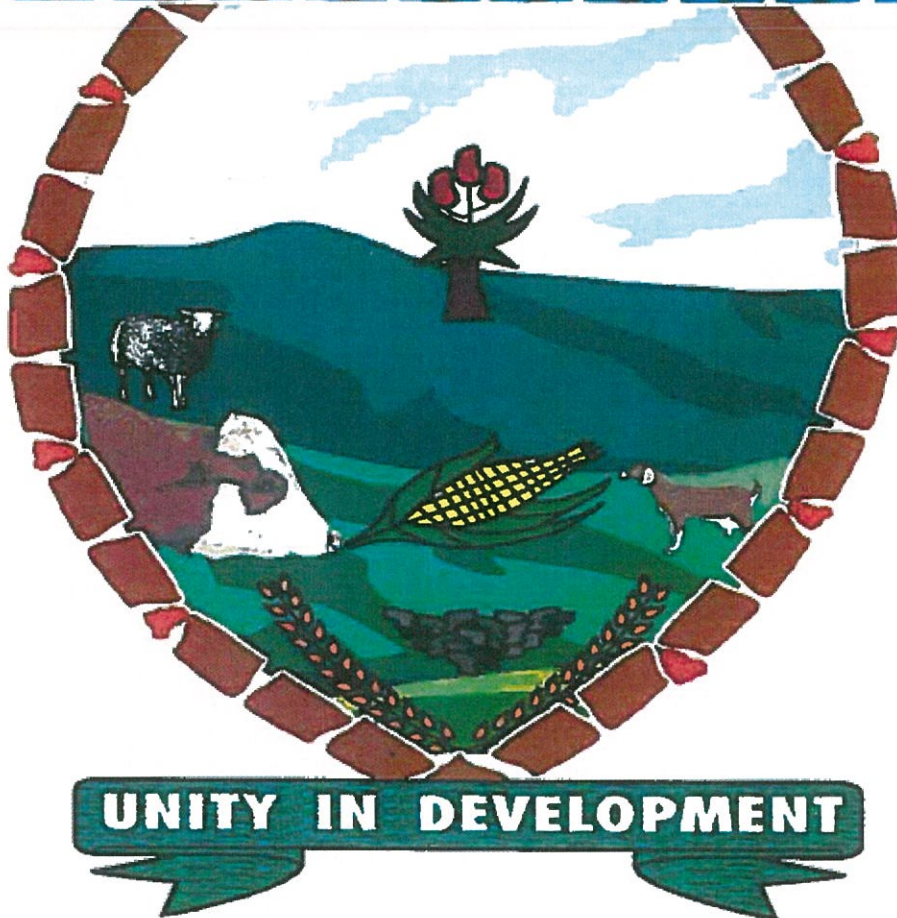


# EMALAHLENI MUNICIPALITY



[These financial statements have been audited]

## ANNUAL FINANCIAL STATEMENTS

30 JUNE 2015



EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R	2014 R
<b>NET ASSETS AND LIABILITIES</b>			
Net Assets		458 386 485	469 543 326
Accumulated Surplus/(Deficit)		458 386 485	469 543 326
Non-Current Liabilities		6 241 283	8 953 829
Long-term Liabilities	2	546 924	234 735
Employee benefits	3	5 694 359	6 599 807
Non-Current Provisions	4	0	2 119 287
Current Liabilities		35 027 146	23 967 753
Current Employee benefits	5	7 097 272	6 129 053
Provisions	4	11 514 635	648 650
Payables from exchange transactions	6	15 803 079	15 077 414
Unspent Conditional Government Grants and Receipts	7	348 701	1 801 337
Current Portion of Long-term Liabilities	2	263 459	311 299
Liabilities associated with Discontinued Operations	51	2 265 864	-
<b>Total Net Assets and Liabilities</b>		<b>501 920 778</b>	<b>502 464 908</b>
<b>ASSETS</b>			
Non-Current Assets		446 104 515	431 968 960
Property, Plant and Equipment	9	439 281 466	422 240 399
Investment Property	10	6 433 761	8 394 358
Capitalised Restoration cost	11	-	951 638
Intangible Assets	12	206 752	258 564
Heritage Assets	13	182 536	124 000
Current Assets		55 816 264	70 495 947
Inventory	14	-	618 865
Receivables from exchange transactions	15	17 964 462	10 402 833
Receivables from non-exchange transactions	16	3 920 135	5 860 616
Unpaid Conditional Government Grants and Receipts	7	-	34 684
Operating Lease Asset	17	77 416	63 222
VAT	8	2 077 851	2 522 476
Cash and Cash Equivalents	18	31 776 400	50 993 250
<b>Total Assets</b>		<b>501 920 779</b>	<b>502 464 908</b>

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Actual R	2014 Restated R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		149 389 883	131 289 151
Taxation Revenue		3 719 278	3 218 438
Property rates	19	3 719 278	3 218 438
Transfer Revenue		143 279 952	126 639 577
Government Grants and Subsidies - Capital	20	30 399 227	28 198 256
Government Grants and Subsidies - Operating	20	112 880 725	98 441 321
Other Revenue		1 390 653	1 431 136
Actuarial Gains		926 454	-
Reversal of Impairment		10 341	3 547
Fines		107 783	115 439
Contributed Assets		346 075	1 312 150
Revenue from Exchange Transactions		22 244 529	20 746 538
Service Charges	21	11 179 543	10 742 672
Rental of Facilities and Equipment		720 791	737 342
Interest Earned - external investments	22	3 349 949	3 004 556
Interest Earned - outstanding debtors	22	3 929 602	3 495 172
Licences and Permits		462 097	383 000
Agency Services		65 702	61 196
Other Income	23	2 536 845	2 322 599
<b>Total Revenue</b>		<b>170 634 412</b>	<b>152 035 689</b>
<b>EXPENDITURE</b>			
Employee related costs	24	42 782 608	37 750 857
Remuneration of Councillors	25	10 103 758	9 811 645
Debt Impairment	26	13 567 042	895 628
Depreciation and Amortisation	27	22 066 517	20 359 826
Impairments	10,11,12	9 247 688	11 354 726
Repairs and Maintenance	29	5 083 299	3 502 964
Actuarial losses	3	-	791 293
Finance Charges	28	786 929	689 786
Bulk Purchases	30	14 809 208	12 850 609
Contracted services		5 564 390	4 029 759
Other Operating Grant Expenditure	31	23 060 456	19 330 609
General Expenses	32	33 571 856	24 961 757
Loss on disposal of Property, Plant and Equipment		1 147 498	8 418 708
<b>Total Expenditure</b>		<b>181 791 250</b>	<b>154 748 167</b>
Discontinued Operations	50.2	-	(2 833 350)
<b>NET (DEFICIT) FOR THE YEAR</b>		<b>(11 156 838)</b>	<b>(5 545 828)</b>

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2013	475 112 096	475 112 096
Correction of errors	(22 943)	(22 943)
Restated Balance at 1 JULY 2013	475 089 154	475 089 154
Net Deficit for the year	(5 545 828)	(5 545 828)
Balance at 30 JUNE 2014	469 543 326	469 543 326
Net Deficit for the year	(11 156 838)	(11 156 838)
Balance at 30 JUNE 2015	458 386 485	458 386 485

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 R	30 JUNE 2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		(410 345)	14 281 594
Government - operating	20	112 890 725	98 441 321
Government - capital	20	28 981 275	22 739 452
Interest		7 279 550	6 499 728
<b>Payments</b>			
Suppliers		(79 574 671)	(58 852 523)
Employees	24	(40 841 931)	(37 764 676)
Councillors	25	(10 103 758)	(9 811 645)
Finance charges	29	(57 785)	(137 297)
<b>Cash generated by operations</b>	<b>34</b>	<b>18 153 060</b>	<b>35 395 953</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(36 827 585)	(36 899 452)
Purchase of Heritage Assets		(58 536)	(124 000)
Purchase of Intangible Assets	12	(70 066)	(77 913)
<b>Net Cash from Investing Activities</b>		<b>(36 956 187)</b>	<b>(37 101 365)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(413 725)	(306 352)
(Decrease)/Increase in Consumer Deposits		-	(110 146)
<b>Net Cash from Financing Activities</b>		<b>(413 725)</b>	<b>(416 499)</b>
<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(19 216 851)</b>	<b>(2 121 910)</b>
Cash and Cash Equivalents at the beginning of the year		50 993 250	53 115 160
Cash and Cash Equivalents at the end of the year	35	31 776 400	50 993 250
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(19 216 850)</b>	<b>(2 121 910)</b>

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**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2015 R	2015 R	2015 R	2015 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R3 million
	(Actual)	(Final Budget)	(Variance)			
<b>ASSETS</b>						
Current assets						
Cash	3 213 389	13 873 897	(10 660 508)	-76.84%		Surplus cash has been invested to optimize the income from surplus cash
Call investment deposits	28 563 011	20 678 785	7 884 216	38.80%		More were invest than expected
Consumer debtors	17 864 462	10 736 859	7 227 603	57.37%		Increased billing with a lower than expected payment rate increased the debtor balance
Other Receivables	6 075 403	968 337	5 107 066	537.41%		Increased billing with a lower than expected payment rate increased the other receivables
Inventory	-	6 18 865	(6 18 865)	-100.00%		Inventory was transferred to CHDM
<b>Total current assets</b>	<b>55 015 264</b>	<b>46 776 763</b>	<b>9 039 511</b>			
Non current assets						
Investment property	8 433 761	0 394 258	(1 900 507)	-23.36%		Transfer to PPE not budgeted
Property, plant and equipment	439 209 465	440 032 062	(771 406)	-0.18%		
Intangible Assets	286 752	259 564	(51 812)	-20.04%		Capital acquisitions for the year were not budget for in full
Heritage Assets	182 536	182 536	182 536	100.00%		Eronously not budgeted
<b>Total non current assets</b>	<b>446 104 515</b>	<b>446 705 894</b>	<b>(2 601 369)</b>			
<b>TOTAL ASSETS</b>	<b>501 920 779</b>	<b>493 482 637</b>	<b>6 438 142</b>			
<b>LIABILITIES</b>						
Current liabilities						
Borrowing	263 459	-	263 459	100.00%		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
Trade and other payables	16 151 780	9 316 213	6 835 567	73.37%		increased due to provision for retention on all capital projects and surety.
Provisions and Employee Benefits	18 611 907	6 921 601	11 690 306	168.90%		Less were budget for Employee benefits provision
<b>Total current liabilities</b>	<b>35 027 146</b>	<b>16 237 814</b>	<b>18 789 332</b>			
Non current liabilities						
Borrowing	545 924	545 833	891	0.16%		
Provisions and Employee Benefits	6 694 350	8 779 642	(3 085 292)	-35.14%		More were budget for Employee benefits provision
<b>Total non current liabilities</b>	<b>6 241 283</b>	<b>9 325 675</b>	<b>(3 084 392)</b>			
<b>TOTAL LIABILITIES</b>	<b>41 268 429</b>	<b>25 563 489</b>	<b>15 704 940</b>			
<b>NET ASSETS</b>	<b>460 652 350</b>	<b>468 919 148</b>	<b>(9 266 798)</b>			
<b>COMMUNITY WEALTH</b>						
Accumulated Surplus/(Deficit)	458 388 485	459 919 148	(1 532 663)	-2.45%		
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>458 388 485</b>	<b>468 919 148</b>	<b>(11 532 663)</b>			

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**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

**ADJUSTMENTS TO APPROVED BUDGET**

	2015 R	2015 R	2015 R	2015 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)			
<b>ASSETS</b>						
Current assets						
Cash	2 395 367	11 478 530	13 873 907		479%	Budget was understated
Call investment deposits	14 000 000	6 570 795	20 570 795		47%	Final Budget was understated
Consumer debtors	13 556 595	(2 020 137)	10 736 659		-21%	Reduced impairment provided in Adjustment budget
Other Receivables	668 337	-	668 337		0%	
Inventory	424 000	194 065	618 065		46%	Inventory were increased due to higher Repair & Maintenance
<b>Total current assets</b>	<b>31 344 700</b>	<b>15 432 053</b>	<b>46 776 753</b>			
Non current assets						
Investment property	25 415 000	(17 022 542)	8 392 458		-67%	Were reduced according previous years AFS
Property, plant and equipment	419 889 515	20 163 447	440 052 962		5%	Additions were not provided for in the budget.
Intangible Assets	255 000	3 564	258 564		1%	
<b>Total non current assets</b>	<b>475 551 415</b>	<b>3 144 469</b>	<b>478 705 884</b>			
<b>TOTAL ASSETS</b>	<b>475 906 115</b>	<b>18 576 532</b>	<b>495 482 637</b>			
<b>LIABILITIES</b>						
Current liabilities						
Trade and other payables	9 316 213	-	9 316 213		0%	
Provisions and Employee Benefits	6 924 691	-	6 924 691		0%	
<b>Total current liabilities</b>	<b>16 237 814</b>	<b>-</b>	<b>16 237 814</b>			
Non current liabilities						
Borrowing	657 020	(110 897)	546 033		-17%	Correction of budget oversight.
Provisions and Employee Benefits	13 683 970	(4 964 328)	8 719 642		-36%	Correction of budget oversight.
<b>Total non current liabilities</b>	<b>14 340 990</b>	<b>(5 015 315)</b>	<b>9 325 675</b>			
<b>TOTAL LIABILITIES</b>	<b>30 578 804</b>	<b>(5 015 315)</b>	<b>25 563 489</b>			
<b>NET ASSETS</b>	<b>446 327 311</b>	<b>23 561 437</b>	<b>469 918 748</b>		5%	Net result off all adjustments made
<b>COMMUNITY WEALTH</b>						
Accumulated Surplus/(Deficit)	446 327 311	23 561 437	469 918 748		5%	Net result off all adjustments made
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>446 327 311</b>	<b>23 561 437</b>	<b>469 918 748</b>		0	Net result off all adjustments made

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2015 R	(Adjustment Budget)	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	2015 R	%		
	(Actual)		(Variance)	(Final Budget)	(Variance)	Special Adjustments / Unforeseen & Unavoidable												
<b>REVENUE BY SOURCE</b>																		
Property rates	3 719 270	2 809 044	910 234	2 809 044	910 234	*										32.4%		
Service charges	11 179 543	10 838 759	340 784	10 838 759	340 784	*										3.1%		
Rental of facilities and equipment	720 791	703 614	17 177	703 614	17 177	*										2.4%		
Interest earned - external investments	3 349 940	3 085 750	264 190	3 085 750	264 190	*										8.0%	Higher reviews of interest due to low payment rate by consumers	
Interest earned - outstanding debtors	3 929 602	2 559 200	1 371 402	2 559 200	1 371 402	*										53.6%		
Fees	187 283	113 300	(5 517)	113 300	(5 517)	*										-4.0%		
Licences and permits	482 097	498 100	(16 011)	498 100	(16 011)	*										-7.2%		
Agency services	65 702	1 235 691	(1 169 989)	1 235 691	(1 169 989)	*										94.7%	Administration cost from CHDM were wrongly budget for	
Government Grants and Subsidies - Operating	112 850 725	111 816 144	1 034 581	111 816 144	1 034 581	*										1.0%	One in transfers of discontinued operations i.r.o. CHDM	
Other revenue	3 473 640	39 909 844	(35 436 204)	39 909 844	(35 436 204)	*										-91.1%		
Contributed Assets	346 875	-	346 875	-	346 875	*										100.0%		
<b>Total Operating Revenue</b>	<b>140 235 184</b>	<b>172 567 454</b>	<b>(32 332 270)</b>	<b>172 567 454</b>	<b>(32 332 270)</b>													
<b>EXPENDITURE BY TYPE</b>																		
Employee related costs	42 762 600	60 788 664	(18 016 065)	60 788 664	(18 016 065)	*										-20.6%	One in transfers of discontinued operations i.r.o. CHDM	
Remuneration of councillors	10 103 758	10 107 410	(3 651)	10 107 410	(3 651)	*										0.0%		
Debt impairment	13 567 842	1 071 200	12 496 642	1 071 200	12 496 642	*										0.0%		
Depreciation & asset impairment	31 314 205	23 004 305	8 229 900	23 004 305	8 229 900	*										35.7%		
Finance charges	706 929	175 100	531 829	175 100	531 829	*										16.6%		
Bank purchases	14 809 200	17 243 417	(2 434 217)	17 243 417	(2 434 217)	*										-14.0%	Micro electricity were purchased	
Contracted services	5 564 300	5 811 500	(247 110)	5 811 500	(247 110)	*										-4.3%		
Grants and subsidies paid	23 000 450	21 763 201	1 237 249	21 763 201	1 237 249	*										0.4%		
Other expenditure	39 655 155	62 937 790	(24 282 634)	62 937 790	(24 282 634)	*										-30.7%	Due to transfers of discontinued operations i.r.o. CHDM	
Loss on disposal of PPE	1 147 400	-	1 147 400	-	1 147 400	*										0.0%		
<b>Total Operating Expenditure</b>	<b>181 791 250</b>	<b>292 568 746</b>	<b>(111 777 496)</b>	<b>292 568 746</b>	<b>(111 777 496)</b>											-10.4%		
<b>Operating Deficit for the year</b>	<b>(41 556 066)</b>	<b>(30 401 292)</b>	<b>(11 154 774)</b>	<b>(30 401 292)</b>	<b>(11 154 774)</b>											38.7%		
Government Grants and Subsidies - Capital	50 399 227	30 537 293	(19 861 934)	30 537 293	(19 861 934)	*										-9.5%		
<b>(Net) Surplus/(Deficit) for the year</b>	<b>(11 156 839)</b>	<b>(136 891)</b>	<b>(11 292 839)</b>	<b>(136 891)</b>	<b>(11 292 839)</b>											-300.5%		

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**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2015 R	2015 R	2015 R	%	
	(Actual)	(Final Budget)	(Variance)		Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Ratepayers and other	(410 365)	55 100 361	(55 518 706)	-101%	Decrease in Service Charges
Government - operating	112 890 725	111 815 144	1 065 581	1%	Grants and Subsidies were utilized in full
Government - capital	28 981 275	30 537 293	(1 556 018)	-5%	Grants and Subsidies were not utilized in full
Interest	7 279 550	5 643 950	1 635 601	29%	More interest was received on outstanding debtors during the year
<b>Payments</b>					
Suppliers and Employees	(79 574 671)	(85 962 707)	6 388 036	-7%	Payments on Suppliers were wrongly budget for
Employees	(40 841 931)	(60 798 664)	19 956 733	-33%	Transfer of Discontinued operations
Councillors	(10 103 756)	(10 107 410)	3 654	0%	
Finance charges	(57 785)	(175 100)	117 315	-07%	Interest was more for Employee Benefits Provision
Transfers and Grants	-	(21 769 281)	21 769 281	-100%	Were utilized under Ratepayers for indigents
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>18 153 060</b>	<b>24 291 586</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Payments</b>					
Capital assets	(36 956 187)	(40 525 793)	3 569 606	-9%	Less Capital grants were utilized
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(36 956 187)</b>	<b>(40 525 793)</b>	<b>3 569 606</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Payments</b>					
Repayment of borrowing	(413 725)	(306 352)	(107 373)	35%	New leased assets were purchased
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(413 725)</b>	<b>(306 352)</b>	<b>-107 373</b>		
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(19 216 851)</b>	<b>(16 540 559)</b>	<b>3 462 234</b>		
Cash and Cash Equivalents at the beginning of the year	50 893 250	50 893 250	(0)	0%	
Cash and Cash Equivalents at the end of the year	31 776 400	34 452 691	(2 676 292)	-8%	Less Grants were utilized and not invested.


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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**ADJUSTMENTS TO APPROVED BUDGET**

	2015 R	2015 R	2015 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts					
Payers and other	49 875 944	5 232 418	55 108 361	10%	Original Budget were wrongly allocated
Government - operating	108 177 876	3 637 268	111 815 144	3%	More Grants for Operating Expenditure
Government - capital	30 370 000	(432 707)	30 537 293	-1%	Less Grants for Capital Expenditure
Interest	7 184 167	(1 540 217)	5 643 950	-21%	Water and Sanitation were transferred to CHDM
Payments					
Suppliers and Employees	(155 044 794)	(1 023 986)	(156 868 780)	1%	Payments on Suppliers were wrongly budget for
Finance charges	(175 100)	0	(175 100)	0%	
Transfers and Grants	(17 899 426)	(3 869 855)	(21 769 281)	22%	Increase of Subsidy for Indigents
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>23 088 866</b>	<b>1 202 920</b>	<b>24 291 506</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments					
Capital assets	(38 223 000)	(2 302 793)	(40 525 793)	6%	Capital budget increase
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(38 223 000)</b>	<b>(2 302 793)</b>	<b>(40 525 793)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payments					
Repayment of borrowing	(194 980)	(111 372)	(306 352)		
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(194 980)</b>	<b>(111 372)</b>	<b>(306 352)</b>		
<b>NET INCREASE/(DECREASE) IN CASH FIELD</b>	<b>(15 329 314)</b>	<b>(1 211 245)</b>	<b>(16 540 559)</b>		
Cash and Cash Equivalents at the beginning of the year	31 724 581	19 208 609	50 993 250	61%	Wrongly budget for according previous years AFS
Cash and Cash Equivalents at the end of the year	16 395 267	18 057 424	34 452 691	110%	Budget for more cash available at year end

**CHIEF FINANCIAL OFFICER**  
**APPROVED**  
 2015-12-03  
 SIGN:   
 EMALAHLENI MUNICIPALITY

**MUNICIPAL MANAGER'S OFFICE**  
**APPROVED**  
 2015-12-03  
 MUNICIPAL MANAGER  
 EMALAHLENI MUNICIPALITY  
 SIGN: 