326 474.60	-8 692.20	14 335 166.80	17 400 252.00	0.00	31 735 418.80	31 735 418.80	0.00	292 895.17	0.00	292 895.17	699 090.00	0.00	0.00	0.00	1 825 291.29	7 888 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25 091 060.79
Buildings	14 648 956.40	15 130.78	14 664 087.18	37 689 954.00	9 177 000.00	61 861 019.27	61 861 019.27	0.00	491 245.17	0.00	491 245.17	1 146 187.00	0.00	8 790 000.00	2 10 094.30	8 068 042.00	8 068 042.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	38 847 743.30
Infrastructure	21 332 671.59	0.00	21 332 671.59	0.00	0.00	21 332 671.59	21 332 671.59	0.00	326 784.27	0.00	326 784.27	1 271 894.20	0.00	0.00	0.00	50 626.91	21 668 816.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18 578 326.86
Infrastructure - Road Transport	298 698 204.17	54 479.04	298 752 683.21	0.00	0.00	298 752 683.21	298 752 683.21	0.00	27 849 107.95	0.00	27 849 107.95	1 271 894.20	0.00	0.00	0.00	13 269 344.66	339 548 151.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29 830 927.32
Infrastructure - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Community Assets	318 329 361.76	5 479.34	318 334 841.10	0.00	0.00	318 334 841.10	318 334 841.10	0.00	28 275 871.32	0.00	28 275 871.32	1 271 894.20	0.00	0.00	0.00	17 239 147.28	50 626.91	36 5 129 771.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	260 347 637.11
Centres	6 004 900.36	9 177 000.00	15 181 900.36	0.00	0.00	15 181 900.36	15 181 900.36	0.00	907 351.86	0.00	907 351.86	0.00	0.00	0.00	134 825.00	0.00	7 847 297.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7 487 225.12
Clubs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Community Halls	9 098 776.00	0.00	9 098 776.00	0.00	0.00	9 098 776.00	9 098 776.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 244 149.00	0.00	24 614 149.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21 301 402.20
Libraries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Museums & Art Galleries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Parks & Gardens	573 571.81	0.00	573 571.81	0.00	0.00	573 571.81	573 571.81	0.00	53 982.50	0.00	53 982.50	130 000.00	0.00	0.00	0.00	151 000.00	0.00	908 574.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	608 554.56
Non-sport facilities	39 842 000.00	0.00	39 842 000.00	0.00	0.00	39 842 000.00	39 842 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39 842 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30 000 000.00
Sport facilities	21 286 821.45	0.00	21 286 821.45	0.00	0.00	21 286 821.45	21 286 821.45	0.00	4 332 309.21	0.00	4 332 309.21	629 070.00	0.00	0.00	0.00	629 070.00	23 833 104.82	0.00	2 863 291.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30 443 212.00
Sport fields & ovals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other	0.00	653 000.00	653 000.00	0.00	0.00	653 000.00	653 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	653 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3 369 602.68	
Total carried forward	77 791 161.90	10 332 238.00	88 048 399.90	14 275 511.12	9 177 000.00	93 138 811.02	93 138 811.02	0.00	5 883 374.44	39 298.42	5 922 662.88	1 300 000.00	0.00	8 790 000.00	25 112 345.22	8 298 276.00	103 648 017.72	0.00	11 347 621.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47 978 578.28
	418 072 661.15	10 522 247.82	428 594 908.97	51 995 543.12	9 177 000.00	473 199 217.99	473 199 217.99	0.00	34 839 890.55	39 298.42	34 879 188.97	1 546 131.80	0.00	8 790 000.00	25 112 345.22	8 298 276.00	103 648 017.72	0.00	11 347 621.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	49 229 464.64

10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2014 R	2013 R
	No assets pledged as security.		
	Impairment of property plant and equipment for the year		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Community Assets	11 351 808	-
		11 351 808	-
	The impairments occurred due assets found when performing the asset count. The value of the impairment is equal to the carrying value as at the end of the reporting date.		
	No Reversal of impairment charges took place during the year of reporting.		
	Cumulative impairment charges included in major balances		
	Community Assets	11 351 808	-
		11 351 808	-

The effect of a change in accounting estimate will have on the current period and subsequent periods:

	2014 R	2015 R	2016 R
Effect on Property, plant and equipment	<u>1 226 883</u>	<u>(2 624 693)</u>	<u>1 506 278</u>

Assessment of impairment of assets was performed on other assets.

11	INVESTMENT PROPERTY	R	R
	Net Carrying amount at 1 July	14 200 523	14 216 690
	Cost	14 281 400	14 281 400
	Buildings	1 016 985	1 016 985
	Land	13 264 415	13 264 415
	Accumulated Depreciation	(80 877)	(64 710)
	Accumulated Impairment	-	-
	Depreciation for the year	(16 165)	(16 167)
	Net Carrying amount at 30 June	8 394 358	14 200 523
	Cost	8 491 400	14 281 400
	Buildings	1 016 985	1 016 985
	Land	7 474 415	13 264 415
	Accumulated Depreciation	(97 042)	(80 877)
	Accumulated Impairment	-	-

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

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

The fair value of investment property approximates the carrying amount as reflected in these financial statements.

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12	CAPITALISED RESTORATION COST	R	R
	Net Carrying amount at 1 July	1 202 813	1 458 295
	Additions	20 131	22 899
	Disposals	-	-
	Depreciation	(271 934)	(269 219)
	Impairments	(2 918)	(9 163)
	Reversal of impairments	3 547	-
	Net Carrying amount at 30 June	951 638	1 202 813
	Cost	2 063 728	2 043 597
	Accumulated Depreciation	(1 012 977)	(741 043)
	Accumulated Impairments	(99 112)	(99 741)

Restoration cost financed by way of a provision - Refer to note 4 for further details

13	INTANGIBLE ASSETS	2014 R	2013 R
	Computer Software		
	Net Carrying amount at 1 July	255 189	285 698
	Cost	833 467	707 359
	Accumulated Amortisation	(578 278)	(421 660)
	Acquisitions	77 913	126 108
	Amortisation	(74 538)	(156 618)
	Net Carrying amount at 30 June	258 564	255 189
	Cost	911 380	833 467
	Accumulated Amortisation	(652 816)	(578 278)

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

14	HERITAGE ASSETS	R	R
	Net Carrying amount at 1 July	-	-
	Acquisitions	124 000	-
	Disposals	-	-
	Impairments	-	-
	Reversal of Impairment losses	-	-
	Transfers from Property, Plant and equipment	-	-
	Net Carrying amount at 30 June	124 000	-
	Cost	124 000	-
	Accumulated Impairment	-	-

15	INVENTORY	R	R
	Maintenance Materials - At cost	582 841	376 386
	Water – at cost	36 024	23 684
	Total Inventory	618 865	400 069

The FIFO method was applied. The inventory system is currently manually operated and all calculations for that matter were performed manually. An implementation plan for a computerised inventory system was developed and implementation has commenced. The system was fully operational by the end of June 2014.

No inventory assets were pledged as security for liabilities.

16	RECEIVABLES FROM EXCHANGE TRANSACTIONS	R	R
	Electricity	2 429 367	2 262 034
	Water	32 816 228	24 641 263
	Refuse	29 981 782	25 590 563
	Sewerage	36 083 924	30 191 760
	Rental	1 542 398	400 340
	Other Consumer Debtors	3 935 174	4 697 054
	Chris Hanu Debtor	6 260 996	2 825 593
	Sundry Receivables	5 841	169 425
	Total Receivables from Exchange Transactions	113 055 710	90 778 032
	Less: Provision for Impairment	(102 369 174)	(80 418 528)
	Total Net Receivables from Exchange Transactions	10 686 536	10 359 504

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

16 RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

(Water): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

(Refuse): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

(Sewerage): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

(Rental): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

(Other): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

(Total): Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+ 90 Days

Total

Reconciliation of Provision for Bad Debts

Balance at beginning of year
Contribution to provision/(Reversal of provision)
VAT portion of Contribution/(Reversal)
Transferred to Discontinued Operations - note
Bad Debts Written Off

Balance at end of year

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

Electricity
Water
Refuse
Sewerage
VAT
Other

	2014 R	2013 R
Current (0 - 30 days)	288 543	108 146
31 - 60 Days	188 238	75 768
61 - 90 Days	74 323	57 326
+ 90 Days	1 878 263	2 020 794
Total	2 429 367	2 262 034
Current (0 - 30 days)	908 852	427 889
31 - 60 Days	819 998	402 962
61 - 90 Days	788 900	402 741
+ 90 Days	30 298 478	23 407 671
Total	32 816 228	24 641 263
Current (0 - 30 days)	516 166	372 456
31 - 60 Days	408 417	358 914
61 - 90 Days	404 043	353 400
+ 90 Days	28 653 155	24 505 793
Total	29 981 782	25 590 563
Current (0 - 30 days)	565 525	496 569
31 - 60 Days	552 360	482 490
61 - 90 Days	550 712	470 397
+ 90 Days	34 415 328	28 742 304
Total	36 083 924	30 191 760
Current (0 - 30 days)	1 047 052	15 613
31 - 60 Days	76 053	8 815
61 - 90 Days	9 842	8 191
+ 90 Days	409 451	367 722
Total	1 542 398	400 340
Current (0 - 30 days)	0	-
31 - 60 Days	0	-
61 - 90 Days	0	-
+ 90 Days	3 935 174	4 697 054
Total	3 935 174	4 697 054
Current (0 - 30 days)	3 326 138	1 420 673
31 - 60 Days	2 045 065	1 328 948
61 - 90 Days	1 827 820	1 292 055
+ 90 Days	99 589 849	83 741 337
Total	106 788 873	87 783 014
Balance at beginning of year	80 418 528	71 380 114
Contribution to provision/(Reversal of provision)	20 138 961	10 789 186
VAT portion of Contribution/(Reversal)	1 811 685	(1 750 773)
Transferred to Discontinued Operations - note	-	-
Bad Debts Written Off	-	-
Balance at end of year	102 369 174	80 418 527
Electricity	367 105	413 590
Water	29 895 966	20 470 001
Refuse	26 395 297	22 585 371
Sewerage	32 917 913	25 970 006
VAT	8 804 928	6 993 242
Other	3 987 965	3 986 317
Total	102 369 174	80 418 528

Summary of Debtors by Customer Classification Exchange

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2014	R	R	R	R
Current (0 - 30 days)	2 561 114	251 355	411 906	6 368 600
31 - 60 Days	1 371 707	292 422	289 794	91 142
61 - 90 Days	1 344 988	215 864	175 926	91 041
+ 90 Days	87 982 739	3 006 417	3 377 002	5 223 692
Sub-total	93 260 549	3 766 058	4 254 628	11 774 475
Less: Provision for bad debts	(92 185 931)	(3 681 897)	(2 253 745)	(4 247 600)
Total debtors by customer classification	1 074 618	84 161	2 000 883	7 526 875

Summary of Debtors by Customer Classification Exchange

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2013	R	R	R	R
Current (0 - 30 days)	1 157 865	74 327	123 439	65 043
31 - 60 Days	1 112 689	55 783	99 120	61 356
61 - 90 Days	1 107 102	57 922	67 438	59 593
+ 90 Days	74 164 027	1 856 544	2 583 795	4 395 999
Sub-total	77 541 683	2 044 576	2 873 792	4 581 991
Less: Provision for bad debts	(77 270 584)	(1 920 504)	-	(1 227 440)
Total debtors by customer classification	271 099	124 072	2 873 792	3 354 551

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. Assessment of arrears on Rates and Service accounts in terms of MFMA Sec:121 (3) (e) by the Accounting Officer.

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2014 R	2013 R
Rates	17 863 709	15 369 066
Other Receivables	211 488	224 887
Other Receivables	211 488	224 887
	-	-
	-	-
	-	-
Total Receivables from Non-Exchange Transactions	18 075 198	15 593 954
Less: Provision for Impairment	(12 168 602)	(13 062 616)
Total Net Receivables from Non-Exchange Transactions	5 906 595	2 531 337

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

Ageing of Receivables from Non-Exchange Transactions:

<i>(Rates): Ageing</i>	R	R
Current (0 - 30 days)	155 296	115 302
31 - 60 Days	272 826	233 689
61 - 90 Days	290 938	265 160
+ 90 Days	17 144 649	14 754 916
Total	17 863 709	15 369 067
Reconciliation of Provision for Impairment		
Balance at beginning of year	13 062 616	14 312 704
Contribution to provision/(Reversal of provision)	(894 014)	(1 250 088)
Bad Debts Written Off	-	-
Balance at end of year	12 168 602	13 062 616

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

Summary of Debtors by Customer Classification Non-Exchange

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2014	R	R	R	R
Current (0 - 30 days)	90 013	24 790	23 381	17 113
31 - 60 Days	131 874	76 702	39 148	25 101
61 - 90 Days	126 594	101 737	37 535	25 073
+ 90 Days	9 053 270	2 675 203	3 687 452	1 728 724
Sub-total	9 401 751	2 878 432	3 787 516	1 796 011
Less: Provision for bad debts	(8 394 619)	(2 728 653)	-	(1 045 330)
Total debtors by customer classification	1 007 132	149 779	3 787 516	750 681

Summary of Debtors by Customer Classification Non-Exchange

	Residential	Industrial/ Commercial	National and Provincial Government	Other
30 JUNE 2013	R	R	R	R
Current (0 - 30 days)	60 864	19 753	21 047	13 638
31 - 60 Days	126 805	50 088	34 145	22 652
61 - 90 Days	141 859	63 036	33 361	26 904
+ 90 Days	9 531 732	2 531 649	3 607 465	1 664 153
Sub-total	9 861 260	2 664 525	3 696 018	1 727 346
Less: Provision for bad debts	(9 746 844)	(2 572 351)	-	(743 421)
Total debtors by customer classification	114 416	92 173	3 696 018	983 925

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. Assessment of arrears on Rates and Service accounts in terms of MFMA Sec:121 (3) (e) by the Accounting Officer.

18 OPERATING LEASE ARRANGEMENTS	R	R
18.1 The Municipality as Lessor (Asset)		
Balance on 1 July	71 794	76 042
Movement during the year	7 431	(4 249)
Balance on 30 June	79 225	71 794
At the Statement of Financial Position date, where the municipality acts as a Lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	76 907	130 835
1 to 5 Years	385 363	352 823
More than 5 Years	116 555	226 003
Total Operating Lease Arrangements	578 826	709 661

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

The Municipality did not receive any contingent rent during the year

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

19	CASH AND CASH EQUIVALENTS	2014 R	2013 R
	Assets		
	Call Investments Deposits	41 614 217	43 690 557
	Bank Accounts	9 361 795	9 415 869
	Cash Floats	17 238	8 735
	Total Cash and Cash Equivalents - Assets	50 993 250	53 115 160
	Liabilities		
	Bank Accounts	-	-
	Total Cash and Cash Equivalents - Liabilities	-	-
	Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	The Municipality has the following bank accounts:		
	Current Accounts	R	R
	Standard Bank - Current Account - 082-665-958	5 108 340	5 242 232
	Standard Bank - Current Account - 082-630-631	2 713 783	944 853
	First National Bank - Current Account - 620-4898-6428	1 539 671	3 228 783
		9 361 795	9 415 869
	All accounts is cleared daily to Primary Bank Account; current account 082-665-958.		
	Standard Bank - Current Account - 082-665-958		
	Cash book balance at beginning of year	5 242 232	14 233 412
	Cash book balance at end of year	5 108 340	5 242 232
	Bank statement balance at beginning of year	5 242 232	14 233 412
	Bank statement balance at end of year	5 108 340	5 242 232
	Standard Bank - Current Account - 082-630-631		
	Cash book balance at beginning of year	944 853	486 953
	Cash book balance at end of year	2 713 783	944 853
	Bank statement balance at beginning of year	944 853	486 953
	Bank statement balance at end of year	2 713 783	944 853
	Standard Bank - DDX Mun Account - 280-577-508		
	Cash book balance at beginning of year	-	6 923
	Cash book balance at end of year	-	-
	Bank statement balance at beginning of year	-	6 923
	Bank statement balance at end of year	-	-
	First National Bank - Current Account - 620-4898-6428		
	Cash book balance at beginning of year	3 228 783	1 413 088
	Cash book balance at end of year	1 539 671	3 228 783
	Bank statement balance at beginning of year	3 228 783	1 413 088
	Bank statement balance at end of year	1 539 671	3 228 783
	Call Investment Deposits		
	Call investment deposits consist of the following accounts:		
	Call Investments Deposits	41 614 217	43 690 557
	Investec Account Number/s: 451/465258	6 625 008	17 107 017
	Investec Account Number/s: 450/465258	-	6 265 401
	First National Bank Account Number/s: 74366334164	34 636 489	20 117 026
	Standard Bank Account Number/s: 08 879 9697 - 012	150 663	-
	Standard Bank Account Number/s: 08 879 9697 - 001	202 057	202 057

20	PROPERTY RATES		
	Actual		
	Rateable Land and Buildings	3 218 438	3 194 187
	Residential, Commercial Property, State	2 937 836	2 923 999
	Agricultural	280 602	270 188
	Less: Rebates	-	-
	Total Assessment Rates	3 218 438	3 194 187
	Valuations		
	Rateable Land and Buildings:		
	Residential	291 715 000	288 747 500
	Agricultural	155 889 993	158 933 993
	Government	82 697 500	82 697 500
	Business & Commercial	101 197 500	101 182 500
	Municipal	141 286 000	121 546 500
	Exempt Properties	47 082 000	28 396 500
	Total Assessment Rates	819 867 993	781 504 493
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.		
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

21	GOVERNMENT GRANTS AND SUBSIDIES	2014 R	2013 R
	Unconditional Grants	78 749 000	69 797 100
	Equitable Share	78 749 000	69 797 100
	Conditional Grants	47 890 577	36 410 909
	Grants and subsidies	47 890 577	36 410 909
	Subsidies	-	-
	Total Government Grants and Subsidies	126 639 577	106 208 009
	Government Grants and Subsidies - Capital	28 198 256	20 792 761
	Government Grants and Subsidies - Operating	98 441 321	85 415 248
		126 639 577	106 208 009
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	78 749 000	69 797 100
	Budget and Treasury	2 540 000	2 114 474
	Community Services	826 995	247 699
	Corporate Services	-	84 236
	Council	-	-
	Electricity	10 996 000	9 000 000
	Executive	-	-
	IPED	2 874 020	2 348 936
	Refuse	40 532	153 724
	Roads Transport	30 613 030	22 150 761
	Water and Sanitation	-	311 079
		126 639 577	106 208 009
	The municipality does not expect any significant changes to the level of grants.		
21.1	Equitable share		
	Opening balance	-	-
	Grants received	78 749 000	69 797 100
	Conditions met - Operating	(78 749 000)	(69 797 100)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
21.2	Local Government Financial Management Grant (FMG)		
	Opening balance	-	(121 102)
	Grants received	1 650 000	1 500 000
	Conditions met - Operating	(1 650 000)	(1 378 898)
	Conditions met - Capital	-	-
	Conditions still to be met	0	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
21.3	Municipal Systems Improvement Grant (MSIG)		
	Opening balance	-	(64 424)
	Grants received	890 000	800 000
	Conditions met - Operating	(890 000)	(735 576)
	Conditions met - Capital	-	-
	Conditions still to be met	0	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
21.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	2 518 239	-
	Grants received	27 281 000	23 311 000
	Conditions met - Operating	(880 090)	-
	Conditions met - Capital	(28 198 256)	(20 792 761)
	Conditions still to be met	720 893	2 518 239
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

21	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2014 R	2013 R
21.5	Housing Grant		
	Opening balance	0	(1 017 968)
	Grants received	-	-
	Unpaid Grants transferred	-	1 017 968
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	0	0
	The Housing grant was utilised for the development of erven; erection of top structures and the installing of basic service infrastructure. Water, Streets and Sewerage serve as examples.		
21.6	Integrated National Electrification Grant (INEP)		
	Opening balance	996 000	996 000
	Grants received	10 000 000	9 000 000
	Conditions met - Operating	(10 996 000)	(9 000 000)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	0	996 000
	Balance previous reported	996 000	2 350 000
	Transfer to Equitable Share (Unspent Grant Withhold from NT)	-	(1 004 000)
	Transfer to Sundry Creditors (Unspent Grant Withhold from NT)	-	(350 000)
		996 000	996 000
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
21.7	Other Grants		
	Opening balance	3 711 219	2 074 119
	Grants received	2 646 636	5 456 214
	Grants transferred	(35 865)	-
	Unpaid Grants transferred	-	684 560
	Conditions met - Operating	(5 276 231)	(4 503 673)
	Conditions met - Capital	-	-
	Conditions still to be met	1 045 759	3 711 219
	Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
21.8	Total Grants		
	Opening balance	7 225 459	1 866 625
	Grants received	121 216 636	109 864 314
	Grants transferred	(35 865)	-
	Unpaid Grants transferred	-	1 702 528
	Conditions met - Operating	(98 441 321)	(85 415 248)
	Conditions met - Capital	(28 198 256)	(20 792 761)
	Conditions still to be met/(Grant expenditure to be recovered)	1 766 653	7 225 458
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	1 801 337	7 225 458
	Unpaid Conditional Government Grants and Receipts	(34 684)	-
		1 766 653	7 225 458
22	SERVICE CHARGES		
	Electricity	8 077 739	6 424 632
	Water	7 047 097	2 896 205
	Refuse removal	3 013 512	2 887 818
	Sewerage and Sanitation Charges	4 140 980	3 930 585
		22 279 328	16 139 240
	Less: Rebates	(898 685)	(1 225 251)
	Total Service Charges	21 380 644	14 913 989
	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.		
23	INTEREST EARNED		
	External Investments		
	Interest Investments	2 977 687	2 843 200
	Interest Bank Balance	26 124	18 532
	Interest Other	745	-
	Total External Investments	3 004 556	2 861 731
	Outstanding Debtors		
	Property Rates	1 402 349	1 202 722
	Sanitation	2 267 565	1 940 424
	Refuse	1 891 651	1 520 811
	Electricity	164 693	160 745
	Water	2 071 241	1 591 375
	Rent	36 479	23 370
	Total Outstanding Debtors	7 833 978	6 439 447
	Total Interest Earned	10 838 533	9 301 178

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

24	OTHER INCOME	2014	2013
		R	R
	Administration charges	1 876 944	1 781 301
	Cemetery Fees	30 212	34 703
	Chris Hani DM (Water & Sanitation)	23 486 027	18 405 860
	Duplicate documents	-	3 379
	Pound Fees	40 106	30 823
	Registrations	-	84
	Housing Admin Fees	36 600	-
	Sundry Income	349 747	798 258
	Total Other Income	25 819 636	21 054 407

Sundry income represents sundry income such as cleaning of sites, private work and fees for items not included under service charges.

25	EMPLOYEE RELATED COSTS	2014	2013
		R	R
	Salaries and Wages	36 277 038	33 601 358
	Annual bonus	2 262 553	1 576 183
	Contributions for UIF, pensions and medical aids	5 300 820	4 378 164
	Housing Subsidy	142 526	140 362
	Leave Reserve Fund	1 827 488	369 437
	Long service awards	241 094	316 259
	Overtime	1 503 283	1 070 398
	Post Employment Health	429 760	327 868
	Performance bonus	(2 302 885)	631 134
	Skills development levy	246 368	252 974
	Travel, motor car, telephone, assistance and other allowances	1 134 143	698 827
	Workmen's Compensation	232 381	321 677
		47 294 569	43 684 642
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	47 294 569	43 684 642

Municipal Manager and all other Senior Managers are appointed on fixed term contracts.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager (Previous MM - N Kwepile - 3 months for 2013)

Annual Remuneration	-	135 286
Back dated remuneration	-	16 264
Ex-gratia remuneration	-	1 087 959
Leave encashment	-	109 318
Travel, motor car, telephone, assistance and other allowances	-	53 231
Contributions to UIF, Medical and Pension Funds	-	34 117
Total	-	1 436 176

Remuneration of the Municipal Manager (Current MM Dr VS Vatala - 2 months for 2013)

Annual Remuneration	1 210 000	125 026
Performance Bonuses	-	-
Back dated remuneration	-	-
Leave encashment	-	-
Telephone, assistance and other allowances	34 200	46 907
Contributions to UIF, SDL, Bargaining council	11 494	15 125
Total	1 255 694	187 058

Remuneration of the Acting Municipal Manager (OS Ngqele (Province) - 4 months for 2013)

Annual Remuneration	-	67 034
Back dated remuneration	-	5 328
Travel, motor car, telephone, assistance and other allowances	-	5 400
Total	-	77 762

Remuneration of the Director Technical Services (M Mkuyana - only 4 months 2014)

Annual Remuneration	302 644	477 681
Performance Bonuses	-	-
Back dated remuneration	-	24 059
Acting Allowance (2 months acting as Municipal Manager)	-	9 912
Leave encashment	172 855	-
Telephone, assistance and other allowances	6 200	190 223
Contributions to UIF, SDL, Bargaining council	4 421	146 670
Total	486 121	848 546

Remuneration of the Manager Corporate Services (Current Manager Corporate Services - P Sohe - 3 months for 2013)

Annual Remuneration	907 933	191 800
Performance Bonuses	11 700	-
Back dated remuneration	-	-
Telephone, assistance and other allowances	20 460	16 838
Contributions to UIF, SDL, Bargaining council	8 191	14 228
Total	948 284	222 866

Remuneration of the Manager Corporate Services (previous Manager Corporate Services - N Lungwengwe - 2 months for 2013)

Annual Remuneration	-	76 490
Back dated remuneration	-	9 624
Ex-gratia remuneration	-	956 120
Leave Pay	-	83 964
Travel, motor car, telephone, assistance and other allowances	-	30 162
Contributions to UIF, Medical and Pension Funds	-	23 492
Total	-	1 179 853

Remuneration of the Chief Financial Officer (GP de Jager)

Annual Remuneration	947 733	499 600
Performance Bonuses	8 000	-
Back dated remuneration	-	31 773
Acting Allowance (1 month acting as Municipal Manager)	-	5 989
Telephone, assistance and other allowances	18 600	213 888
Contributions to UIF, SDL, Bargaining council	7 834	136 413
Total	982 167	887 663

Remuneration of the Director Community Services (NP Mnyengeza for 9 months 2014)

Annual Remuneration	680 950	477 681
Performance Bonuses	-	-
Acting Allowance (1 month acting as Corporate Services Manager)	-	8 184
Back dated remuneration	-	24 059
Leave encashment	172 855	-
Telephone, assistance and other allowances	13 950	190 223
Contributions to UIF, SDL, Bargaining council	7 416	146 670
Total	875 170	846 818

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Remuneration of the Manager IPED Services (N Mntuydwa)

Annual Remuneration	907 933	477 681
Performance Bonuses	86 816	-
Back dated remuneration	-	24 059
Leave encashment	-	-
Telephone, assistance and other allowances	18 600	190 152
Contributions to UIF, SDL, Bargaining council	8 372	146 742
Total	1 021 721	838 633

Remuneration of the Director Strategic Services (AM Stemela 9 months 2014)

	2014	2013
Annual Remuneration	680 950	477 681
Performance Bonuses	-	-
Back dated remuneration	-	24 059
Leave encashment	208 866	-
Telephone, assistance and other allowances	10 850	190 152
Contributions to UIF, SDL, Bargaining council	7 851	146 742
Total	908 517	838 633

Remuneration of the Director Infrastructure and Human Settlements (D Njilo- only 3 months 2014)

Annual Remuneration	226 983	-
Telephone, assistance and other allowances	38 850	-
Contributions to UIF, SDL, Bargaining council	1 881	-
Total	267 715	-

Remuneration of the Acting Infrastructure and Human Settlements Director (M Gcali - 5 months 2014)

Acting Allowance	79 239	-
Telephone, assistance and other allowances	6 200	-
Contributions to UIF, SDL, Bargaining council	1 932	-
Total	87 372	-

Remuneration of the Director Community Services (N Nyezi for 2 months 2014)

Annual Remuneration	151 322	-
Telephone, assistance and other allowances	25 900	-
Contributions to UIF, SDL, Bargaining council	1 254	-
Total	178 476	-

Acting Allowance for acting as Director Corporate Services Manager

Acting Allowance (1 month acting as Director Community Service - Y Nkwentsha)	20 119	-
Acting Allowance (1 month acting as Director Community Service - ZB Mzieleni)	15 256	-
Total	35 376	-

Remuneration of the Manager Legal and Compliance (PJ Cloete - July to March 2013)

Annual Remuneration	-	319 596
Back dated remuneration	-	9 493
Ex-gratia remuneration	-	938 865
Leave encashment	-	87 127
Acting Allowance (5 months acting as Corporate Services Manager)	-	40 922
Travel, motor car, telephone, assistance and other allowances	-	120 782
Contributions to UIF, Medical and Pension Funds	-	90 689
Total	-	1 607 473

Acting Allowance for acting as Corporate Services Manager - MH Ramasehla

Acting Allowance (1 months acting as Corporate Services Manager)	-	19 043
Total	-	19 043

26 REMUNERATION OF COUNCILLORS

	R	R
Mayor	719 646	685 379
Speaker	563 129	536 316
Chief Whip	-	-
Executive Committee Members	2 417 423	2 241 277
Councillors	6 111 447	5 638 153
Total Councillors' Remuneration	9 811 645	9 101 125

In-kind Benefits

The Mayor and Speaker are full-time. The Mayor and Speaker are provided with offices and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle and a driver for official duties.

COUNCILLORS

No	Name	Post	Party	Representation	2014	2013
1	Nyukwana, N.	Executive Mayor	ANC	Proportional	719 646	685 379
2	Kalolo, D.S.	Speaker	ANC	Proportional	563 129	536 316
3	Liwani, S.	Executive Committee	ANC	Proportional	529 238	450 479
4	Koni, N.F.	Executive Committee	ANC	Ward 1	529 238	330 217
5	Phendu, N.	Executive Committee	ANC	Proportional	529 238	504 037
6	Kulashe, T.	Executive Committee	ANC	Proportional	529 238	504 037
7	Twala, B.P.	Executive Committee part time	ANC	Proportional	300 471	278 687
8	Mooi, L.	Chairperson of Section 79 Committee	ANC	Ward 8	261 831	260 935
9	Ziduli, N.	Councillor	ANC	Ward 2	224 216	206 062
10	Bobolyana, H.C.	Councillor	ANC	Ward 3	224 216	206 062
11	Mapete, P.	Councillor	ANC	Ward 4	224 216	206 062
12	Qashani, N.	Councillor	ANC	Ward 5	224 216	207 911
13	Peter, N.	Councillor	ANC	Ward 6	224 216	206 062
14	Nobaza, P.	Councillor	ANC	Ward 7	224 216	206 062
15	Dudumashhe, T.R.	Councillor	ANC	Ward 9	224 216	206 062
16	Gwegwana, L.	Councillor	ANC	Ward 10	224 216	206 062
17	Teka, Z.H.	Councillor	ANC	Ward 11	224 216	206 062
18	Dyonase, Z.	Councillor	ANC	Ward 12	224 216	206 062
19	Kraqa, N.	Councillor	ANC	Ward 13	224 216	206 062
20	Godla, M.	Councillor	ANC	Ward 14	224 216	206 062
21	Mnyuko, S.	Councillor	ANC	Ward 15	224 216	206 062
22	Komani, B.	Councillor	ANC	Ward 16	224 216	206 062
23	Papiso, Z.	Councillor	ANC	Ward 17	224 216	223 818
24	Jordaan, V.	Councillor	ANC	Proportional	224 216	379 882
25	Dikilili, N.	Councillor	ANC	Proportional	224 216	206 062
26	Holana, N.	Councillor	ANC	Proportional	224 216	206 062
27	Lali, N.	Councillor	ANC	Proportional	224 216	206 062
28	Ndilela, T.R.	Councillor	ANC	Proportional	224 216	206 062
29	Mani, M.	Councillor	ANC	Proportional	224 216	206 062
30	Mjezu, K.	Councillor	UDM	Proportional	224 216	206 062
31	Nkasehla, K.	Councillor	ANC	Proportional	224 216	206 062
32	Greyling, P.	Councillor	DA	Proportional	224 216	206 062
33	Mketsu, Z.	Councillor	COPE	Proportional	224 216	206 062
34	Kwatshana, T.	Councillor	PAM	Proportional	224 216	206 062
	Gazette amounts				9 811 645	9 101 125

Certification by the Accounting Officer

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 Officers (Bearing) Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed: Accounting Officer 31/08/2014

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
27 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 16	20 106 141	10 789 186
Trade Receivables from non-exchange transactions - Note 17	(861 516)	(1 250 088)
Total Contribution to Debt Impairment	19 244 626	9 539 098
28 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	19 985 641	21 000 301
Capitalised Restoration Cost	271 934	269 219
Investment Property	16 165	16 167
Intangible Assets	74 538	156 618
	20 348 278	21 442 304
29 FINANCE CHARGES		
Bank Overdraft	-	-
Interest Other	-	-
Workmen's Compensation	-	25 019
Landfill site	123 555	112 640
Long service awards	78 853	56 669
Long-term Liabilities	137 297	219 459
Post Employment Health	350 081	228 467
Total finance charges	689 786	642 254
30 REPAIR AND MAINTENANCE		
Roads, Pavements & Bridges	939 809	883 446
Storm water	250 343	222 758
Electricity Transmission & Reticulation	225 672	266 640
Street Lighting	830 333	332 010
Water Reticulation	2 701 653	781 900
Sanitation Reticulation	31 817	1 086 463
Parks & gardens	13 101	4 754
Sportsfields & stadia	-	4 000
Museums & Art Galleries	-	-
Cemeteries	97 358	81 757
General vehicles	772 366	796 970
Plant & equipment	2 483 211	2 000 205
Computers - hardware/equipment	-	2 117
Furniture and other office equipment	95 048	78 244
Civic Land and Buildings	271 685	736 852
	-	-
Total repair and maintenance	8 712 396	7 278 116
31 BULK PURCHASES		
Electricity	12 850 609	11 232 475
Total Bulk Purchases	12 850 609	11 232 475
32 OTHER OPERATING GRANT EXPENDITURE		
Operating grant expenditure per vote		
Budget and Treasury	3 929 569	1 968 523
Community Services	-	-
Corporate Services	-	84 236
Council	-	-
Electricity	9 649 298	7 894 737
Housing Services	-	-
IPED	3 356 896	2 494 035
Refuse	40 532	335 971
Roads Transport	2 344 658	2 108 153
Water and Sanitation	141 208	-
Total Operating grant expenditure	19 462 161	14 885 654

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

33	GENERAL EXPENSES	2014	2013
		R	R
	Advertisements	494 021	277 262
	Auditors Remuneration	3 248 159	2 074 217
	Bank Charges	222 666	193 683
	Chris Hani DM (Capital items)	2 304 005	2 281 345
	Cleaning	271 974	385 145
	Conferences and Seminars	555 119	471 983
	Consulting and Professional fees	489 261	604 116
	Contribution: Restoration cost landfill sites	12 216	0
	Fuel and oil	2 979 405	2 654 158
	Insurance	803 262	574 504
	Lease rentals on operating lease	281 482	233 143
	Marketing	342 882	319 693
	New Connections	149 257	786 342
	Operational cost: Landfill site	-	-
	Plant Hire	179 406	376 111
	Printing and stationery	1 365 063	1 206 511
	Projects	1 748 279	3 145 585
	Protective Clothing	431 398	687 891
	Public participation	482 219	313 201
	Security	1 171 682	964 931
	Software expenses	123 470	-
	Special Community Projects; example Youth day	754 895	1 252 917
	Subscription and Membership fees	608 885	449 600
	Subsistence and Travel	1 578 308	1 310 465
	Telephone and fax	1 140 142	1 082 586
	Training	583 610	758 886
	Transport and freight	363 568	485 729
	Travel - local	4 015 113	3 026 093
	Ward Committee cost	200 700	165 290
	Water samples	281 979	248 862
	Mayor Fund	411 988	157 400
	License Fees	368 706	375 325
	Traditional Leaders Expenditure	68 100	63 790
	Valuation Roll	835 147	45 808
	Wellness Day	387 449	208 926
	Disaster Expenditure	434 890	253 840
	Refuse Bags	226 302	129 048
	Water Purification	695 611	838 069
	Material Stores	786 180	875 693
	Water Blue Drop	72 760	78 310
	Administration charges	18 300	55 086
	Sanitation Green Drop	73 220	29 650
	Health and Safety Training	10 005	27 335
	Fleet Management	31 469	21 683
	Books, Magazines & Publication	4 884	26 516
	Congress Fee	4 249	7 800
	Consumables	38 857	33 449
	Postage	18 441	28 145
	Fire Brigade Service	-	8 585
	Cleaning Materials	8 654	13 109
	PMS & IDP Compliance	336 842	1 978
	Electricity Service Charges	-	1 020
	Field Band Project	579 882	425 943
	Data Cleansing	96 826	-
	Study Assistance	128 862	-
	Network Infrastructure Improvement	39 474	-
	General Expenses	-	-
	General Expenses	32 859 522	30 036 759
34	CORRECTION OF ERROR IN TERMS OF GRAP 3		
34.01	PROVISIONS (Non- Current and Current)	2013	2012
	Balance previously reported	4 750 714	2 708 478
	Correction of the provision for Landfill sites - Refer to note 4	(2 126 462)	(219 766)
		2 624 251	2 488 712
34.02	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Balance previously reported	7 234 708	7 392 332
	Corrections of Sundry Creditors - Refer to note 6	(2 718 320)	(2 705 656)
		4 516 388	4 686 676
	Reclassification of payables; clearing and correction of trade payables.		
34.03	UNSPENT GOVERNMENT GRANTS AND SUBSIDIES		
	Balance previously reported	7 225 548	5 138 174
	Revenue equal to expenditure not recognised for 2010/2011 - Refer to note 8	(90)	-
		7 225 458	5 138 174

Some of the unspent Government grants and subsidies was previously reported as prepayments. The recognition of the revenue equal to the value of expenditure that met the conditions of the grant; was not performed correctly.

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

34.04 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported

Correction of Errors Opening Balance, Disposals, Additions & WIP

Writing back of original cost once identification and measurement of existing assets after 30 June 2008 - Refer to note 10
 Assets incorrectly written off prior year
 Correction of **Assets** Opening Balance for 2011/2012 - Refer to note 10
 Correction of **Assets Depreciation** Opening Balances for 2011/2012 - Refer to note 10
 Correction of **Assets Depreciation**, wrong depreciation calculations for 2011/2012 - Refer to note 11
 Correction of **WIP** additions prior year
 New **Assets** not recognized prior year
Depreciation of New Assets not recognized prior year
Assets incorrectly **disposed** prior year
 Correction of **Depreciation** i.r.o. Assets incorrectly disposed prior year
 Reclassification of Land and Buildings - Refer to note 10 and note 30.06
 Reclassification of Community Assets - Refer to note 10 and note 30.06
 Reclassification of Community Assets Depreciation - Refer to note 10 and note 30.06

Sub Total

Correction of Errors & Transfers

Reclassification of Community Assets Depreciation - Refer to note 10 and note 34.04
 First time recognition of Community Halls prior to 1 July 2012 - Refer to note 10
 Community hall INCORRECTLY transferred last year - FAR line 3874]
Depreciation Community hall INCORRECTLY transferred last year - FAR line 3874]
 First time recognition of Community Halls Depreciation prior to 1 July 2012 - Refer to note 10
 Land Community hall INCORRECTLY transferred last year - FAR line 3873]
 Land relating to the library is brought back
 First time recognition of Plant & Equipment prior to 1 July 2012 - Refer to note 10
 First time recognition of Depreciation Plant & Equipment prior to 1 July 2012 - Refer to note 10
Assets incorrectly **disposed** prior year
 Correction of **Depreciation** i.r.o. Assets incorrectly disposed prior year
 VAT on asset not capitalised prior year.
 VAT on asset not capitalised prior year Depreciation
 Deeds search - additions Land
 Deeds search - additions buildings & Prior year error correction
 Deeds search - additions buildings & Prior year error correction **Depreciation**
 Civic buildings - prior year error addition
 School buildings - prior year error disposal
 School buildings - prior year error disposal **Depreciation**
 Civic buildings - prior year error addition **Depreciation**
 Prior year error on Qoboshane bridge **Depreciation**
 Depreciation written back on Rwantswana - incorrectly raised in prior year Depreciation
 Reversible of prior year useful life
 Computer Hardware incorrectly disposed prior year
 Computer Hardware incorrectly disposed prior year - Depreciation
 First time recognition of Computer Hardware prior to 1 July 2012 - Refer to note 10
 First time recognition of Computer Hardware Depreciation prior to 1 July 2012 - Refer to note 10
 First time recognition of Furniture & Equipment prior to 1 July 2012 - Refer to note 10
 Furniture & Equipment incorrectly disposed prior year - Depreciation
 Furniture & Equipment incorrectly disposed prior year
 Correction of opening balance Depreciation prior 2012
 Correction of opening balance Depreciation prior 2012
 Correction of opening balance prior 2012

2013 R	2012 R
370 594 499	361 349 466
-	-
-	-
-	(113 742)
-	(75 204)
-	(183 470)
(73 795)	-
59 479	-
(853)	-
507 820	-
(24 951)	-
-	162 500
-	9 840 500
-	(385 551)
371 062 200	370 594 499
450 493	360 247
12 782 249	12 782 249
1 480 042	1 480 042
(74 043)	(59 242)
(639 463)	(511 640)
12 958	12 958
262	262
7 282	7 282
(3 643)	(2 915)
6 862	-
(2 172)	(1 640)
66 043	66 043
(7 192)	(7 192)
20 289 700	20 289 700
19 484 400	19 484 400
(3 231 355)	(2 581 875)
8 300 000	8 300 000
(10 384 168)	(10 384 168)
519 777	519 777
(1 384 091)	(1 107 425)
(132 616)	-
100 868	-
7 570	7 570
1 251	1 251
(447)	(447)
21 536	21 536
(13 467)	(10 379)
100 373	100 373
(64 651)	(64 651)
95 760	95 760
12 473	5 932
(4 796)	(4 796)
4 306	4 306
418 864 300	419 397 816

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

34.05 INVESTMENT PROPERTY

Balance previously reported

Reclassification of Investments Property for 2011/2012 - Refer to note 34.04
 Reclassification of Investments Property Depreciation for 2011/2012 - Refer to note 34.04

Sub Total

First time recognition of Operating Lease Properties
 [Erf 45 in Stormberg brought in due to Audit 2013]
Depreciation not accounted for in prior years
 Disposal of investment properties not registered property

25 000 929	25 000 929
(10 004 000)	(10 004 000)
385 551	385 551
15 382 480	15 382 480
2 927 900	2 927 900
3 200 000	3 200 000
(42 857)	(34 290)
(7 267 000)	(7 267 000)
14 200 523	14 209 090

34.06 CAPITALISED RESTORATION COST

Balance previously reported

First time recognition of Capitalised Restoration Cost prior to 1 July 2012 - Refer to note 12
 First time recognition of Capitalised Restoration Cost Additions prior to 1 July 2013 - Refer to note 12
 First time recognition of Accumulated Impairment prior to 1 July 2012 - Refer to note 12
 First time recognition of Accumulated Depreciation prior to 1 July 2012 - Refer to note 12

1 458 295	-
22 899	2 020 698
(269 219)	(90 579)
(9 163)	(471 824)
1 202 813	1 458 295

34.07 UNPAID GOVERNMENT GRANTS AND SUBSIDIES

Balance previously reported

Previously reported as Prepayments now reported as unpaid government grants and subsidies - Refer to note 8

1 702 618	1 917 550
(1 702 618)	(1 702 618)
-	214 932

34.08 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported

Rent not levied for the 2012/2013 Financial year. Refer to note 15
 Rent not levied for prior Financial year. Refer to note 15
 Rent not levied for the 2012/2013 Financial year. Refer to note 15

9 618 532	5 696 644
248 865	-
463 331	463 331
28 776	-
10 359 504	6 159 975

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

34.09 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Balance previously reported

Correction of Property Rates wrongly levied. Refer note 16
 Correction of Property Rates wrongly levied. Refer note 16
 Correction of Sundry Debtors: UIF Councillors - Refer to note 17

5 495 959	1 565 449
(3 153 400)	(573 317)
-	(2 212 684)
188 779	188 779
2 531 337	(1 031 774)

34.10	VAT	2013	2012
	Balance previously reported	2 165 013	3 163 233
	Debt impairment prior periods and 2010/2011- Refer to note 9		
	Corrections due to reconciliation of payables - Refer to note 9	10 083	-
	Balance of Taxes - Current Liabilities	2 175 096	3 163 233
	The net amount of VAT has been reported in the Statement of Financial Position. The VAT portion on exchange and non-exchange receivables treated in the past as an expenditure item in the statement of financial position was corrected.		
34	CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)		
34.11	STATEMENT OF FINANCIAL PERFORMANCE	2013 R	2012 R
	REVENUE PREVIOUSLY REPORTED	156 690 745	120 369 818
	Property rates		
	Property on the valuation roll not previously levied was brought in as well as some other corrections based on a reconciliation between valuation roll and billing system.	(335 524)	-
	Rental of facilities and equipment		
	Relates to the operating lease register entries	277 642	463 331
	Interest earned - outstanding debtors		
	Relates to interest charges on outstanding debtors Property Rates Wrong Billing	(31 875)	
	Licences and permits		
	Gain on disposal of Property, Plant and Equipment	-	-
	Gain on disposal of Property, Plant and Equipment		
	Reclassification of gain on disposal of PPE nett off against loss on disposal.	(206 657)	-
	Other income		
	Reallocate unspent grant against Other Income	90	-
		156 394 421	120 833 149
	EXPENDITURE PREVIOUSLY REPORTED	155 089 673	R 180 466 591
	Depreciation and amortisation charges		
	Depreciation charges was recognised based first time implementation of Landfill Sites.	1 311 668	
	Finance charges		
	First time recognition of Landfill Site required finance charges to be recognised against the statement of financial performance.	112 640	-
	Impairments		
	Impairment was recognised based first time implementation of Landfill Sites.	9 163	
	General expenses		
	The reclassification of other grant expenditure; as mentioned above; the implementation of the Landfill site required a contribution; and the correcting of the in year cost of landfill sites caused largest portion of the correction. Apart from this the rest relates to reclassification of expenditure line items and the correction of payables.	(2 051 944)	-
	Loss on disposal of Property, Plant and Equipment		
	Assets incorrectly disposed prior year	(721 339)	-
		153 736 822	180 466 591

EMALAHLENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

34.12 STATEMENT OF CHANGES IN NET ASSETS

Balance previously reported

	2013 R	2012 R
Balance previously reported	426 266 166	424 665 095
Payables from exchange transactions	(55 634)	2 705 656
Investment property	(1 190 523)	(10 791 839)
Non-current provisions	2 126 462	219 766
Capitalised Restoration Cost	1 202 813	1 458 295
Property, plant and equipment	(14 316)	58 048 351
Receivables from exchange transactions	740 972	463 331
Receivables from non exchange transactions	(2 964 622)	(2 597 223)
Unpaid conditional government grants and receipts	(1 702 618)	(1 702 618)
	424 418 782	472 468 814

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

35

	R	R
Surplus/(Deficit) for the year	(5 328 949)	2 657 598
Adjustments for:		
Depreciation/Amortisation	20 348 278	21 442 304
Loss on disposal of property, plant and equipment	8 418 708	2 743 558
(Gains) on disposal of property, plant and equipment	-	-
Impairment Loss	11 354 726	9 163
Impairment (Reversals)	(3 547)	-
Contributions to Non-Current Provisions	-	-
Contribution from/to provisions - Non-Current	1 223 343	1 041 903
Contribution from/to provisions - Non-Current - Expenditure incurred	(58 401)	(108 864)
Contribution from/to provisions - Non-Current - Actuarial losses	791 293	428 420
Contribution from/to provisions - Non-Current - Actuarial gains	-	(141 077)
Contribution from/to provisions - Non-Current transfer to Current Provision	-	-
Contribution to provisions – current	4 322 422	2 851 968
Contribution to provisions – current - Expenditure incurred	(6 314 239)	(1 809 456)
Debt Impairment	19 244 626	9 539 098
Operating lease income / (expenses) accrued	(7 431)	4 249
Operating Surplus/(Deficit) before changes in working capital	53 990 829	38 658 865
Changes in working capital	(18 594 877)	(14 208 341)
Increase/(Decrease) in Payables from exchange transactions	10 377 020	(170 288)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(5 424 121)	2 087 284
Increase/(Decrease) in Unspent Public Contributions	-	-
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	(34 684)	214 932
Increase/(Decrease) in Taxes	(347 380)	988 137
(Increase)/Decrease in Inventory	(218 796)	(26 667)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(22 946 915)	(17 301 739)
Cash generated/(absorbed) by operations	35 395 952	24 450 524

36 CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 19	41 614 217	43 690 557
Cash Floats - Note 19	17 238	8 735
Bank - Note 19	9 361 795	9 415 869
Total cash and cash equivalents	50 993 250	53 115 160

37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 36	50 993 250	53 115 160
Less:	50 993 250	53 115 160
Unspent Committed Conditional Grants - Note 8	1 801 337	7 225 458
Resources available for working capital requirements	49 191 913	45 889 702
Allocated to:		
Employee Benefits Reserve	12 575 925	12 735 061
Non-Current Provisions Reserve	2 119 287	2 006 619
Resources available for working capital requirements	34 496 700	31 148 022

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	546 033	852 386
Used to finance property, plant and equipment - at cost	(546 033)	(852 386)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

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

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2014 R	2013 R
39.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	10 172 020	74 695 925
Expenditure not in line with LED Grant Conditions.	-	71 442
Unauthorised expenditure for the year - capital	964	251 388
Unauthorised expenditure for the year - operating	12 747 656	8 146 572
Unauthorised expenditure for the prior year - operating	-	1 702 618
Approved by council	(22 920 641)	(74 695 925)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	(0)	10 172 020

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

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

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive and Council	24 340 885	27 442 257	(3 101 372)	-
Budget and Treasury Office	29 464 421	24 328 957	5 135 463	5 135 463
Corporate Services	13 682 927	13 512 874	170 054	170 054
Community and Social Services	25 388 075	17 945 936	7 442 139	7 442 139
IPED	9 281 942	9 392 937	(110 994)	-
Technical Services	93 674 307	96 021 615	(2 347 308)	-
	195 832 558	188 644 576	7 187 982	12 747 656
Unauthorised expenditure current year - capital				
Budget and Treasury	1 647 820	1 751 000	(103 180)	-
Community and Social Services	12 434 964	12 434 000	964	964
Corporate Services	133 091	140 000	(6 909)	-
Executive and Council	808 932	2 840 000	(2 031 068)	-
IPED	1 596 783	2 749 000	(1 152 217)	-
Technical Services	20 479 775	24 095 000	(3 615 225)	-
	37 101 365	44 009 000	(6 907 635)	964

39	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	2014 R	2013 R
39.2	Fruitless and wasteful expenditure		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	16 880 460	8 934 997
	Fruitless and wasteful expenditure the year	266 261	205 543
	Material Losses for the year	-	7 792 479
	Written off by council	-	(52 559)
	Transfer to receivables for recovery	-	-
	Fruitless and wasteful expenditure awaiting further action	17 146 721	16 880 460
	Incident		
	Disciplinary steps/criminal proceedings		
	Interest was paid to Eskom and Telkom	2 192	28 824
	Interest and penalties were paid on VAT late submissions	16 783	-
	Interest was paid to Eskom and Telkom prior year	-	24 824
	Amount paid for CFO Support prior year	-	391 950
	Material Losses for the year	-	7 792 479
	Material Losses for the year prior year	-	8 465 664
	VAT wrongly claimed without supplier vat number on invoice	247 286	-
	Payment to Ezibeleni Sheriff i.r.o. L. Mateta	-	176 719
		266 261	16 880 460
39.3	Irregular expenditure		
	Reconciliation of irregular expenditure:		
	Opening balance	74 071 518	5 855 458
	Irregular expenditure for the year	58 902 850	37 322 019
	Irregular expenditure for the prior year	5 493 647	36 600 000
	Written off by council	-	(5 705 959)
	Transfer to receivables for recovery	-	-
	Irregular expenditure awaiting further action	138 468 015	74 071 518
	Incident		
	Disciplinary steps/criminal proceedings		
	SCM procedures not followed current year	58 902 850	37 322 019
	SCM procedures not followed current year	-	-
	SCM procedures not followed prior year	5 493 647	36 749 499
		64 396 497	74 071 518
39.4	Material Losses		
	Electricity distribution losses		
	Units purchased (Kwh)	13 157 117	13 031 876
	Units sold (Kwh)	7 048 529	5 427 232
	Units lost during distribution (Kwh)	6 108 588	7 604 645
	Percentage lost during distribution	46.43%	58.35%
	Loss in Rand Value	5 986 416	7 792 479
40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
	Opening balance	68 268	68 268
	Council subscriptions	487 346	400 000
	Amount paid - current year	(487 346)	(400 000)
	Amount paid - previous years	(68 268)	-
	Balance unpaid (included in creditors)	(0)	68 268
40.2	Audit fees - [MFMA 125 (1)(c)]		
	Opening balance	-	-
	Current year audit fee	3 248 159	2 074 217
	External Audit - Auditor-General	3 248 159	2 074 217
	Amount paid - current year	(3 248 159)	(2 074 217)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	-	-
40.3	VAT - [MFMA 125 (1)(c)]		
	Opening balance	1 831 357	294 447
	Amounts received - current year	9 371 045	6 551 791
	Amounts received - previous years	(223 015)	(295 163)
	Amounts claimed - current year	(9 908 458)	(4 719 718)
	Closing balance - (Receivable) / Payable	1 070 930	1 831 357
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
40.4	PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	6 651 670	6 195 520
	Amount paid - current year	(6 651 670)	(6 195 520)
	Balance unpaid (included in creditors)	-	-
40.5	Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	9 087 067	2 823 252
	Amount paid - current year	(9 087 067)	(2 823 252)
	Balance unpaid (included in creditors)	-	-

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

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

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

	2014 R Outstanding more than 90 days	2013 R Outstanding more than 90 days
Godla, M.	2 506	2 012
Komani, B.	112 678	93 196
Total Councillor Arrear Consumer Accounts	115 184	95 208

40.7 Other non-compliance (MFMA 125(2)(e))

Terms of Section 65(2)(e) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA).
 Some Creditors were not paid within 30 days.

Terms of Section 71(1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA).
 Some Reports were not submitted within 10 working days.

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

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

Deviations approved by Municipal Manager
 Deviations (Sole Suppliers) approved by Municipal Manager

Total Suppliers	Amount
40	1 463 657
196	7 552 496

41 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:
 Infrastructure

R	R
24 366 570	4 993 164
24 366 570	4 993 164

Approved but not yet contracted for

4 519 153	15 312 434
-----------	------------

Total

28 885 723	20 305 598
-------------------	-------------------

This expenditure will be financed from:

External Loans
 Capital Replacement Reserve
 Government Grants

-	-
384 513	-
28 501 210	20 305 598
28 885 723	20 305 598

Total

42 FINANCIAL RISK MANAGEMENT

2014

2013

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

(a) Foreign Exchange Currency Risk

The municipality did not engage in any foreign currency transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

1% (2012 - 0.5%) Increase in interest rates
 0.5% (2012 - 0.5%) Decrease in interest rates

2014
R
 504 300
 (252 150)

2013
R
 522 540
 (261 270)

(d) Credit Risk

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

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

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

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

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 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 16 for balances included in receivables that were re-negotiated for the period under review.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

Balances past due not impaired:

	%	R	%	R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	5 906 595	100.00%	2 531 337
<u>Exchange Receivables</u>				
Electricity	18.82%	2 010 867	17.28%	1 790 541
Water	-11.84%	(1 265 174)	12.60%	1 305 462
Refuse	-1.02%	(108 857)	-1.51%	(156 761)
Sewerage	-13.50%	(1 442 497)	5.66%	585 954
Other	107.54%	11 492 196	65.97%	6 834 308
	100.00%	10 686 536	100.00%	10 359 504

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

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

	%	R	%	R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	12 168 602	100.00%	13 062 616
<u>Exchange Receivables</u>				
Electricity	0.41%	418 500	0.59%	471 493
Water	33.29%	34 081 401	29.02%	23 335 801
Refuse	29.39%	30 090 638	32.02%	25 747 323
Sewerage	36.66%	37 526 421	36.81%	29 605 806
Other	0.25%	252 213	1.56%	1 258 104
	100.00%	102 369 174	100%	80 418 528

No debts were written-off.

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

The entity has no non-current investment transactions.

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

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

All receivables are individually evaluated annually at Statement of Financial Position date for impairment.

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

	2014 R	2013 R
Receivables from exchange transactions	10 686 536	10 359 504
Receivables from non-exchange transactions	5 906 595	2 531 337
Cash and Cash Equivalents	50 993 250	53 115 160
Unpaid conditional grants and subsidies	34 684	-
	67 621 066	66 006 002

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk

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

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

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

2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Finance Lease Liability	232 895	-	-	-
Capital repayments	203 916	(0)	-	-
Interest	28 979	0	-	-
Long Term liabilities - Hire purchase Lease Liability	133 825	256 499	-	-
Capital repayments	107 383	234 735	-	-
Interest	26 442	21 764	-	-
Trade and Other Payables	11 391 065	-	-	-
Unspent conditional government grants and receipts	1 801 337	-	-	-
Cash and Cash Equivalents	-	-	-	-
	13 559 122	256 499	-	-

2013	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Finance Lease Liability	310 526	543 421	-	-
Capital repayments	151 406	411 443	-	-
Interest	159 121	131 978	-	-
Long Term liabilities - Hire purchase Lease Liability	210 976	825 324	-	-
Capital repayments	141559.72	693399.01	-	-
Interest	69416.48	131924.6	-	-
Trade and Other Payables	4 113 390	-	-	-
Unspent conditional government grants and receipts	7 225 458	-	-	-
Cash and Cash Equivalents	-	-	-	-
	11 860 351	1 368 745	-	-

		2014 R	2013 R
43	FINANCIAL INSTRUMENTS		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
43.1	Financial Assets		
	Classification		
	Investments		
	Fixed Deposits	-	-
	Receivables		
	Receivables from exchange transactions	10 686 536	10 359 504
	Receivables from non-exchange transactions	5 906 595	2 531 337
	Other Receivables		
	Government Subsidies and Grants	34 684	-
	Short-term Investment Deposits		
	Call Deposits	41 614 217	43 690 557
	Bank Balances and Cash		
	Bank Balances	9 361 795	9 415 869
	Cash Floats and Advances	17 238	8 735
		67 621 066	66 006 002
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	67 621 066	66 006 002
	At amortised cost	67 621 066	66 006 002
43.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	-	-
	Capitalised Lease Liability	(0)	203 916
	Hire Purchase	234 735	341 859
	Payables from exchange transactions		
	Trade Payables	9 155 830	2 764 560
	Third party payables (Payroll)	114 198	10 205
	Payments received in advance	126 273	402 997
	Sundry Deposits	36 873	21 067
	Sundry Creditors	105 812	826 912
	Other Payables		
	Government Subsidies and Grants	1 801 337	7 225 458
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	203 916	207 528
	Hire Purchase	107 383	99 084
		13 864 709	12 594 232
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	13 864 709	12 594 232
44	EVENTS AFTER THE REPORTING DATE		
	The municipality has events after reporting date during the financial year ended 2013/2014.		
	Water levies will be transferred to Chris Hani District Municipality on 1 July 2014.	7 057 466	
	Sanitation levies will be transferred to Chris Hani District Municipality on 1 July 2014.	4 140 980	
45	IN-KIND DONATIONS AND ASSISTANCE		
	National Treasury under the MFMA Reform Programme has seconded a MFMA advisor to assist with compliance and reporting matters.		
46	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		

47	CONTINGENT LIABILITY	2014	2013
	Joubert, Anna GJ (Damages was claimed for jewellery fall into Septic Tank)	0	280 000
	MHLANGENKULULEKO CONSTRUCTION (Construction Work done and not paid due to work not completed by the Company)	0	84 000
	The municipality is being sued by Mgumane for damages whereby the claimant allegedly suffered constitutional damages.	15 000	-
	The Municipality is being sued by B L Patu for damages suffered due to negligence by the municipality in failing to maintain and monitor the structure of the dam wall and dam outlet of Hogsett Dam.	120 000	-
	The Municipality is being sued by D S O'Relly for damages suffered due to negligence by the municipality in failing to maintain and monitor the structure of the dam wall and dam outlet of Hogsett Dam.	100 000	-
	The municipality has been sued by Mhlangenkululeko Construction cc. It alleged it entered into an oral agreement with the Municipality in terms of which it was required to erect a 4km fence for the amount of R107, 895.72. This entity claimed that they have since been paid an amount of R28, 500.00, leaving the balance of R84, 365.72 unpaid.	84 366	-
	Ex Gratia Gratuities are payable regarding contracts for Sec. 56 Managers on termination of contract.	1 576 791	4 942 656
	A fraud case occurred after AFS was submitted to the amount of R39 000.	39 000	
	Claims against Council	1 935 156	5 306 656

48	CONTINGENT ASSETS		
	Ikamva Construction (An instruction was given to recover an amount for defective performance and erroneous payments.)	358 821	358 821
	KUTASE LR (The Municipality is claiming monies from Mr Kutase in respect of arrear rental.)	0	46 800
	The municipality has instructed to institute action against the said Komani for arrear municipal rates so as to enable us to attend to transfer of property between ECDC and Bootman Komani Family	20 000	0
	Claims by Council	378 821	405 621

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

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

49.1 Related Party Loans

None

49.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

49.3 Other related party transactions

The following entity exist during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>	<u>Amount of Transactions</u>	<u>Payments made</u>	<u>Outstanding Payments</u>
P Greyling	UNIVERSAL GARAGE	<u>R 385 685.02</u>	<u>R 343 519.20</u>	<u>R 42 165.82</u>
N Phendu	N Phendu Trans & Trading	<u>R 15 580.00</u>	<u>R 15 580.00</u>	<u>R 0.00</u>

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

Financial Indicators

The current ratio decreased from 3.3:1 to 2.98:1 in the period of reporting.

The average debtors' payment days decreased from 84 days to 90 days. The debtors impairment ratio decreased to 87 % from the previous years 88%.

No bank overdraft was utilised; the net cash situation as at 30 June 2014 is R50 993 250 positive.

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 47

**APPENDIX A - Unaudited
EMALAHLENI MUNICIPALITY
SCHEDULE OF LONG-TERM LIABILITIES AS AT 30 JUNE 2014**

LONG-TERM LIABILITIES	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2013	Correction	Balance at 1 JULY 2013 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2014
HIRE PURCHASE											
Standard Bank	9.00%	43454526/0005	2017/05/15	166 952	-	166 952	-	-	12 986	37 418	129 535
Standard Bank	9.00%	43454526/0007	2017/06/01	273 990	-	273 990	-	-	21 312	61 407	212 583
Total Hire Purchase				440 942	-	440 942	-	-	34 298	98 825	342 118
LEASE LIABILITY											
NRG Office Solutions (Pty) Ltd	32.04%		2015/03/20	411 443	-	411 443	-	-	102 998	207 528	203 916
Total Lease Liabilities				411 443	-	411 443	-	-	102 998	207 528	203 916
TOTAL LONG-TERM LIABILITIES				852 386	-	852 386	-	-	137 297	306 352	546 033

APPENDIX B - Unaudited
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
MUNICIPAL VOTES CLASSIFICATION

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
81 789 773	(18 816 211)	62 973 562	Budget and Treasury	85 761 894	(29 464 421)	56 297 473
1 185 368	(8 861 490)	(7 676 122)	Community Services	1 649 180	(19 632 888)	(17 983 709)
84 017	(12 727 498)	(12 643 481)	Corporate Services	395	(13 682 927)	(13 682 533)
238 316	(15 071 362)	(14 833 046)	Council	5 376 216	(16 234 646)	(10 858 431)
14 904 650	(20 925 438)	(6 020 788)	Electricity	19 285 316	(24 745 199)	(5 459 884)
-	(5 538 498)	(5 538 498)	Executive	115 439	(8 106 239)	(7 990 800)
-	(1 497 534)	(1 497 534)	Housing Services	36 600	(1 201 121)	(1 164 521)
2 362 186	(8 094 684)	(5 732 498)	IPED	2 884 194	(8 080 821)	(5 196 627)
4 342 764	(5 649 945)	(1 307 181)	Refuse	4 630 355	(5 755 187)	(1 124 832)
22 638 281	(26 115 629)	(3 477 348)	Roads Transport	32 289 899	(27 658 284)	4 631 615
28 849 066	(30 438 535)	(1 589 468)	Water and Sanitation	38 474 121	(41 270 823)	(2 796 702)
156 394 420	(153 736 822)	2 657 598	Sub Total	190 503 608	(195 832 558)	(5 328 949)
-	-	-		-	-	-
156 394 420	(153 736 822)	2 657 598	Total	190 503 608	(195 832 558)	(5 328 949)

**APPENDIX C - Unaudited
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
238 316	(20 609 860)	(20 371 544)	Executive and Council	5 491 655	(24 340 885)	(18 849 230)
81 789 773	(18 816 211)	62 973 562	Budget and Treasury Office	85 761 894	(29 464 421)	56 297 473
84 017	(12 963 689)	(12 879 672)	Corporate Services	395	(13 682 927)	(13 682 533)
2 362 186	(8 094 684)	(5 732 498)	Planning and Development	2 884 194	(8 080 821)	(5 196 627)
-	-	-	Health	-	-	-
1 182 719	(7 759 889)	(6 577 170)	Community and Social Services	1 649 180	(18 965 638)	(17 316 458)
-	(1 497 534)	(1 497 534)	Housing	36 600	(1 201 121)	(1 164 521)
80 475	(11 005 230)	(10 924 755)	Public Safety	12 022	(1 543 345)	(1 531 323)
2 649	(865 410)	(862 761)	Sport and Recreation	-	(667 250)	(667 250)
-	-	-	Environmental Protection	-	-	-
4 342 764	(5 649 945)	(1 307 181)	Waste Management	4 630 355	(5 755 187)	(1 124 832)
9 352 574	(9 341 281)	11 293	Waste Water Management	9 208 598	(11 861 620)	(2 653 022)
22 638 281	(26 115 629)	(3 477 348)	Road Transport	32 289 899	(27 658 284)	4 631 615
19 496 493	(21 097 254)	(1 600 761)	Water	29 265 523	(29 409 204)	(143 681)
14 824 175	(9 920 208)	4 903 967	Electricity	19 273 294	(23 201 854)	(3 928 560)
-	-	-	Other	-	-	-
156 394 420	(153 736 822)	2 657 598	Total	190 503 608	(195 832 558)	(5 328 949)

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

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2013	Corrections Prior year	Restated Balance 1 JULY 2013	Grants Received	Total Grants Available	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2014	Unspent 30 JUNE 2014 Current Liability	Unpaid 30 JUNE 2014 Current Asset
	R	R	R	R	R	R	R	R	R	R	R
National Government Grants	4 057 415	-	4 057 415	119 570 000	123 627 415	-	94 665 090	28 198 256	764 069	764 069	0
Equitable share	-	-	-	78 749 000	78 749 000	-	78 749 000	-	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	1 650 000	1 650 000	-	1 650 000	-	0	0	-
Municipal Infrastructure Grant (MIG)	2 518 239	-	2 518 239	27 281 000	29 799 239	-	880 090	28 198 256	720 893	720 893	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	890 000	890 000	-	890 000	-	0	0	-
Department of Water affairs and forestry (DWAF)	43 176	-	43 176	43 176	43 176	-	-	-	43 176	43 176	-
Integrated National Electrification Grant (INEP)	996 000	-	996 000	10 000 000	10 996 000	-	10 996 000	-	0	0	-
Neighbourhood Development Program Grant (NDPG)	-	-	-	-	-	-	-	-	-	-	-
Extended Public Works Program (EPWP)	-	-	-	1 000 000	1 000 000	-	1 000 000	-	(0)	-	0
Town Revitalisation	500 000	-	500 000	-	500 000	-	500 000	-	(0)	-	0
Provincial Government Grants	1 268 621	-	1 268 621	1 032 400	2 301 021	(1 017 968)	2 591 207	-	727 781	727 781	-
Housing Grant	(1 017 968)	-	(1 017 968)	-	(1 017 968)	(1 017 968)	-	-	-	-	-
IDP	-	-	-	-	-	-	-	-	-	-	-
LED	1 760 693	-	1 760 693	229 400	1 990 093	-	1 864 212	-	125 880	125 880	-
Library	525 896	-	525 896	803 000	1 328 896	-	726 995	-	601 901	601 901	-
MSP	-	-	-	-	-	-	-	-	-	-	-
District Municipality Grants	859 917	(90)	859 827	600 000	1 459 827	-	1 185 024	-	274 803	309 487	34 684
Food Program	413 598	-	413 598	-	413 598	-	411 875	-	1 723	1 723	-
Sorghum & Processing	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	90	(90)	-	-	-	-	-	-	-	-	-
Cleaning program	242 413	-	242 413	-	242 413	-	40 532	-	201 881	201 881	-
Revenue Enhancement	153 816	-	153 816	-	153 816	-	97 933	-	55 883	55 883	-
Paving and beautification	-	-	-	500 000	500 000	-	534 684	-	(34 684)	-	34 684
Heritage Grant	-	-	-	100 000	100 000	-	100 000	-	-	-	-
Other	50 000	-	50 000	-	50 000	-	-	-	50 000	50 000	-
Other Grants	(663 023)	-	(663 023)	14 236	(648 786)	(648 786)	-	-	-	-	-
LGSETA	21 627	-	21 627	14 236	35 864	35 864	-	-	-	-	-
Elietheni Coal Mine	(684 650)	-	(684 650)	-	(684 650)	(684 650)	-	-	-	-	-
Total	5 522 929	(90)	5 522 839	121 216 636	126 739 476	(1 666 754)	98 441 321	28 198 256	1 766 653	1 801 337	34 684

Reconciliation of Table A1 Budget Summary

Description	2013/2014										2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	1st Adjusted Budget	Special Adjustments / Unforeseen & Unavoidable	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12		
R thousands														
Financial Performance														
Property rates	4 675	(2 700)	1 975	-	1 975	3 218	-	1 244	163.0%	68.8%	-	-	-	3 530
Service charges	17 936	(1 720)	16 216	-	16 216	21 381	-	5 165	131.9%	119.2%	-	-	-	14 914
Investment revenue	1 516	509	2 025	-	2 025	3 005	-	980	148.4%	198.2%	-	-	-	2 862
Transfers recognised - operational	104 225	(5 675)	98 550	-	98 550	98 441	-	(108)	99.9%	94.5%	-	-	-	85 415
Other own revenue	39 448	2 177	41 625	-	41 625	36 260	-	(5 365)	87.1%	91.9%	-	-	-	29 177
Total Revenue (excluding capital transfers and contributions)	167 739	(7 409)	160 330	-	160 330	162 305	-	1 975	101.2%	96.7%	-	-	-	135 898
Employee costs	39 274	11 044	50 318	(2 955)	47 363	47 295	-	(3 024)	94.0%	120.4%	-	-	-	43 685
Remuneration of councillors	10 297	(556)	9 740	71	9 812	9 812	-	71	100.7%	95.3%	-	-	-	9 101
Debt impairment	4 069	(912)	3 156	19 295	22 451	19 245	-	16 088	609.7%	473.0%	-	-	-	9 539
Depreciation & asset impairment	22 695	(260)	22 435	3 821	26 256	31 703	5 447	9 268	141.3%	139.7%	-	-	-	20 131
Finance charges	389	(219)	170	520	690	690	-	520	405.8%	177.1%	-	-	-	530
Materials and bulk purchases	12 291	3 675	15 966	(2 606)	13 360	12 851	-	(3 116)	80.5%	104.6%	-	-	-	11 232
Transfers and grants	32 351	(6 737)	25 614	(6 153)	19 461	19 462	1	(6 152)	76.0%	60.2%	-	-	-	14 878
Other expenditure	67 364	(6 119)	61 245	(11 993)	49 252	54 776	5 463	(6 469)	89.4%	81.3%	-	-	-	45 994
Total Expenditure	188 730	(89)	188 645	(0)	188 645	195 833	10 911	7 187	103.8%	103.8%	-	-	-	155 090
Surplus/(Deficit)	(20 991)	(7 324)	(28 255)	0	(28 255)	(33 277)	(10 911)	(5 272)	118.7%	160.2%	-	-	-	(19 192)
Transfers recognised - capital	25 917	2 221	28 138	-	28 138	28 198	-	60	100.2%	108.8%	-	-	-	20 793
Discontinued Operations	-	-	-	0	0	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	4 986	(5 102)	(117)	0	(117)	(5 229)	-	(5 212)	456.1%	-106.9%	-	-	-	1 601
Share of surplus/(deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	4 986	(5 102)	(117)	0	(117)	(5 229)	-	(5 212)	456.1%	-106.9%	-	-	-	1 601
Capital expenditure & funds sources														
Capital expenditure														
Transfers recognised - capital	25 917	2 221	28 138	-	28 138	26 083	-	(2 055)	92.7%	100.6%	-	-	-	15 177
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	-	238
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	13 825	2 046	15 871	-	15 871	11 018	-	(4 853)	69.4%	79.7%	-	-	-	1 655
Total sources of capital funds	39 742	4 267	44 009	-	44 009	37 101	-	(6 908)	84.3%	93.4%	-	-	-	17 070
Cash flows														
Net cash from (used) operating	31 749	(9 431)	22 318	-	22 318	35 396	-	13 078	158.6%	111.5%	-	-	-	24 451
Net cash from (used) investing	(31 742)	(11 967)	(43 709)	-	(43 709)	(37 101)	-	6 608	84.9%	116.9%	-	-	-	(16 864)
Net cash from (used) financing	-	-	-	-	-	(416)	-	(416)	#DIV/0!	#DIV/0!	-	-	-	(536)
Cash/cash equivalents at the year end	42 961	(11 236)	31 725	-	31 725	50 993	-	19 269	160.7%	118.7%	-	-	-	53 115

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2013/2014						2012/2013						
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Special Adjustments / Unforeseen & Unavoidable	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	
Revenue - Standard													
<i>Governance and administration</i>	90 717	(2 263)		91 254		2 800	103.2%	100.6%					82 686
Executive and council	5 336	110		5 492		46	100.8%	102.9%					238
Budget and treasury office	85 381	(2 395)		85 762		2 776	103.3%	100.4%					82 364
Corporate services	0	22		0		(22)	1.8%	157.9%					84
Community and public safety	1 154	1 024		1 688		(480)	78.0%	147.1%					803
Community and social services	1 152	691		1 649		(194)	89.5%	143.2%					719
Sport and recreation	2	(2)						#DIV/0!					3
Public safety		270		12		(258)	4.5%	#DIV/0!					80
Housing		65		37		(28)	56.3%	#DIV/0!					
Health													
Economic and environmental services	28 327	6 428		35 174		420	101.2%	124.2%					25 000
Planning and development	12	2 922		2 884		(49)	98.3%	25080.0%					2 362
Road transport	28 315	3 506		32 290		469	101.5%	114.0%					22 638
Environmental protection													
Trading services	67 457	(10 182)		62 378		5 103	108.9%	92.5%					48 016
Electricity	26 008	(4 139)		19 273		(2 596)	88.1%	74.1%					14 824
Water	24 433	95		29 286		4 737	119.3%	119.8%					19 496
Waste water management	11 815	(4 918)		6 898		2 311	133.5%	77.9%					9 353
Waste management	5 200	(1 220)		4 630		651	116.3%	89.0%					4 343
Other													186
Total Revenue - Standard	187 655	(4 993)		190 504		7 842	104.3%	101.5%					156 691
Expenditure - Standard													
<i>Governance and administration</i>	59 322	2 555	407	67 488	5 304	5 203	108.4%	113.8%					52 183
Executive and council	23 716	3 654	(2 929)	24 341		(101)	98.6%	102.6%					20 610
Budget and treasury office	20 387	607	3 335	29 484		5 135	121.1%	144.5%					18 606
Corporate services	15 219	(1 706)	1	13 683		169	101.3%	89.9%					12 967
Community and public safety	27 877	2 356	(18 985)	11 248	11 461	11 129	198.9%	80.3%					20 731
Community and social services	13 906	(2 782)	(3 620)	18 966		11 461	252.7%	136.4%					7 363
Sport and recreation	352	638		667		(323)	67.4%	189.4%					865
Public safety	11 954	4 510	(14 915)	1 543		(6)	12.9%	12.9%					11 005
Housing	1 665	(10)	(450)	1 201		(3)	99.7%	72.1%					1 498
Health													
Economic and environmental services	26 117	15 023	2 950	35 739		(8 350)	81.1%	136.8%					34 154
Planning and development	8 597	3 067	(3 500)	8 081		(83)	99.0%	94.0%					8 095
Road transport	17 520	11 956	6 450	27 658		(8 267)	77.0%	157.9%					26 060
Environmental protection													
Trading services	69 353	(19 825)	21 494	70 228		(794)	98.9%	101.3%					47 677
Electricity	25 149	(12 952)	11 515	23 712		(510)	92.3%	92.3%					9 920
Water	24 375	156	4 930	29 409		(62)	99.8%	120.7%					21 111
Waste water management	11 802	(4 905)	5 049	11 862		(85)	99.3%	100.5%					9 341
Waste management	8 026	(2 124)		5 755		(147)	97.5%	71.7%					7 304
Other													344
Total Expenditure - Standard	182 669	109	5 866	195 833	16 766	7 188	103.8%	107.2%					155 090
Surplus/(Deficit) for the year	4 986	(5 022)	(5 866)	(5 329)		654	88.1%	-106.9%					8 239

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2013/2014										2012/2013			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Special Adjustments / Unforeseen & Unavoidable	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
	1	2	3	4	5	6	7	8	9	10	11	12		
Revenue by Vote														
Vote 1 - Executive and Council	5 336	110		5 446	5 492		46	100.8%	102.9%				238	
Vote 2 - Budget and Treasury	85 381	(2 395)		82 986	85 762		2 776	103.3%	100.4%				82 364	
Vote 3 - Corporate Services	0	22		22	0		(22)	1.8%	157.9%				84	
Vote 4 - Community and Social Services	6 354	(531)		5 823	6 280		457	107.8%	98.8%				5 331	
Vote 5 - IPED	12	2 987		2 998	2 921		(77)	97.4%	25398.2%				2 362	
Vote 6 - Technical Services	90 572	(5 186)		85 386	90 049		4 663	105.5%	99.4%				66 312	
Total Revenue by Vote	187 655	(4 993)	-	182 661	190 504	-	7 842	104.3%	101.5%	-	-	-	156 691	
Expenditure by Vote to be appropriated														
Vote 1 - Executive and Council	23 716	3 654	72	27 442	24 341		(3 101)	88.7%	102.6%				20 610	
Vote 2 - Budget and Treasury	20 387	607	3 335	24 329	29 464		5 135	121.1%	144.5%				18 606	
Vote 3 - Corporate Services	15 219	(1 706)		13 513	13 683		170	101.3%	89.9%				12 967	
Vote 4 - Community and Social Services	22 285	(4 268)	(71)	17 946	25 388		7 442	141.5%	113.9%				28 380	
Vote 5 - IPED	10 262	3 057	(3 926)	9 393	9 282		(111)	96.8%	90.4%				8 095	
Vote 6 - Technical Services	90 800	(1 236)	6 457	96 022	93 674		(2 347)	97.6%	103.2%				66 432	
Total Expenditure by Vote	182 669	109	5 867	188 645	195 833	12 748	7 188	103.8%	107.2%	-	-	-	155 090	
Surplus/(Deficit) for the year	4 986	(5 102)	(5 867)	(5 983)	(5 329)	654	654	89.1%	-106.9%	-	-	-	-	

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/2014						2012/2013						
	Original Budget	Budget Adjustments (i.i.o. MFMA s23)	Special Adjustments / Unforeseen & Unavoidable	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	
R thousand													
Revenue By Source													
Property rates	4 675	(2 700)		3 218		1 244	163.0%	68.8%					3 530
Property rates - penalties & collection charges	-	-	1 975	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	6 485	671	7 156	8 048		892	112.5%	124.1%					5 662
Service charges - water revenue	3 833	(1 010)	2 823	6 899		4 070	243.8%	179.7%					2 895
Service charges - sanitation revenue	3 412	(181)	3 230	3 739		509	115.8%	109.6%					3 688
Service charges - refuse revenue	4 200	(1 200)	3 000	2 695		(305)	89.8%	64.2%					2 668
Service charges - other	-	-	-	-		-	-	-	-	-	-	-	-
Rental of facilities and equipment	491	96	586	731		145	124.8%	149.1%					620
Interest earned - external investments	1 516	509	2 025	3 005		980	148.4%	198.2%					2 862
Interest earned - outstanding debtors	4 278	672	4 950	7 834		2 884	183.3%	183.1%					6 471
Dividends received	-	-	-	-		-	-	-	-	-	-	-	-
Fines	0	(0)		115		115	#DIV/0!	115439.5%					1
Licences and permits	220	264	484	383		(101)	79.2%	174.1%					353
Agency services	1 182	18	1 200	61		(1 139)	5.1%	5.2%					93
Transfers recognised - operational	104 225	(5 675)	98 550	98 441		(108)	99.9%	94.5%					85 415
Other revenue	33 128	1 278	34 406	27 135		(7 270)	78.9%	81.9%					21 434
Gains on disposal of PPE	150	(150)		-		-	-	-	-	-	-	-	207
Total Revenue (excluding capital transfers and contributions)	167 799	(7 409)	-	162 305		1 915	101.2%	96.7%					135 898
Expenditure By Type													
Employee related costs	39 274	11 044	(2 955)	47 295		(68)	99.9%	120.4%					43 685
Remuneration of councillors	10 297	(556)	71	9 812		477	100.0%	95.3%					9 101
Debt impairment	4 069	(912)	19 295	19 245		(3 207)	85.7%	473.0%					9 539
Depreciation & asset impairment	22 695	(260)	3 821	31 703	5 447	5 447	120.7%	138.7%					20 131
Finance charges	389	(219)	520	690		-	100.0%	177.1%					530
Bulk purchases	12 291	3 675	(2 606)	12 851		(510)	96.2%	104.6%					11 232
Other materials	-	-	-	-		-	-	-	-	-	-	-	-
Contracted services	2 051	2 614	(671)	3 994		-	100.0%	194.8%					2 773
Transfers and grants	32 351	(6 737)	19 461	19 462	1	1	100.0%	60.2%					14 878
Other expenditure	65 313	(8 733)	42 303	42 363	61	61	100.1%	64.9%					39 816
Loss on disposal of PPE	-	-	2 955	8 419	5 463	5 463	284.9%	#DIV/0!					3 465
Total Expenditure	188 730	(85)	(0)	195 833	10 972	7 187	103.8%	103.8%					155 090
Surplus/(Deficit)	(20 931)	(7 324)	(28 259)	(33 527)		(5 272)	118.7%	160.2%					(19 192)
Transfers recognised - capital	25 917	2 221	28 138	28 198		60	100.2%	108.8%					20 793
Discontinued Operations	-	-	-	-		-	-	-					-
Contributions recognised - capital	-	-	-	-		-	-	-					-
Contributed assets	-	-	-	-		-	-	-					-
Surplus/(Deficit) after capital transfers & contributions	4 986	(5 102)	(117)	(5 329)		(5 212)	4586.1%	-106.9%					1 601
Taxation	-	-	-	-		-	-	-					-
Surplus/(Deficit) after taxation	4 986	(5 102)	(117)	(5 329)		(5 212)	4586.1%	-106.9%					1 601
Attributable to minorities	-	-	-	-		-	-	-					-
Surplus/(Deficit) attributable to municipality	4 986	(5 102)	(117)	(5 329)		(5 212)	4586.1%	-106.9%					1 601
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-					-
Surplus/(Deficit) for the year	4 986	(5 102)	(117)	(5 329)		(5 212)	4586.1%	-106.9%					1 601

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2013/2014							2012/2013				
	Original Budget	Total Budget Adjustments (i.l.o. MFMA s.28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote Multi-year expenditure												
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services	15 556	(5 018)	10 538	11 753	1 215	1 215	112%	76%	-	-	-	6 437
Vote 5 - IPED	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Technical Services	10 341	6 422	16 763	12 710	-	(4 053)	76%	123%	-	-	-	-
Capital multi-year expenditure	25 898	1 403	27 301	24 463	1 215	(2 838)	90%	94%	-	-	-	6 437
Single-year expenditure												
Vote 1 - Executive and Council	6 380	(3 540)	2 840	809	-	(2 031)	28%	13%	312	-	(312)	439
Vote 2 - Budget and Treasury	970	781	1 751	1 648	-	(103)	94%	170%	-	-	-	672
Vote 3 - Corporate Services	140	-	140	133	-	(7)	95%	95%	84	-	(84)	159
Vote 4 - Community and Social Services	940	956	1 896	682	-	(1 214)	36%	73%	318	-	(318)	1 154
Vote 5 - IPED	2 784	(315)	2 469	1 597	-	(1 152)	58%	57%	-	-	-	1 35
Vote 6 - Technical Services	2 630	4 702	7 332	7 770	438	438	106%	295%	1 092	-	(1 092)	8 074
Capital single-year expenditure	13 844	2 884	16 708	12 838	438	(4 070)	76%	91%	1 805	-	(1 805)	10 533
Total Capital Expenditure - Vote	39 742	4 287	44 009	37 101	1 653	(6 908)	84%	93%	1 805	-	(1 805)	17 070
Capital Expenditure - Standard												
Governance and administration	7 490	(2 759)	4 731	2 590	-	(2 141)	55%	35%	396	-	(396)	1 522
Executive and council	6 380	(3 540)	2 840	809	-	(2 031)	28%	13%	312	-	(312)	439
Budget and treasury office	970	781	1 751	1 648	-	(103)	94%	170%	-	-	-	672
Corporate services	140	-	140	133	-	(7)	95%	95%	84	-	(84)	151
Community and public safety	11 496	(1 862)	9 614	8 465	354	(1 149)	88%	74%	318	-	(318)	7 391
Community and social services	2 814	1 546	4 360	2 857	-	(1 503)	65%	102%	318	-	(318)	2 689
Sport and recreation	6 892	(2 838)	4 054	4 333	279	279	107%	63%	-	-	-	4 902
Public safety	1 790	(590)	1 200	1 275	75	75	106%	71%	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services	15 756	11 089	26 844	22 077	-	(4 767)	82%	140%	1 092	-	(1 092)	7 951
Planning and development	2 784	(35)	2 749	1 597	-	(1 152)	58%	57%	-	-	-	1 35
Road transport	12 971	11 124	24 095	20 480	-	(3 615)	85%	158%	1 092	-	(1 092)	7 816
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
Trading services	5 000	(2 180)	2 820	3 970	1 150	1 150	141%	79%	-	-	-	5
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-	-	5
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-
Waste management	5 000	(2 180)	2 820	3 970	1 150	1 150	141%	79%	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	39 742	4 287	44 009	37 101	1 504	(6 908)	84%	93%	1 805	-	(1 805)	17 070
Funded by:												
National Government	25 917	2 221	28 138	26 083	-	(2 055)	93%	101%	-	-	-	15 177
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	25 917	2 221	28 138	26 083	-	(2 055)	93%	101%	-	-	-	15 177
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	238
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	13 825	2 046	15 871	11 018	-	(4 853)	69%	80%	-	-	-	1 655
Total Capital Funding	39 742	4 287	44 009	37 101	-	(6 908)	84%	93%	1 805	-	(1 805)	17 070

Reconciliation of Table A7 Budgeted Cash Flows

Description	2013/2014								2012/2013				
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome					
	1	2	3	4	5	6	7	8					
R thousand													
CASH FLOW FROM OPERATING ACTIVITIES													
Receipts													
Ratepayers and other	38 260	16 606	54 866	30 068	(24 798)	54.8%	78.6%	23 415					
Government - operating	125 636	(27 086)	98 550	98 441	(108)	99.9%	78.4%	85 415					
Government - capital	25 917	2 221	28 138	22 739	(5 399)	80.8%	87.7%	23 095					
Interest	5 793	1 182	6 975	10 839	3 864	155.4%	187.1%	9 333					
Dividends	-	-	-	-	-	-	-	-					
Payments													
Suppliers and employees	(156 880)	16 454	(140 426)	(126 554)	13 873	90.1%	80.7%	(116 588)					
Finance charges	(389)	219	(170)	(137)	33	80.8%	35.3%	(219)					
Transfers and Grants	(6 587)	(19 027)	(25 614)	(13 614)	25 614	-	-	-					
NET CASH FROM/(USED) OPERATING ACTIVITIES	31 749	(9 431)	22 318	35 396	13 078	158.6%	111.5%	24 451					
CASH FLOWS FROM INVESTING ACTIVITIES													
Receipts													
Proceeds on disposal of PPE	-	-	-	-	-	-	-	207					
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-					
Decrease (Increase) other non-current receivables	-	-	-	-	-	-	-	-					
Decrease (Increase) in non-current investments	8 000	(8 000)	-	-	-	-	-	-					
Payments													
Capital assets	(39 742)	(3 967)	(43 709)	(37 101)	6 608	84.9%	93.4%	(17 070)					
NET CASH FROM/(USED) INVESTING ACTIVITIES	(31 742)	(11 967)	(43 709)	(37 101)	6 608	84.9%	116.9%	(16 864)					
CASH FLOWS FROM FINANCING ACTIVITIES													
Receipts													
Short term loans	-	-	-	-	-	-	-	-					
Borrowing long term/refinancing	-	-	-	(306)	(306)	#DIV/0!	#DIV/0!	-					
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	9					
Payments													
Repayment of borrowing	-	-	-	(110)	(110)	#DIV/0!	#DIV/0!	(645)					
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	(416)	(416)	#DIV/0!	#DIV/0!	(636)					
NET INCREASE/ (DECREASE) IN CASH HELD	8	(21 398)	(21 391)	(2 122)				7 051					
Cash/cash equivalents at the year begin:	42 953	10 162	53 115	53 115	19 269	160.7%	118.7%	46 064					
Cash/cash equivalents at the year end:	42 961	(11 236)	31 725	50 993				53 115					