

# Elundini

LOCAL MUNICIPALITY



**FINANCIAL STATEMENTS**

**30 JUNE 2015**

# ELUNDINI LOCAL MUNICIPALITY

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# ELUNDINI LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### GENERAL INFORMATION

#### NATURE OF BUSINESS

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

#### COUNTRY OF ORIGIN AND LEGAL FORM

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

#### JURISDICTION

The Elundini Municipality includes the following areas:

Maclear  
Mt Fletcher  
Ugie  
Parts of Tsolo and Qumbu

#### MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

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

#### MUNICIPAL MANAGER

K Gashi

#### CHIEF FINANCIAL OFFICER

J Mdeni

#### OTHER DIRECTORS

XW Mntonintshi	Manager: Infrastructure Planning and Development
S Matubatuba	Manager: Corporate Services
NC Eddie	Manager: Strategic Planning and Economic Development
AM Ntaba	Manager: Community and Social Services (until 29 January 2015)

#### Section 79 Chairpersons

JM Klaas	Members Interest and Ethics Committee
LB Magqashela	Municipal Public Accounts Committee
CN Mfecane	Mandate Committee
N Nkalitshana	Remuneration Committee
B Nqodi	Unauthorised, Irregular, Fruitless & Wasteful expenditure Committee (w.e.f. 13 August 2014)

#### REGISTERED OFFICE

No 1 Sellar Street  
Maclear  
5480

#### AUDITORS

Office of the Auditor General (Eastern Cape)

#### PRINCIPLE BANKERS

First National Bank, Maclear  
Standard Bank, Maclear

#### AUDIT COMMITTEE

Mr J G Richards	- Chairperson
Mr T de Beer	- Member
Mr A Mlambo	- Member
Ms F Hluyo Mushohwe	- Member

#### ATTORNEYS

McFarlane & Associates	Wikus van Rensburg
Venns Attorneys	Van der Walt Attorneys
Mgxaji Attorneys	Fikile Ntanyiya & Associates
Jolwana Mgidlana Incorporated	

# ELUNDINI LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### GENERAL INFORMATION

#### REGULATORY FRAMEWORK

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Remuneration of Public Office Bearers' Act (Act 20 of 1998)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALGBC Leave Regulations  
National Environmental Management Act  
Preferential Procurement Policy Framework Act, 200  
Occupational Health and Safety Act

#### MEMBERS OF THE ELUNDINI LOCAL MUNICIPALITY

Ward 1	F W Ngayeka
Ward 2	T J Pikinini
Ward 3	J M Klaas
Ward 4	K A Mgijima
Ward 5	B Nqodi
Ward 6	C N Mfecane
Ward 7	G Sotsu
Ward 8	N L Motema
Ward 9	M Marubelela
Ward 10	M E Tabana
Ward 11	V V Majikijela
Ward 12	N Q Lebenya
Ward 13	S N Mdlazi
Ward 14	N G Ntaopane
Ward 15	K W Rabohome (passed away 12 July 2015)
Ward 16	Z L Thwethiso
Ward 17	V Ntuthu
Proportional	NR Yelani-Lengs
Proportional	A M Mqamelo
Proportional	M L Naketsana
Proportional	L S Baduza
Proportional	M Bomela
Proportional	D D Mvumvu
Proportional	E V Zililo
Proportional	N Nkalitshana
Proportional	G M Moni
Proportional	M T Heisi
Proportional	T J Lehata
Proportional	M Magqashela
Proportional	L Mohapi
Proportional	L Pili
Proportional	T J Koteli
Proportional	M Tsoananyana
Proportional	M Leteba

# ELUNDINI LOCAL MUNICIPALITY

## APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 1 to 75 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the annual determinations of the Minister of Cooperative Governance and Traditional Affairs in accordance with this Act.



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**Municipal Manager**

31 August 2015

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**Date**

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 R	Restated 2014 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>350 100 400</b>	<b>323 816 392</b>
Accumulated Surplus		350 100 400	323 816 392
<b>Non-Current Liabilities</b>		<b>12 993 517</b>	<b>9 966 158</b>
Long-term Liabilities	2	-	68 594
Employee Benefits	3	3 817 866	3 716 121
Non-Current Provisions	4	8 658 971	5 516 949
Deferred Revenue	5	516 680	664 494
<b>Current Liabilities</b>		<b>38 746 221</b>	<b>43 189 001</b>
Deferred Revenue	5	147 814	137 068
Consumer Deposits	6	361 827	344 192
Current Employee Benefits	7	8 216 040	8 048 128
Payables from Exchange Transactions	8	28 339 619	23 895 944
Unspent Conditional Government Grants and Receipts	9	1 612 327	10 488 961
Current Portion of Long-term Liabilities	2	68 594	274 709
<b>Total Net Assets and Liabilities</b>		<b>401 840 137</b>	<b>376 971 551</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>359 396 670</b>	<b>344 646 726</b>
Property, Plant and Equipment	11	324 062 941	308 840 652
Investment Property	12	35 046 281	35 458 902
Intangible Assets	13	287 449	347 172
<b>Current Assets</b>		<b>42 443 467</b>	<b>32 324 825</b>
Inventory	14	550 868	419 532
Receivables from Exchange Transactions	15	2 776 851	3 734 507
Receivables from Non-exchange Transactions	16	1 357 830	1 433 941
Unpaid Conditional Government Grants and Receipts	9	46 036	607 666
Taxes	10	3 906 377	1 896 572
Cash and Cash Equivalents	17	33 805 505	24 232 607
<b>Total Assets</b>		<b>401 840 137</b>	<b>376 971 551</b>

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	Restated 2014 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>175 339 104</b>	<b>138 983 285</b>
<b>Taxation Revenue</b>		<b>13 681 171</b>	<b>13 357 100</b>
Property Rates	18	13 681 171	13 357 100
<b>Transfer Revenue</b>		<b>159 218 972</b>	<b>125 032 103</b>
Government Grants and Subsidies - Capital	19	40 841 008	26 276 192
Government Grants and Subsidies - Operating	19	118 377 964	98 755 911
<b>Other Revenue</b>		<b>2 438 961</b>	<b>594 083</b>
Actuarial Gains	20	288 255	-
Fines	21	335 327	588 667
Reversal of Impairment	22	14 795	5 416
Reversal of Debt Impairment	23	1 800 583	-
<b>Revenue from Exchange Transactions</b>		<b>28 329 016</b>	<b>28 280 437</b>
Service Charges	24	18 980 658	19 134 228
Plant Income	25	-	-
Rental of Facilities and Equipment	26	1 447 887	1 310 329
Interest Earned - external investments		2 100 502	1 591 740
Interest Earned - outstanding debtors		1 166 390	1 787 401
Licences and Permits	27	1 973 303	1 957 499
Agency Services	28	1 414 350	1 448 997
Other Income	29	1 245 926	905 412
Gain on disposal of Investment Property	30	-	144 831
<b>Total Revenue</b>		<b>203 668 120</b>	<b>167 263 722</b>
<b>EXPENDITURE</b>			
Employee Related Costs	31	61 504 884	57 616 608
Remuneration of Councillors	32	9 813 631	9 482 713
Debt Impairment	33	3 234 015	8 972 211
Depreciation and Amortisation	34	30 834 003	31 125 144
Actuarial Losses	20	-	95 449
Collection Cost		343 718	946 743
Stock Adjustments		119 398	86 386
Repairs and Maintenance	35	5 523 784	8 055 072
Finance Charges	36	813 969	687 042
Bulk Purchases	37	15 058 558	14 809 383
Contracted Services	38	2 109 018	2 261 311
Grants and Subsidies Paid	39	-	263 158
Operating Grant Expenditure	40	6 898 530	8 037 861
General Expenses	41	40 680 843	38 653 599
Loss on disposal of Property, Plant and Equipment	42	374 137	3 680 336
Loss on disposal of Investment Property	30	75 623	-
<b>Total Expenditure</b>		<b>177 384 112</b>	<b>184 773 017</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>26 284 008</b>	<b>(17 509 295)</b>

ELUNDINI LOCAL MUNICIPALITY

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

	<b>Accumulated Surplus R</b>
<b>Balance at 1 July 2013</b>	<b>344 328 125</b>
Prior period adjustments - note 43.01	(3 002 438)
<b>Restated Balance at 1 July 2013</b>	<b>341 325 687</b>
Net Deficit for the year	(17 509 295)
<b>Balance at 30 June 2014</b>	<b>323 816 392</b>
Net Surplus for the year	26 284 008
<b>Balance at 30 June 2015</b>	<b>350 100 400</b>



**ELUNDINI LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 R	Restated 2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates, Services and Other		37 138 476	35 736 286
Government		150 903 969	128 754 425
Interest		3 266 892	3 379 141
<b>Payments</b>			
Suppliers and employees		(136 970 409)	(132 998 770)
Finance charges		(145 211)	(90 330)
<b>Net Cash from Operating Activities</b>	<b>44</b>	<b>54 193 717</b>	<b>34 780 752</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(44 730 576)	(32 004 991)
Purchase of Investment Property	12	-	(1 046 526)
Purchase of Intangible Assets	13	-	(278 281)
Proceeds on Disposal of Property, Plant and Equipment	42	100 956	112 312
Proceeds on Disposal of Investment Property	30	265 877	845 702
<b>Net Cash from Investing Activities</b>		<b>(44 363 743)</b>	<b>(32 371 784)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in Long-term Liabilities		(274 709)	(247 588)
Increase in Consumer Deposits		17 634	110 681
<b>Net Cash from Financing Activities</b>		<b>(257 075)</b>	<b>(136 907)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>9 572 898</b>	<b>2 272 060</b>
Cash and Cash Equivalents at the beginning of the year		24 232 607	21 960 547
Cash and Cash Equivalents at the end of the year	<b>45</b>	<b>33 805 505</b>	<b>24 232 607</b>

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2015

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total current assets	37 219 000	33 444 238	70 663 238	42 443 467	(28 219 771)
Total non-current assets	364 288 000	-	364 288 000	359 396 670	(4 891 330)
Total current liabilities	(24 682 000)	-	(24 682 000)	(38 746 221)	(14 064 221)
Total non-current liabilities	(10 157 000)	-	(10 157 000)	(12 993 517)	(2 836 517)
<b>TOTAL NET ASSETS</b>	<b>366 668 000</b>	<b>33 444 238</b>	<b>400 112 238</b>	<b>350 100 399</b>	<b>(50 011 839)</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>Revenue</b>					
Property Rates	14 365 121	826 046	15 191 167	13 681 171	(1 509 996)
Government Grants and Subsidies - Capital	34 660 750	12 705 214	47 365 964	40 841 008	(6 524 956)
Government Grants and Subsidies - Operating	108 599 954	546 770	109 146 724	118 377 964	9 231 240
Actuarial Gains	-	-	-	288 255	288 255
Fines	68 879	3 620	72 499	335 327	262 828
Reversal of Impairment	-	-	-	14 795	14 795
Reversal of Debt Impairment	-	-	-	1 800 583	1 800 583
Service Charges	22 675 890	(1 111 628)	21 564 262	18 980 658	(2 583 604)
Plant Income	-	-	-	-	-
Rental of Facilities and Equipment	4 971 399	(1)	4 971 398	1 447 887	(3 523 511)
Interest Earned - external investments	1 957 258	(1 107 258)	850 000	2 100 502	1 250 502
Interest Earned - outstanding debtors	1 791 400	-	1 791 400	1 166 390	(625 010)
Licences and Permits	2 259 061	18 000	2 277 061	1 973 303	(303 758)
Agency Services	1 478 953	-	1 478 953	1 414 350	(64 603)
Other Income	29 676 894	2 497 935	32 174 829	1 245 926	(30 928 903)
<b>Total Revenue</b>	<b>222 505 559</b>	<b>14 378 698</b>	<b>236 884 257</b>	<b>203 668 120</b>	<b>(33 216 137)</b>
<b>Expenditure</b>					
Employee Related Costs	59 237 555	731 507	59 969 062	61 504 884	1 535 822
Remuneration of Councillors	11 777 260	-	11 777 260	9 813 631	(1 963 629)
Debt Impairment	7 909 787	-	7 909 787	3 234 015	(4 675 772)
Depreciation and Amortisation	30 208 487	266 990	30 475 477	30 834 003	358 526
Collection Cost	651 287	(531 000)	120 287	343 718	223 431
Stock Adjustments	-	-	-	119 398	119 398
Repairs and Maintenance	5 831 432	(176 755)	5 654 676	5 523 784	(130 892)
Finance Charges	869 109	(780 000)	89 109	813 969	724 860
Bulk Purchases	18 538 557	-	18 538 557	15 058 558	(3 479 999)
Contracted Services	2 120 000	14 000	2 134 000	2 109 018	(24 982)
Grants and Subsidies Paid	300 000	(300 000)	-	-	-
Operating Grant Expenditure	3 063 500	455 630	3 519 130	6 898 530	3 379 400
General Expenses	42 743 867	2 568 757	45 312 624	40 680 843	(4 631 781)
Loss on disposal of Property, Plant and Equipment	-	-	-	374 137	374 137
Loss on disposal of Investment Property	-	-	-	75 623	75 623
<b>Total Expenditure</b>	<b>183 250 841</b>	<b>2 249 128</b>	<b>185 499 969</b>	<b>177 384 112</b>	<b>(8 115 857)</b>
<b>Net Surplus for the year</b>	<b>39 254 718</b>	<b>12 129 570</b>	<b>51 384 288</b>	<b>26 284 008</b>	<b>(25 100 280)</b>
<b>CASH FLOW STATEMENT</b>					
Net Cash Flow from Operating Activities	(6 955 561)	(2 993 000)	(9 948 561)	54 193 717	64 142 278
Net Cash Flow from Investing Activities	(38 533 718)	(12 850 000)	(51 383 718)	(44 363 743)	7 019 975
Net Cash Flow from Financing Activities	(69 109)	-	(69 109)	(257 075)	(187 966)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(45 558 388)</b>	<b>(15 843 000)</b>	<b>(61 401 388)</b>	<b>9 572 898</b>	<b>70 974 286</b>
<b>OPERATING EXPENDITURE BY VOTE</b>					
Executive Council	30 241 961	2 665 476	32 907 437	29 933 006	(2 974 431)
Budget & Treasury	33 460 135	(328 536)	33 131 599	31 062 963	(2 068 636)
Corporate Services	24 070 680	(1 622 714)	22 447 966	19 692 298	(2 755 668)
Community Services	21 592 534	196 208	21 788 742	24 768 420	2 979 678
Strategic Planning & Development	8 926 823	184 987	9 111 810	6 968 581	(2 143 229)
Technical services	64 958 708	1 153 708	66 112 416	64 958 844	(1 153 572)
<b>Total Expenditure by vote</b>	<b>183 250 841</b>	<b>2 249 129</b>	<b>185 499 970</b>	<b>177 384 112</b>	<b>(8 115 858)</b>
<b>CAPITAL EXPENDITURE BY VOTE</b>					
Executive Council	100 000	880 000	980 000	961 033	(18 967)
Budget & Treasury	498 000	72 000	570 000	559 419	(10 581)
Corporate Services	400 000	190 000	590 000	575 090	(14 910)
Community Services	200 000	20 000	220 000	22 850	(197 150)
Strategic Planning & Development	1 159 000	2 069 094	3 228 094	2 539 868	(688 226)
Technical Services	36 174 718	9 621 477	45 796 195	40 072 316	(5 723 879)
<b>Total Capital Expenditure</b>	<b>38 531 718</b>	<b>12 852 571</b>	<b>51 384 289</b>	<b>44 730 577</b>	<b>(6 653 712)</b>

Refer to note 60.01 for explanations of material variances between the original and final budget.

Refer to note 60.02 for explanations of material variances between actual amounts and the final budget.

Refer to note 60.03 for reconciliation between final budget amounts and final approved budget.

Material variances are considered to be any variances greater than R1.8 million.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

##### **1.1. BASIS OF PREPARATION**

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

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

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

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.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

##### **1.2. PRESENTATION CURRENCY**

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

##### **1.3. GOING CONCERN ASSUMPTION**

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 1.4. COMPARATIVE INFORMATION

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

#### 1.5 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 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 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 operating 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 guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. 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 Notes to the Financial Statements. Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**ELUNDINI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**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:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>Directive 11</b>	<p><b>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</b></p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement bases.</p>	<b>1 April 2015</b>
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32 (Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></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>	<b>Unknown</b>

**ELUNDINI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<p><b>GRAP 105</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 106</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 107</b> <b>(Original – Nov 2010)</b></p>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 108</b> <b>(Original – Sept 2013)</b></p>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 109</b> <b>(Original – July 2015)</b></p>	<p><b>Accounting by Principles and Agents</b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p><b>Unknown</b></p>

**ELUNDINI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 17</b>	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	<b>Unknown</b>

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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

#### **1.9.2 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 government organs.



## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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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.

#### **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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

#### **1.13. 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.

##### **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 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

#### **1.13.2 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 annually by independent qualified actuaries.

#### **1.13.3 Provision for Staff Leave**

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

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### **1.13.4 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **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, contract workers and other senior managers, is recognised as it accrue. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

#### **1.13.6 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.14. PROPERTY, PLANT AND EQUIPMENT**

##### **1.14.1 Initial Recognition**

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

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

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

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

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

##### **1.14.2 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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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**1.14.3 Depreciation and Impairment**

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

	<u>Years</u>
<b><u>Land and Buildings</u></b>	
Buildings	20 - 100
Capitalised Restoration Costs	20
<b><u>Infrastructure</u></b>	
Electricity	6 - 50
Roads, Pavements, Bridges & Storm Water	5 -120
<b><u>Leased Assets</u></b>	
Office Equipment	3 - 7
<b><u>Other Assets</u></b>	
Furniture & Fittings	3 - 15
Motor Vehicles	5 - 12
Computer Equipment	3 - 12
Plant and Machinery	5 – 10
Security	5

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

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

**1.14.4 De-recognition**

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.14.5 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.

#### **1.15. INTANGIBLE ASSETS**

##### **1.15.1 Initial Recognition**

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.15.2 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.

#### **1.15.3 Amortisation and Impairment**

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

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

#### **1.15.4 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. INVESTMENT PROPERTY**

#### **1.16.1 Initial Recognition**

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

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

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



## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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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.

#### **1.16.2 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.

#### **1.16.3 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.

<b><u>Investment Property</u></b>	<b>Years</b>
Buildings	100 - 105

#### **1.16.4 De-recognition**

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

#### **1.16.5 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 1.17 BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### 1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

##### 1.18.1 *Cash-generating assets*

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

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

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

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

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

#### **1.18.2 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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(b) Internal sources of information

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

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

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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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.

#### **1.19. INVENTORIES**

##### **1.19.1 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.

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

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.

##### **1.19.2 Subsequent Measurement**

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

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.20. 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.

##### **1.20.1 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.

##### **1.20.2 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.

###### **1.20.2.1 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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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.

#### 1.20.2.2 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.

#### 1.20.2.3 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.20.3 De-recognition of Financial Instruments**

##### **1.20.3.1 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.

##### **1.20.3.2 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.

#### **1.20.4 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



## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.21 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

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

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

##### **1.21.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment losses; and
- amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.21.3 De-recognition**

The Municipality derecognises a statutory receivable when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

#### **1.22. REVENUE**

##### **1.22.1 Revenue from Non-Exchange Transactions**

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

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

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

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

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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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 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

#### 1.23. RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

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

Management personnel include:

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

#### **1.24. UNAUTHORISED EXPENDITURE**

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

#### **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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

##### ***1.28.1 Post retirement medical obligations and Long service awards***

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### ***1.28.2 Impairment of Receivables***

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



## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **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 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.

#### **1.28.5 Investment Property**

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

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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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.

#### **1.28.6 Provisions and Contingent Liabilities**

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

#### **1.28.7 Revenue Recognition**

Accounting policies on Revenue from Non-Exchange Transactions and 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.

## ELUNDINI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.28.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.28.10 Provision for Performance bonuses**

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

#### **1.28.11 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.

#### **1.29. TAXES – VALUE ADDED TAX**

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

#### **1.30. CAPITAL COMMITMENTS**

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

#### **1.31. EVENTS AFTER REPORTING DATE**

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

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>2 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	-	79 497
Capitalised Lease Liability - At amortised cost	68 594	263 806
	<b>68 594</b>	<b>343 303</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>(68 594)</b>	<b>(274 709)</b>
Annuity Loans - At amortised cost	-	79 497
Capitalised Lease Liability - At amortised cost	68 594	195 212
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>-</b>	<b>68 594</b>

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

The obligations under annuity loans are scheduled below

**Minimum annuity payments**

Amounts payable under annuity loans		
Payable within one year	-	90 022
Payable within two to five years	-	-
Payable after five years	-	-
	-	90 022
<b>Less:</b> Future finance obligations	-	(10 525)
<b>Present value of annuity obligations</b>	<b>-</b>	<b>79 497</b>

Annuity loans are unsecured

The obligations under finance leases are scheduled below

**Minimum lease payments**

Amounts payable under finance leases		
Payable within one year	69 737	209 211
Payable within two to five years	-	69 737
Payable after five years	-	-
	69 737	278 947
<b>Less:</b> Future finance obligations	(1 143)	(15 141)
<b>Present value of lease obligations</b>	<b>68 594</b>	<b>263 806</b>

Leases are secured by Property, Plant and Equipment - note 11

<b>3 EMPLOYEE BENEFITS</b>		
Post Retirement Medical Obligation - note 3.1	1 648 694	1 770 505
Long Service Awards - note 3.2	2 169 172	1 945 616
<b>Total Non-current Employee Benefit Liabilities - Continued Operations</b>	<b>3 817 866</b>	<b>3 716 121</b>
<b><u>Post Retirement Medical Obligation</u></b>		
Balance 1 July	1 882 633	1 877 451
Contribution for the year	157 076	141 028
Expenditure for the year	(177 880)	(137 854)
Actuarial (Gains)/Loss	(63 615)	2 008
<b>Total post retirement benefits 30 June</b>	<b>1 798 214</b>	<b>1 882 633</b>
<b>Less:</b> Transfer of Current Portion - note 7	(149 520)	(112 128)
<b>Balance 30 June</b>	<b>1 648 694</b>	<b>1 770 505</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	2 285 606	1 866 498
Contribution for the year	503 280	424 597
Expenditure for the year	(146 775)	(98 931)
Actuarial (Gain)/Loss	(224 640)	93 441
<b>Total long service 30 June</b>	<b>2 417 470</b>	<b>2 285 606</b>
<b>Less:</b> Transfer of Current Portion - note 7	(248 298)	(339 990)
<b>Balance 30 June</b>	<b>2 169 172</b>	<b>1 945 616</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
Balance 1 July	4 168 239	3 743 949
Contribution for the year	660 356	565 625
Expenditure for the year	(324 655)	(236 784)
Actuarial Loss/(Gain)	(288 255)	95 449
<b>Total employee benefits 30 June</b>	<b>4 215 684</b>	<b>4 168 239</b>
<b>Less:</b> Transfer of Current Portion - note 7	(397 818)	(452 118)
<b>Balance 30 June</b>	<b>3 817 866</b>	<b>3 716 121</b>

3.1 Post Retirement Medical Obligation

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

	2015 Employees	2014 Employees
In-service (employee) members	-	-
In-service (employee) non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	4	4
<b>Total Members</b>	<b>4</b>	<b>4</b>

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

Bonitas;  
LA Health

Key actuarial assumptions used:	2015 %	2014 %
<b>i) Rate of interest</b>		
Discount rate	8.48%	8.51%
Health Care Cost Inflation Rate	7.64%	7.80%
Net Effective Discount Rate	0.79%	0.66%

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.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

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

	Continuation Members R	Present value of fund obligations R
30 June 2015	1 798 214	1 798 214
30 June 2014	1 882 633	1 882 633
30 June 2013	1 877 451	1 877 451
30 June 2012	1 777 306	1 777 306
30 June 2011	1 628 157	1 628 157

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

Experience adjustments were calculated as follows:	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2015	(125 000)	-
30 June 2014	6 000	-
30 June 2013	77 000	-
30 June 2012	(34 000)	-
30 June 2011	(108 000)	-

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	1 882 633	1 877 451
Total contribution	(20 804)	3 174
Interest Cost	157 076	141 028
Benefits Paid	(177 880)	(137 854)
Actuarial (Gain)/Loss	(63 615)	2 008
Present value of fund obligation at the end of the year	1 798 214	1 882 633
<b>Less:</b> Transfer of Current Portion - Note 7	(149 520)	(112 128)
<b>Balance 30 June</b>	<b>1 648 694</b>	<b>1 770 505</b>

The liability is unfunded.

**Sensitivity Analysis on the Accrued Liability**

Year ending 30 June 2015	Current Liability (R)	Change	Liability Change (R)	Change (%)
Health Care Inflation	1 798 214	+1%	1 974 000	10%
Health Care Inflation	1 798 214	-1%	1 647 000	-8%
Discount Rate	1 798 214	+1%	1 649 000	-8%
Discount Rate	1 798 214	-1%	1 975 000	10%
Post-retirement mortality	1 798 214	- 1 year	1 869 000	4%

**Sensitivity Analysis on the Interest Costs**

Year ending 30 June 2015	Estimated Future Cost (R)	Change	Interest Cost Change (R)	Change (R)
Health Care Inflation	146 300	+1%	161 200	10%
Health Care Inflation	146 300	-1%	133 500	-9%
Discount Rate	146 300	+1%	149 500	2%
Discount Rate	146 300	-1%	142 300	-3%
Post-retirement mortality	146 300	-1 year	152 300	4%

**3.2 Long Service Awards**

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 215 employees (2014 - 214 employees), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

	2015 %	2014 %
<b>i) Rate of interest</b>		
Discount rate	7.99%	7.87%
General Salary Inflation (long-term)	7.10%	7.08%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.83%	0.74%

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

**ii) Actuarial Valuation Method**

The Projected Unit Credit Method has been used to value the liabilities.

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

	Present value of fund obligations R
30 June 2015	2 417 470
30 June 2014	2 285 606
30 June 2013	1 866 498
30 June 2012	2 249 029
30 June 2011	1 742 671

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

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2015	(14 772)	-
30 June 2014	181 908	-
30 June 2013	(352 275)	-
30 June 2012	68 809	-
30 June 2011	-	-

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	2 285 606	1 866 498
Total contribution	356 505	325 666
Current service cost	336 595	293 479
Interest Cost	166 685	131 118
Benefits Paid	(146 775)	(98 931)
Actuarial (Gain)/Loss	(224 640)	93 441
Present value of fund obligation at the end of the year	2 417 470	2 285 606
<b>Less:</b> Transfer of Current Portion - Note 7	(248 298)	(339 990)
<b>Balance 30 June</b>	<b>2 169 172</b>	<b>1 945 616</b>

The liability is unfunded.

**Sensitivity Analysis on the Unfunded Accrued Liability**

Year ending 30 June 2015	Current Liability (R)	Change	Liability Change (R)	Change (R)
General Salary Inflation	2 417 470	+1%	2 577 000	7%
General Salary Inflation	2 417 470	-1%	2 273 000	-6%
Discount Rate	2 417 470	+1%	2 267 000	-6%
Discount Rate	2 417 470	-1%	2 588 000	7%
Average retirement inflation	2 417 470	- 2 years	2 205 000	-9%
Average retirement inflation	2 417 470	+ 2 years	2 664 000	10%
Withdrawal rates	2 417 470	- 50%	2 969 000	23%

**Sensitivity Analysis on the future Current-service and Interest Costs**

Year ending 30 June 2015	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Estimated for 2015/16		381 800	183 499	565 299	
General Salary Inflation	+1%	411 300	196 100	607 400	7%
General Salary Inflation	-1%	355 500	172 000	527 500	-7%
Discount Rate	+1%	357 500	192 900	550 400	-3%
Discount Rate	-1%	409 500	172 300	581 800	3%
Average retirement age	-2 years	358 600	166 500	525 100	-7%
Average retirement age	+2 years	407 100	203 100	610 200	8%
Withdrawal Rate	-50%	520 500	227 500	748 000	32%

**3.3 Retirement Funds**

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

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

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

Therefore, although the Cape Retirement Fund is defined as a defined benefit plan, it will be accounted for as defined contribution plan.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b><u>CAPE RETIREMENT FUND</u></b>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund was in a sound financial position with a funding level of 99.9% (30 June 2013 - 100.2%).		
Contributions paid recognised in the Statement of Financial Performance:	1 514 093	1 490 468

**DEFINED CONTRIBUTION FUNDS**

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

Contributions paid recognised in the Statement of Financial Performance:

SALA Pension Fund	753 422	673 927
SAMWU National Provident Fund	2 855 894	2 673 752
National Fund Municipal Managers	161 706	71 834
	<b>3 771 022</b>	<b>3 419 513</b>

**4 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites:	8 658 971	5 516 949
<b>Total Non-current Provision</b>	<b>8 658 971</b>	<b>5 516 949</b>

**Landfill Sites**

Balance 1 July	5 516 949	5 492 543
Contribution for the year	288 997	258 601
Addition to Liability	2 853 025	-
Disposal of Liability	-	(234 195)
<b>Balance 30 June</b>	<b>8 658 971</b>	<b>5 516 949</b>

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

- Mount Fletcher	2 227 819	411 027
- Maclear	2 809 976	2 552 961
- Ugie	3 621 176	2 552 961
	<b>8 658 971</b>	<b>5 516 949</b>

A retrospective calculation of time value of money, based on an average weighted investment rate of prime less 4%, was used. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

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

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1800 tonnes per year (i.e. 7 tonnes a day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

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

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



ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

Mt Fletcher Landfill Site:-

- Size of operational landfill area? 5 000 m<sup>2</sup> (Trench)
- Is the site licensed? Yes
- What is the classification of the site? G:C:B-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? 785 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? No
- Is there a monitoring program in place? N/A
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? N/A. Trench System, cover material available from trenching process.

Maclear Landfill Site:-

- Size of operational landfill area? 12 000 m<sup>2</sup> (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:B+
- Is the site operational? Site is now a transfer station
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? 1 800 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes or monitoring? Yes
- Is there a monitoring program in place? No, DWA take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm
- Status of cover material? Cover material on site, volume unknown

Ugie Landfill Site:-

- Size of landfill area? 16 000 m<sup>2</sup> (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:C-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? Estimate 120,000 tons per year from vehicle counts
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? Cover material on site, volume unknown

5 DEFERRED REVENUE

Rental of SASSA Building	664 494	801 562
Less: Current Portion transferred to Current Liabilities	(147 814)	(137 068)
<b>Total Deferred Revenue</b>	<b>516 680</b>	<b>664 494</b>
As previously reported		-
Correction of error restatement - note 43.02		664 494
Restated balance		664 494

The South African Social Security Agency (SASSA) is leasing a building from Elundini Local Municipality. As per the rental agreement, SASSA incurred expenditure on their own account to upgrade the building in exchange to pay R16 089 per month less rentals than the market rental asking price. The deferred revenue will un-wind over the period of the lease agreement, which is 7 years.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>6 CONSUMER DEPOSITS</b>		
Electricity	298 361	280 295
Housing Rental	63 466	63 897
<b>Total Consumer Deposits - Continued Operations</b>	<b>361 827</b>	<b>344 192</b>

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

	2015 R	2014 R
<b>7 CURRENT EMPLOYEE BENEFITS</b>		
Provision for Performance Bonuses	2 630 270	2 448 659
Bonuses Accrued	1 474 940	1 365 344
Provision for Staff Leave	3 713 012	3 782 007
Current Portion of Non-Current Employee Benefits:	397 818	452 118
Current Portion of Post Retirement Medical Obligation - note 3	149 520	112 128
Current Portion of Long-Service Provisions - note 3	248 298	339 990
<b>Total Current Employee Benefits - Continued Operations</b>	<b>8 216 040</b>	<b>8 048 128</b>

The movement in current employee benefits are reconciled as follows

**Provision for Performance Bonuses**

Balance at beginning of year	2 448 659	1 811 666
Contribution for the year	529 217	1 278 158
Expenditure incurred	(347 606)	(641 165)
Balance at end of year	<b>2 630 270</b>	<b>2 448 659</b>

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

**Bonuses Accrued**

Balance at beginning of year	1 365 344	1 155 586
Contribution for the year	3 166 594	2 730 236
Expenditure incurred	(3 056 998)	(2 520 479)
Balance at end of year	<b>1 474 940</b>	<b>1 365 344</b>

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

**Provision for Staff Leave**

Balance at beginning of year	3 782 007	3 304 522
Contribution for the year	268 043	717 663
Expenditure incurred	(337 038)	(240 178)
Balance at end of year	<b>3 713 012</b>	<b>3 782 007</b>

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>8 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	19 528 563	17 868 931
Sundry Creditors	145 162	101 002
Payments received in advance	1 327 191	2 090 013
Retentions	4 621 089	3 602 699
Bursary Scheme - payments received from students	17 329	23 259
Sundry Deposits	175 483	152 259
Unknown Receipts	109 571	57 781
Joe Gqabi District Municipality	2 415 231	-
<b>Total Payables from Exchange Transactions - Continued Operations</b>	<b>28 339 619</b>	<b>23 895 944</b>
As previously reported		24 229 504
Correction of error restatement - note 43.02		(1 046 526)
Correction of error restatement - note 43.03		712 966
Restated balance		<b>23 895 944</b>

Payables are being recognised net of any discounts. Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary. Included in sundry deposits are hall rentals

Deposits amounting to R581 480 (2014 - R560 555) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments

<b>9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>Unspent Grants</b>	1 612 327	10 488 961
National Government Grants	292 940	5 680 953
Provincial Government Grants	1 316 596	4 805 217
Other Grant Providers	2 791	2 791
<b>Less:</b> Unpaid Grants	(46 036)	(607 666)
Provincial Government Grants	(46 000)	(607 630)
Other Grant Providers	(36)	(36)
<b>Total Conditional Grants and Receipts</b>	<b>1 566 291</b>	<b>9 881 295</b>
As previously reported		14 935 910
Correction of error restatement - note 43.04		(5 054 615)
		<b>9 881 295</b>

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

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

<b>10 TAXES</b>		
VAT Receivable	4 223 471	790 413
VAT Input in suspense	297 618	1 966 127
VAT Output in suspense - net	(614 712)	(859 968)
VAT Output in suspense	(1 590 863)	(1 598 206)
Less: VAT on Provision for Debt Impairment	976 151	738 238
<b>Total Taxes</b>	<b>3 906 377</b>	<b>1 896 572</b>
As previously reported		4 766 322
Correction of error restatement - note 43.03		4 210
Correction of error restatement - note 43.05		(2 804 208)
Correction of error restatement - note 43.07		(69 752)
Restated balance		<b>1 896 572</b>
VAT is payable/receivable on the cash basis		
<b>Reconciliation of VAT on Provision for Debt Impairment</b>		
Balance at beginning of year	738 238	4 556 020
Debt Impairment for current year - note 33	237 913	(3 817 782)
<b>Balance at end of year</b>	<b>976 151</b>	<b>738 238</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment		Closing Balance	
								Charge / (Reversal)	Disposals		
R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>	<b>56 966 838</b>	<b>19 417 960</b>	-	-	<b>76 384 798</b>	<b>3 429 999</b>	<b>617 659</b>	<b>(14 795)</b>	-	<b>4 032 863</b>	<b>72 351 936</b>
Land	6 765 100	-	-	-	6 765 100	-	-	-	-	-	6 765 100
Buildings	41 548 943	-	-	665 875	42 214 818	1 594 045	483 279	-	-	2 077 324	40 137 495
Capitalised Restoration Costs	3 308 086	2 853 025	-	-	6 161 111	1 835 954	134 380	(14 795)	-	1 955 539	4 205 572
Work in Progress	5 344 708	16 564 935	-	(665 875)	21 243 769	-	-	-	-	-	21 243 769
<b>Infrastructure</b>	<b>377 200 268</b>	<b>24 140 575</b>	-	-	<b>401 340 843</b>	<b>142 840 873</b>	<b>25 049 455</b>	-	-	<b>167 890 328</b>	<b>233 450 516</b>
Electricity	58 104 085	-	-	972 602	59 076 687	6 510 786	1 508 598	-	-	8 019 384	51 057 303
Roads, Pavements, Bridges & Storm Water	301 335 781	-	-	20 891 162	322 226 942	136 330 087	23 540 857	-	-	159 870 944	162 355 998
Work in Progress	17 760 402	24 140 575	-	(21 863 764)	20 037 214	-	-	-	-	-	20 037 214
<b>Lease Assets</b>	<b>839 008</b>	-	-	-	<b>839 008</b>	<b>631 664</b>	<b>186 180</b>	-	-	<b>817 844</b>	<b>21 164</b>
Office Equipment	839 008	-	-	-	839 008	631 664	186 180	-	-	817 844	21 164
<b>Other Assets</b>	<b>40 701 744</b>	<b>4 025 066</b>	<b>(1 235 716)</b>	-	<b>43 491 094</b>	<b>19 964 671</b>	<b>6 047 721</b>	-	<b>(760 623)</b>	<b>25 251 769</b>	<b>18 239 325</b>
Furniture & Fittings	4 191 134	304 824	(57 316)	-	4 438 641	2 090 011	622 028	-	(48 376)	2 663 664	1 774 978
Motor Vehicles	18 049 698	2 300 644	(945 042)	-	19 405 301	8 312 947	2 705 827	-	(536 836)	10 481 937	8 923 363
Computer Equipment	3 378 642	971 788	(37 491)	-	4 312 939	1 714 984	745 677	-	(35 444)	2 425 216	1 887 723
Plant and Machinery	14 111 882	447 810	(195 866)	865 783	15 229 608	7 846 730	1 974 190	-	(139 967)	9 680 952	5 548 655
Security	104 605	-	-	-	104 605	-	-	-	-	-	104 605
Work in Progress	865 783	-	-	(865 783)	-	-	-	-	-	-	-
	<b>475 707 858</b>	<b>47 583 601</b>	<b>(1 235 716)</b>	-	<b>522 055 744</b>	<b>166 867 206</b>	<b>31 901 015</b>	<b>(14 795)</b>	<b>(760 623)</b>	<b>197 992 803</b>	<b>324 062 941</b>

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

Reconciliation of accumulated impairment included in accumulated depreciation:

Opening balance	85 888
Impairment charge / (Reversal of impairment)	(14 795)
Closing balance	71 093
Capitalised Restoration Costs	71 093

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

	2015	2016	2017
Effect on Accumulated Surplus - Decrease/(Increase) in depreciation	1 549 430	(388 938)	580 246
Increase/(Decrease) in Accumulated Depreciation: PPE	(1 549 430)	388 938	(580 246)

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2014

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment		Closing Balance	
								Charge / (Reversal)	Disposals		
R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>	<b>51 406 504</b>	<b>5 686 551</b>	<b>(126 217)</b>	<b>-</b>	<b>56 966 838</b>	<b>2 941 189</b>	<b>494 225</b>	<b>(5 416)</b>	<b>-</b>	<b>3 429 999</b>	<b>53 536 839</b>
Land	6 765 100	-	-	-	6 765 100	-	-	-	-	-	6 765 100
Buildings	34 566 931	-	-	6 982 013	41 548 943	1 245 330	348 715	-	-	1 594 045	39 954 898
Capitalised Restoration Costs	3 434 303	-	(126 217)	-	3 308 086	1 695 859	145 510	(5 416)	-	1 835 954	1 472 132
Work in Progress	6 640 170	5 686 551	-	(6 982 013)	5 344 708	-	-	-	-	-	5 344 708
<b>Infrastructure</b>	<b>362 072 610</b>	<b>21 311 334</b>	<b>(6 183 676)</b>	<b>-</b>	<b>377 200 268</b>	<b>119 602 848</b>	<b>25 527 216</b>	<b>-</b>	<b>(2 289 191)</b>	<b>142 840 873</b>	<b>234 359 396</b>
Electricity	56 295 926	-	(1 682 364)	3 490 523	58 104 085	5 282 774	1 499 471	-	(271 459)	6 510 786	51 593 299
Roads, Pavements, Bridges & Storm Water	274 860 475	-	(4 501 312)	30 976 617	301 335 781	114 320 074	24 027 745	-	(2 017 732)	136 330 087	165 005 694
Work in progress	30 916 209	21 311 334	-	(34 467 140)	17 760 402	-	-	-	-	-	17 760 402
<b>Lease Assets</b>	<b>839 008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>839 008</b>	<b>405 788</b>	<b>225 876</b>	<b>-</b>	<b>-</b>	<b>631 664</b>	<b>207 344</b>
Office Equipment	839 008	-	-	-	839 008	405 788	225 876	-	-	631 664	207 344
<b>Other Assets</b>	<b>35 700 783</b>	<b>5 007 106</b>	<b>(6 145)</b>	<b>-</b>	<b>40 701 744</b>	<b>14 193 344</b>	<b>5 771 331</b>	<b>-</b>	<b>(3)</b>	<b>19 964 671</b>	<b>20 737 073</b>
Furniture & Fittings	3 339 972	857 308	(6 145)	-	4 191 134	1 560 115	529 900	-	(3)	2 090 011	2 101 123
Motor Vehicles	16 400 404	1 649 294	-	-	18 049 698	5 498 237	2 814 709	-	-	8 312 947	9 736 751
Computer Equipment	2 540 747	837 895	-	-	3 378 642	1 108 011	606 973	-	-	1 714 984	1 663 659
Plant and Machinery	13 419 660	692 222	-	-	14 111 882	6 026 981	1 819 749	-	-	7 846 730	6 265 152
Security	-	104 605	-	-	104 605	-	-	-	-	-	104 605
Work in progress	-	865 783	-	-	865 783	-	-	-	-	-	865 783
	<b>450 018 905</b>	<b>32 004 991</b>	<b>(6 316 038)</b>	<b>-</b>	<b>475 707 858</b>	<b>137 143 168</b>	<b>32 018 648</b>	<b>(5 416)</b>	<b>(2 289 195)</b>	<b>166 867 206</b>	<b>308 840 652</b>

As previously reported

Correction of error restatement - note 43.06

Correction of error restatement - note 43.06

308 011 842

4 689 013

(3 860 203)

Restated balance

308 840 652

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

Reconciliation of accumulated impairment included in accumulated depreciation:

Opening balance	91 304
Impairment charge / (Reversal of impairment)	(5 416)
Closing balance	85 888
Capitalised Restoration Costs	85 888

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>12 INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>35 458 902</b>	<b>35 182 027</b>
Cost	35 844 696	35 499 041
Accumulated Depreciation	(385 793)	(317 014)
Acquisition	-	1 046 526
Depreciation	(71 121)	(68 780)
Disposals	(341 500)	(700 871)
Cost	(341 500)	(700 871)
Accumulated Depreciation	-	-
<b>Net Carrying amount at 30 June</b>	<b>35 046 281</b>	<b>35 458 902</b>
Cost	35 503 196	35 844 696
Accumulated Depreciation	(456 914)	(385 793)
As previously reported		38 432 384
Correction of error restatement - note 43.06		(2 973 482)
Restated balance		<u>35 458 902</u>
Revenue derived from the rental of investment property	<u>1 250 027</u>	<u>1 114 972</u>
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.		
<b>13 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>347 172</b>	<b>99 418</b>
Cost	418 064	139 783
Accumulated Amortisation	(70 892)	(40 365)
Acquisitions	-	278 281
Amortisation	(59 723)	(30 527)
<b>Net Carrying amount at 30 June</b>	<b>287 449</b>	<b>347 172</b>
Cost	418 064	418 064
Accumulated Amortisation	(130 616)	(70 892)
No intangible asset were assessed having an indefinite useful life		
There are no internally generated intangible assets at reporting date		
There are no intangible assets whose title is restricted		
There are no intangible assets pledged as security for liabilities		
There are no contractual commitments for the acquisition of intangible assets		
<b>14 INVENTORY</b>		
Consumable Stores	550 868	419 532
<b>Total Inventory</b>	<b>550 868</b>	<b>419 532</b>
As previously reported		7 286 532
Correction of error restatement - note 43.06		(6 867 000)
Restated balance		<u>419 532</u>
Inventory recognised as an expense during the year	<u>677 316</u>	<u>1 010 910</u>
Consumable stores materials losses/(gains) identified during stock counts	<u>119 398</u>	<u>86 386</u>
No inventory assets were pledged as security for liabilities		

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>15 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Electricity	3 994 591	3 071 861
Refuse	5 040 914	3 632 001
Other	4 756 282	5 050 565
Irrecoverable debts	922 779	832 615
Arrangements	978 462	1 059 426
Joe Gqabi District Municipality	-	1 474 221
House Rentals	1 626 354	992 772
Prepaid Expenses	494 910	-
Sundry	733 777	691 532
<b>Total Receivables from Exchange Transactions</b>	<b>13 791 787</b>	<b>11 754 427</b>
Less: Allowance for Doubtful Debts	(11 014 936)	(8 019 920)
<b>Total Net Receivables from Exchange Transactions - Continued Operations</b>	<b>2 776 851</b>	<b>3 734 507</b>
As previously reported		4 210 823
Correction of error restatement - note 43.03		185 104
Correction of error restatement - note 43.07		(661 420)
Restated balance		<u>3 734 507</u>

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

**Reconciliation of Allowance for doubtful debts**

Balance at beginning of year	8 019 920	36 141 914
Contribution to provision - note 33	3 229 858	916 597
Debt Impairment written off against provision	(234 842)	(29 038 591)
<b>Balance at end of year</b>	<b>11 014 936</b>	<b>8 019 920</b>

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
<b>Service Receivables</b>			
<b>2015</b>			
Electricity	3 994 591	(3 087 035)	907 556
Refuse	5 040 914	(4 808 903)	232 011
Other	4 756 282	(3 118 998)	1 637 284
<b>Total</b>	<b>13 791 787</b>	<b>(11 014 936)</b>	<b>2 776 851</b>
<b>2014</b>			
Electricity	3 071 861	(2 142 801)	929 060
Refuse	3 632 001	(3 376 791)	255 210
Other	5 050 565	(2 500 328)	2 550 237
<b>Total</b>	<b>11 754 427</b>	<b>(8 019 920)</b>	<b>3 734 507</b>

**Ageing of Receivables from Exchange Transactions**

**Electricity**

Current (0 - 30 days)	622 280	385 243
31 to 60 days	325 048	317 431
61 to 90 days	155 325	179 153
91 to 120 days	132 943	121 717
121 to 150 days	129 399	106 262
>150 days	2 629 596	1 962 055
<b>Total</b>	<b>3 994 591</b>	<b>3 071 861</b>

**Refuse**

Current (0 - 30 days)	256 425	210 821
31 to 60 days	199 047	160 405
61 to 90 days	178 394	145 007
91 to 120 days	170 300	140 483
121 to 150 days	156 656	133 535
>150 days	4 080 092	2 841 749
<b>Total</b>	<b>5 040 914</b>	<b>3 632 001</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>Other</b>		
Current (0 - 30 days)	109 960	94 494
31 to 60 days	98 752	80 147
61 to 90 days	150 726	348 152
91 to 120 days	80 910	75 200
121 to 150 days	280 552	514 923
>150 days	4 035 381	3 937 651
<b>Total</b>	<b>4 756 282</b>	<b>5 050 565</b>

16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	16 083 412	18 082 012
Traffic Fines	728 870	486 800
Other Receivables	663 406	637 331
Underbanking of Cash	50 458	45 308
Deposits	581 480	560 555
Sundry Debtors	31 468	31 468
<b>Total Receivables from Non-Exchange Transactions</b>	<b>17 475 688</b>	<b>19 206 143</b>
Less: Allowance for Doubtful Debts	(16 117 858)	(17 772 202)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>1 357 830</b>	<b>1 433 941</b>
As previously reported		5 015 622
Correction of error restatement - note 43.08		(3 581 681)
Restated balance		<b>1 433 941</b>

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

Due to the prospective application of the revised IGRAP 1, the Municipality raised a receivable as well as an impairment charge on unpaid fines in the current year.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	17 772 202	14 877 880
Contribution to provision - note 23	242 070	4 237 832
Reversal of provision - note 33	(1 800 583)	-
Debt Impairment written off against provision	(95 831)	(1 343 510)
<b>Balance at end of year</b>	<b>16 117 858</b>	<b>17 772 202</b>

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
<b>2015</b>			
Rates	16 083 412	(15 388 988)	694 424
Traffic Fines	728 870	(728 870)	-
Other Receivables	663 406	-	663 406
<b>Total</b>	<b>17 475 688</b>	<b>(16 117 858)</b>	<b>1 357 830</b>
<b>2014</b>			
Rates	18 082 012	(17 285 402)	796 610
Traffic Fines	486 800	(486 800)	-
Other Receivables	637 331	-	637 331
<b>Total</b>	<b>19 206 143</b>	<b>(17 772 202)</b>	<b>1 433 941</b>

Ageing of Receivables from Non-Exchange Transactions

	2015 R	2014 R
<b>Rates</b>		
Current (0 - 30 days)	41 243	37 933
31 to 60 days	212 791	188 997
61 to 90 days	148 825	167 994
91 to 120 days	137 644	146 517
121 to 150 days	131 759	140 084
>150 days	15 411 150	17 400 487
<b>Total</b>	<b>16 083 412</b>	<b>18 082 012</b>



ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17		2015 R	2014 R
	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Assets</b>		
	Call Investment Deposits	33 052 221	23 182 407
	Current Accounts	751 786	1 048 990
	Cash Floats	1 498	1 210
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>33 805 505</b>	<b>24 232 607</b>
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	Call Investments Deposits to an amount of R1 635 838 are held to fund the Unspent Conditional Grants (2014: R10 488 961).		
	The Municipality has the following bank accounts		
	<b>Current Accounts</b>		
	First National Bank - Acc no 62159933772 (Primary bank account)	649 930	906 959
	First National Bank - Acc no 62312151848 (Petty Cash Account)	2 034	(25)
	Standard Bank - Acc no 280642407 (Revenue Account)	99 822	142 056
		<b>751 786</b>	<b>1 048 990</b>
	<b>First National Bank - Acc no 62159933772 (Primary bank account)</b>		
	Cash book balance at beginning of year	906 959	(2 235 106)
	Cash book balance at end of year	649 930	906 959
	Bank statement balance at beginning of year	1 309 913	2 204 139
	Bank statement balance at end of year	496 715	1 309 913
	<b>First National Bank - Acc no 62312151848 (Petty Cash Account)</b>		
	Cash book balance at beginning of year	(25)	3 511
	Cash book balance at end of year	2 034	(25)
	Bank statement balance at beginning of year	(25)	3 511
	Bank statement balance at end of year	2 034	(25)
	<b>Standard Bank - Acc no 280642407 (Revenue Account)</b>		
	Cash book balance at beginning of year	142 056	2 519 992
	Cash book balance at end of year	99 822	142 056
	Bank statement balance at beginning of year	142 056	2 453 063
	Bank statement balance at end of year	99 822	142 056
	<b>Call Investment Deposits</b>		
	Call investment deposits consist out of the following accounts		
	Standard Bank - Acc no 388497173001 - Elundini Expanded Public Works	1 136 837	23 709
	Standard Bank - Acc no 388492554001 - Elundini Housing	1 156	73 329
	Standard Bank - Acc no 388497165001 - Elundini Voting Station	317 412	308 107
	Standard Bank - Acc no 388493410002 - FMG	514 643	514 945
	Standard Bank - Acc no 388492570001 - Housing Pilot	2 159	115 588
	Standard Bank - Acc no 388492716001 - Katlehong Planning	28	2 825
	Standard Bank - Acc no 388492406001 - Leave Reserve	12 480	12 265
	Standard Bank - Acc no 388493410001 - LED	183 727	159 658
	Standard Bank - Acc no 388494255001 - Library	2 082	111 466
	Standard Bank - Acc no 388493003001 - Maclear Greenfields	1 215	77 024
	Standard Bank - Acc no 388492325001 - MSIG	711 328	328 405
	Standard Bank - Acc no 388494387001 - MSP	1 764 266	1 695 409
	Standard Bank - Acc no 388490810001 - NER	1 351 184	1 330 199
	Standard Bank - Acc no 388492759001 - Revolving Fund	322	322
	Standard Bank - Acc no 388493518001 - Tourism	583 042	579 609
	FNB - Acc no 62189194170 - Equitable Share	19 575	1 893
	FNB - Acc no 62246726197 - Furniture Management Project	29 088	247 283
	FNB - Acc no 62246719176 - Hawkers Stalls	1 279	2 264 728
	FNB - Acc no 62189180011 - MIG	10 601 024	12 769 904
	FNB - Acc no 62268632934 - Ward Functions	45 043	43 482
	FNB - Acc no 62314984106 - Community Participation	1 643	78 343
	FNB - Acc no 62284785303 - Internal Road Reserve	15 555	15 379
	FNB - Acc no 62284785121 - Working Capital Reserve	15 162 897	10 000
	FNB - Acc no 62411792353 - Public Works	25 014	1 600 257
	FNB - Acc no 62378875226 - Mayoral Investment Account	477 697	465 299
	FNB - Acc no 62467970052 - Business Survey	90 525	352 979
	FNB - Acc no 62543909777 - ELM DBSA Bank	1 000	-
		<b>33 052 221</b>	<b>23 182 407</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>18 PROPERTY RATES</b>		
Rateable Land and Buildings	16 425 563	15 519 301
<u>Less:</u> Rebates	<u>(2 744 392)</u>	<u>(2 162 201)</u>
<b>Total Property Rates</b>	<b>13 681 171</b>	<b>13 357 100</b>
Balance as previously reported		13 353 637
Correction of error restatement - note 43.08		3 463
Restated balance		<u>13 357 100</u>
<b><u>Valuations - August 2013</u></b>		
Residential	581 713 500	582 144 000
Special Residential	33 669 179	33 669 179
Business and Government Property used by Local Governmen	608 798 500	608 824 500
Industrial	184 237 000	184 237 000
Government Property used by Provincial and District Governmen	44 498 500	44 498 500
Government Property used by National Governmen	24 175 500	24 175 500
Public Service Infrastructure and Agriculture	3 394 377 591	3 394 377 591
Municipal Owned Property and Churches	549 162 776	548 706 276
<b>Rateable Land and Buildings</b>	<b>5 420 632 546</b>	<b>5 420 632 546</b>
<b>Rebates on Income - Basic Rate:</b>		
Residential	0.576c/R	0.543c/R
Special Residential	0.748c/R	0.706c/R
Business and Government Property used by Local Governmen	0.859c/R	0.810c/R
Industrial	1.147c/R	1.082c/R
Government Property used by Provincial and District Governmen	0.869c/R	0.860c/R
Government Property used by National Governmen	0.912c/R	0.968c/R
Public Service Infrastructure and Agriculture	0.143c/R	0.135c/R
Municipal Owned Property and Churches	0.000c/R	0.000c/R

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

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission

	2015 R	2014 R
<b>19 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>101 878 000</b>	<b>84 626 000</b>
Equitable Share	101 878 000	84 626 000
<b>Conditional Grants</b>	<b>57 340 972</b>	<b>40 406 103</b>
Municipal Infrastructure Grant (MIG)	41 923 463	27 164 489
Municipal Systems Improvement Grant (MSIG)	934 000	890 000
Financial Management Grant (FMG)	1 600 000	1 550 000
Public Works	4 884 637	2 657 456
Integrated National Electrification Programme (INEP)	5 149 550	2 608 266
Other Grants	2 849 323	5 535 893
<b>Total Government Grants and Subsidies</b>	<b>159 218 972</b>	<b>125 032 103</b>
Government Grants and Subsidies - Capita	40 841 008	26 276 192
Government Grants and Subsidies - Operating	118 377 964	98 755 911
	<b>159 218 972</b>	<b>125 032 103</b>
As previously reported		124 332 103
Correction of error restatement - note 43.04		700 000
Restated balance		<u>125 032 103</u>
The Municipality does not expect any significant changes to the level of grants		
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable Share	101 878 000	84 626 000
Executive Council	-	7 816
Budget & Treasury	2 534 000	2 440 000
Community Services	517 528	1 293 706
Strategic Planning & Development	741 795	2 822 267
Technical services	53 547 649	33 842 314
<b>Total Grants</b>	<b>159 218 972</b>	<b>125 032 103</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>19.1 Equitable Share</b>		
Opening balance	-	-
Grants received	101 878 000	84 626 000
Conditions met - operating	(101 878 000)	(84 626 000)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>-</u>

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

<b>19.2 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	5 680 953	797 442
Grants received	36 485 000	32 048 000
Conditions met - operating	(1 824 250)	(1 602 400)
Conditions met - capital	(40 099 213)	(25 562 088)
Closing balance	<u>242 490</u>	<u>5 680 953</u>

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

<b>19.3 Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	-	-
Grants received	934 000	890 000
Conditions met - operating	(934 000)	(890 000)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>-</u>

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

<b>19.4 Financial Management Grant (FMG)</b>		
Opening balance	-	-
Grants received	1 600 000	1 550 000
Conditions met - operating	(1 600 000)	(1 550 000)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>-</u>

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

<b>19.5 Integrated National Electrification Programme (INEP)</b>		
Opening balance	-	608 266
Grants received	5 200 000	2 000 000
Conditions met - operating	(5 149 550)	(2 608 266)
Conditions met - capital	-	-
Closing balance	<u>50 450</u>	<u>-</u>

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

<b>19.6 Public Works</b>		
Opening balance	2 885 298	1 551 780
Grants received	1 999 339	3 990 975
Conditions met - operating	(4 884 637)	(2 657 456)
Conditions met - capital	-	-
Closing balance	<u>-</u>	<u>2 885 298</u>

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

<b>19.7 Other Grants</b>		
Opening balance	1 315 044	3 201 486
Grants received	2 807 630	3 649 450
Conditions met - operating	(2 107 528)	(4 821 789)
Conditions met - capital	(741 795)	(714 104)
Closing balance	<u>1 273 351</u>	<u>1 315 043</u>

Various grants were received from other spheres of government.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>19.8 Total Grants</b>		
Opening balance	9 881 295	6 158 973
Grants received	150 903 969	128 754 425
Conditions met - Operating	(118 377 964)	(98 755 911)
Conditions met - Capital	(40 841 008)	(26 276 192)
Closing balance	<u>1 566 292</u>	<u>9 881 295</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	1 612 328	10 488 961
Unpaid Conditional Government Grants and Receipts	(46 036)	(607 666)
	<u>1 566 292</u>	<u>9 881 295</u>
<b>20 ACTUARIAL GAINS/(LOSSES)</b>		
Post Retirement Medical Obligation - note 3	63 615	(2 008)
Long Service Awards - to note 3	224 640	(93 441)
<b>Total Actuarial Gains/(Losses)</b>	<u>288 255</u>	<u>(95 449)</u>
<b>21 FINES</b>		
Traffic Fines	298 350	548 150
Other Fines	36 977	40 517
<b>Total Fines</b>	<u>335 327</u>	<u>588 667</u>
<b>22 REVERSAL OF IMPAIRMENTS</b>		
Property, Plant and Equipment	14 795	5 416
<b>Total Impairments</b>	<u>14 795</u>	<u>5 416</u>
The reversal of impairment relate to the capitalised restoration costs. The reversal of impairment was caused by the change in the discount rate which is linked to the prime rate.		
<b>23 REVERSAL OF DEBT IMPAIRMENT</b>		
Receivables from Non-exchange Transactions - note 1f	1 800 583	-
<b>Total Reversal of Debt Impairment</b>	<u>1 800 583</u>	<u>-</u>
<b>24 SERVICE CHARGES</b>		
Electricity	19 260 513	18 632 675
Refuse Removal	4 224 441	3 983 780
	23 484 954	22 616 455
Less: Rebates	(4 504 296)	(3 482 227)
<b>Total Service Charges</b>	<u>18 980 658</u>	<u>19 134 228</u>
As previously reported		19 074 169
Correction of error restatement - note 43.03		60 059
Restated balance		<u>19 134 228</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission		
<b>25 PLANT INCOME</b>		
Earnings prior to expenditure	5 023 129	3 556 838
Less: Employee Related Costs - note 31	(1 089 348)	(902 470)
Less: Depreciation and Amortisation - note 34	(1 197 857)	(992 811)
Less: Repairs and Maintenance - note 3f	(2 128 653)	-
Less: General Expenses - note 41	(607 271)	(1 661 557)
<b>Total Plant Income</b>	<u>-</u>	<u>-</u>
Plant Income is associated with roads construction for MIG projects.		

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>26 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of Buildings, Halls and Facilities	1 250 027	1 114 972
Rental of Equipment	4 792	2 289
Deferred Rental Income	193 068	193 068
<b>Total Rental of Facilities and Equipment</b>	<b>1 447 887</b>	<b>1 310 329</b>
As previously reported		1 120 643
Correction of error restatement - note 43.02		193 068
Correction of error restatement - note 43.03		(3 382)
Restated balance		<u>1 310 329</u>
<b>27 LICENCES AND PERMITS</b>		
Driving Licences	346 345	325 280
Learner Driving Licences	383 471	314 729
Number Plates	16 082	12 982
Public Drivers Permits	221 904	200 915
Registrations	1 005 501	1 103 593
<b>Total Licences and Permits</b>	<b>1 973 303</b>	<b>1 957 499</b>
As previously reported		2 188 272
Correction of error restatement - note 43.05		(230 773)
Restated balance		<u>1 957 499</u>
<b>28 AGENCY SERVICES</b>		
Water and Sanitation Agency Function	1 414 350	1 448 997
<b>Total Agency Services</b>	<b>1 414 350</b>	<b>1 448 997</b>
The agency service relates to the water and sanitation function conducted on behalf of the Joe Gqabi District Municipality. The agency service includes a fixed fee for the administration of accounts as well as a 15% fee on all collections made.		
<b>29 OTHER INCOME</b>		
Commission Received	71 410	58 593
Insurance Claims Received	239 320	100 417
Tender Document Sales	174 087	213 528
LGSETA Claims Received	101 506	46 291
Pound Fees	76 717	156 733
Cemetery Fees	22 634	20 777
Building Plan & Inspector	83 477	85 903
Auction Sales	61 082	25 070
Discounts received	-	72 667
Prescribed Debt	149 736	-
Photo Copies	26 159	13 365
Sundry Income	239 798	112 068
<b>Total Other Income</b>	<b>1 245 926</b>	<b>905 412</b>
As previously reported		1 017 724
Correction of error restatement - note 43.06		(112 312)
Restated balance		<u>905 412</u>
Prescribed Debt includes unclaimed deposits and receipts older than three years recognised as income		
<b>30 GAIN/(LOSS) ON DISPOSAL OF INVESTMENT PROPERTY</b>		
Proceeds	265 877	845 702
Carrying value of Investment Property Sold	(341 500)	(700 871)
<b>Total Loss on Disposal of Investment Property</b>	<b>(75 623)</b>	<b>144 831</b>
As previously reported		(163 904)
Correction of error restatement - note 43.06		308 735
Restated balance		<u>144 831</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>31 EMPLOYEE RELATED COSTS</b>		
Bursary Scheme	28 450	23 900
Contribution to Current Employee Benefits - Bonuses Accrued - note (	3 166 594	2 730 237
Contribution to Current Employee Benefits - Staff Leave - note (	268 043	713 213
Contribution to Current Employee Benefits - Performance Bonuses - note (	529 217	1 278 158
Contribution to Employee Benefits - Long Service Awards - note :	336 595	293 479
Medical Aid Contributions	3 278 716	2 867 567
Overtime	1 636 878	1 830 116
Pension Fund Contributions	5 298 862	4 913 806
Salaries and Wages	39 557 571	36 307 953
Skills Development Levy	514 403	484 949
Travel, motor car, telephone, assistance and other allowances	6 900 735	6 680 591
UIF Contributions	358 442	338 970
Workmens Compensation Contributions	719 726	56 139
<b>Total Employee Related Costs</b>	<b>62 594 232</b>	<b>58 519 078</b>
Less: Employee Related Costs associated with Plant Income - note 2f	(1 089 348)	(902 470)
<b>Total Employee Related Costs</b>	<b>61 504 884</b>	<b>57 616 608</b>
<b>REMUNERATION OF MANAGEMENT PERSONNEL</b>		
Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contrac		
<b>Municipal Manager - K Gashi</b>		
Remuneration	882 314	846 170
Car and other allowances	256 771	243 043
Performance Bonuses	59 940	78 943
Contributions to UIF, Medical and Pension Fund:	124 339	107 991
<b>Total</b>	<b>1 323 364</b>	<b>1 276 147</b>
<b>Manager Infrastructure Planning and Development - X Mntonintsh</b>		
Remuneration	666 722	614 706
Car and other allowances	356 299	335 944
Performance Bonuses	39 683	37 331
Contributions to UIF, Medical and Pension Fund:	18 056	11 193
<b>Total</b>	<b>1 080 760</b>	<b>999 174</b>
<b>Manager Corporate Services - SR Matubatuba</b>		
Remuneration	717 795	706 665
Car and other allowances	388 671	415 130
Performance Bonuses	43 103	70 960
Contributions to UIF, Medical and Pension Fund:	12 907	13 173
<b>Total</b>	<b>1 162 476</b>	<b>1 205 929</b>
<b>Chief Financial Officer - SW Goodall (until 30/06/2014)</b>		
Remuneration	-	571 363
Car and other allowances	-	396 271
Performance Bonuses	44 668	105 053
Contributions to UIF, Medical and Pension Fund:	-	130 738
Leave days paid	-	89 337
<b>Total</b>	<b>44 668</b>	<b>1 292 761</b>
<b>Manager Strategic Planning and Economic Development - NC Eddie</b>		
Remuneration	613 993	569 501
Car and other allowances	407 465	395 519
Performance Bonuses	39 683	37 331
Contributions to UIF, Medical and Pension Fund:	12 036	11 390
<b>Total</b>	<b>1 073 178</b>	<b>1 013 741</b>
<b>Manager Community Services - M Ntaba (until 29/01/2015)</b>		
Remuneration	403 079	617 497
Car and other allowances	203 285	324 548
Performance Bonuses	9 903	-
Contributions to UIF, Medical and Pension Fund:	6 860	10 729
<b>Total</b>	<b>623 127</b>	<b>952 773</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>32 REMUNERATION OF COUNCILLORS</b>		
Mayor - NR Yelani-Lengs	749 768	708 822
Speaker - M Bomela	605 024	572 405
Part-time Members of the Executive Committee - 5 members	1 620 246	1 578 264
Part-time Section 79 Chairpersons - 5 members (2014: 4 members)	1 511 442	1 157 645
Part-time Councillors - 22 Councillors (2014: 23 Councillors)	5 327 151	5 465 577
<b>Total Remuneration of Councillors</b>	<b>9 813 631</b>	<b>9 482 713</b>
<b><i>In-kind Benefits</i></b>		
The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council.		
<b>33 DEBT IMPAIRMENT</b>		
Receivables from Exchange Transactions - note 15	3 229 858	916 597
Receivables from Non-exchange Transactions - note 16	242 070	4 237 832
<b>Total Contribution to Impairment Provision</b>	<b>3 471 928</b>	<b>5 154 428</b>
(Less)/Add: Portion Relating to VAT - note 10	(237 913)	3 817 782
<b>Total Debt Impairment</b>	<b>3 234 015</b>	<b>8 972 211</b>
As previously reported		7 314 824
Correction of error restatement - note 43.07		(316 708)
Correction of error restatement - note 43.08		1 974 095
Restated balance		<b>8 972 211</b>
<b>34 DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment	31 901 015	32 018 648
Investment Property	71 121	68 780
Intangible Assets	59 723	30 527
<b>Total Depreciation and Amortisation</b>	<b>32 031 860</b>	<b>32 117 955</b>
Less: Depreciation and Amortisation associated with Plant Income - note 21	(1 197 857)	(992 811)
<b>Total Depreciation and Amortisation</b>	<b>30 834 003</b>	<b>31 125 144</b>
As previously reported		31 093 215
Correction of error restatement - note 43.06		31 929
Restated balance		<b>31 125 144</b>
<b>35 REPAIRS AND MAINTENANCE</b>		
Infrastructure	5 605 348	5 905 954
Land and Buildings	618 458	684 621
Other Assets	1 428 631	1 464 497
<b>Total Repairs and Maintenance</b>	<b>7 652 437</b>	<b>8 055 072</b>
Less: Repairs and Maintenance associated with Plant Income - note 21	(2 128 653)	-
<b>Total Repairs and Maintenance</b>	<b>5 523 784</b>	<b>8 055 072</b>
As previously reported		8 131 496
Correction of error restatement - note 43.03		(76 424)
Restated balance		<b>8 055 072</b>
<b>36 FINANCE CHARGES</b>		
Long-term Liabilities - Annuity Loans	11 531	22 736
Long-term Liabilities - Capitalise Lease Liability	13 853	28 908
Deferred Revenue	56 000	65 965
Non-Current Employee Benefits	323 761	272 146
Non-Current Provisions - Rehabilitation of Landfill Site	288 997	258 601
Interest charged by Creditors	14 660	38 686
SARS Penalties and Interest	105 167	-
<b>Total Finance Charges</b>	<b>813 969</b>	<b>687 042</b>
As previously reported		621 077
Correction of error restatement - note 43.02		65 965
Restated balance		<b>687 042</b>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>37 BULK PURCHASES</b>		
Electricity	15 058 558	14 809 383
<b>Total Bulk Purchases</b>	<b>15 058 558</b>	<b>14 809 383</b>
<b>38 CONTRACTED SERVICES</b>		
Solid Waste	2 109 018	2 261 311
<b>Total Contracted Services</b>	<b>2 109 018</b>	<b>2 261 311</b>
<b>39 GRANTS AND SUBSIDIES PAID</b>		
Joe Gqabi Economic Development Agency	-	263 158
<b>Total Grants and Subsidies</b>	<b>-</b>	<b>263 158</b>
<b>40 OPERATING GRANT EXPENDITURE</b>		
Budget & Treasury	2 380 685	2 520 834
Community Services	-	711 640
Strategic Planning & Development	696	1 396 256
Technical Services	4 517 149	3 409 131
<b>Total Grant Expenditure</b>	<b>6 898 530</b>	<b>8 037 861</b>
As previously reported		4 628 730
Correction of error restatement - note 43.06		3 409 131
Restated balance		<b>8 037 861</b>
<b>41 GENERAL EXPENSES</b>		
Advertising	546 435	435 658
Auditors Remuneration	2 860 968	2 034 976
Bank Charges	79 442	106 545
Cleaning Materials	62 615	54 996
Commission Paid	356 404	603 971
Conferences and Seminars	288 956	378 170
Consulting, Professional and Legal Fees	7 750 819	5 097 508
Entertainment and Catering	995 352	956 424
Fraud Prevention Plan	45 500	38 500
Fuel and Oil	3 029 820	3 056 285
Gifts	31 740	126 476
Insurance	1 079 746	959 300
Job Evaluation	20 250	20 055
Lease rentals	351 819	538 606
Licence Fees	536 081	301 513
Postage and Courier	28 904	38 634
Printing and Stationery	852 197	813 750
Promotions and Sponsorships	822 403	922 067
Protective Clothing	323 046	452 724
Public Participation	1 987 342	1 327 086
Refuse Bags and Containers	117 332	399 805
Relocation Costs	77 390	90 004
Security	837 960	857 562
Small Tools and Equipment	775 161	983 410
Special Programmes	3 732 972	4 432 631
Subscriptions and Membership Fees	992 460	918 157
Telephone and fax	2 347 291	2 058 508
Town Planning and Property Valuation Fee:	-	722 423
Traffic Department Costs	140 199	123 005
Training	1 175 651	1 682 599
Travel and Subsistence	6 718 894	6 709 552
Ward Committees	645 295	1 758 883
Other Expenditure	1 677 670	1 315 373
<b>Total General Expenses</b>	<b>41 288 114</b>	<b>40 315 156</b>
Less: General Expenses associated with Plant Income - note 25	(607 271)	(1 661 557)
<b>Total General Expenses</b>	<b>40 680 843</b>	<b>38 653 599</b>
As previously reported		38 573 583
Correction of error restatement - note 43.03		80 016
Restated balance		<b>38 653 599</b>



ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>42 GAIN/(LOSS) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Proceeds	100 956	112 312
Disposal of Liability (Provision for Rehabilitation of Landfill sites) - note 4	-	234 195
	<hr/>	<hr/>
Carrying value of Property, Plant and Equipment disposed	100 956 (475 093)	346 507 (4 026 843)
<b>Total Gain on Disposal of Property, Plant and Equipment</b>	<b>(374 137)</b>	<b>(3 680 336)</b>
		<hr/>
As previously reported		413 001
Correction of error restatement - note 43.06		(4 093 337)
Restated balance		<hr/> <b>(3 680 336)</b> <hr/>
		 <b>2014</b> <b>R</b>
<b>43 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
<b>43.01 Accumulated Surplus - 1 July 2013</b>		
Deferred Revenue - note 43.02		117 862
Payables from Exchange Transactions - note 43.03		(532 143)
Unspent Conditional Government Grants and Receipts - note 43.04		4 354 615
Taxes - note 43.05		(2 573 434)
Property, Plant and Equipment - note 43.06		(1 710 409)
Receivables from Exchange Transactions - note 43.07		(1 047 880)
Receivables from Non-Exchange Transactions - note 43.08		(1 611 049)
<b>Total</b>		<hr/> <b>(3 002 438)</b> <hr/>
<b>43.02 Deferred Revenue</b>		
The South African Social Security Agency (SASSA) is leasing a building from Elundini Local Municipality. As per the rental agreement, SASSA incurred expenditure on their own account to upgrade the building in exchange to pay R16 089 per month less rentals than the market rental asking price. The deferred revenue will un-wind over the period of the lease agreement, which is 7 years. In the current year it was noted that the deferred revenue was incorrectly classified as a non-current liability under Payables from Exchange Transactions. The majority of the deferred revenue will not un-wind within the next 12 months and therefore this portion need to be disclosed as non-current. Further to this, it was also noted that no un-winding were done for 2012/13 and 2013/14.		
Refer to Deferred Revenue (non-current portion) - note 4		(664 494)
Refer to Payables from Exchange Transaction - note 4		1 046 526
Refer to Rental of Facilities and Equipment - note 2f		(193 068)
Refer to Finance Charges - note 3f		65 965
Refer to Accumulated Surplus - 1 July 2013 - note 43.01		(117 862)
Refer to Statement of Financial Position for the current-period		(137 068)
<b>43.03 Payables from Exchange Transactions</b>		
Invoices amounting to R149 096 were not raised on 30 June 2014. In addition, it was also noted that an invoice amounting the R88 323 were incorrectly raised even though the service was not yet received. The net effect is that Trade Payables was understated by R60 773.		
A deposit amounting to R3 855 for rentals was incorrectly allocated to Rental of Facilities and Equipment, rather to Sundry Deposits.		
It was noted that the Payments Received in Advance amounting to R60 058 relating to 30 June 2013 was not reversed during 2013/14. It was also noted that the Payments Received in Advance amounting to R185 103 for 30 June 2014, was incorrectly allocated to Receivables from Exchange Transactions rather than Payables from Exchange Transactions. The net effect is that Payments Received in Advance was understated with R125 045.		
Included in retentions were payments allocated amounting to R523 293 which relates to retentions payment of projects completed prior to GRAP implementation date. As deemed costs was used to determine the cost of assets on GRAP implementation date and not the actual cost, these payments should have been expensed.		
Refer to Payables from Exchange Transaction - note 4		(712 966)
Refer to Taxes - note 10		4 210
Refer to Receivables from Exchange Transactions - note 1f		185 104
Refer to Service Charges - note 24		(60 059)
Refer to Rental of Facilities and Equipment - note 2f		3 382
Refer to Repairs and Maintenance - note 3f		(76 424)
Refer to General Expenses - note 41		80 016
Refer to Accumulated Surplus - 1 July 2013 - note 43.01		532 143
Refer to Statement of Financial Performance - Collection Costs - note 43.0f		44 595

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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**43.04 Unspent Conditional Government Grants and Receipts**

An exercise was undertaken to determine whether old unspent conditional grant monies were still valid. The projects were inspected and found to be completed. In addition, none of the grant funders required the repayment of the unspent monies. The conditions were therefore already met in prior years and the unspent portion is therefore considered to be spent in full. Accordingly, Unspent Conditional Government Grants and Receipts was overstated, while Government Grants and Subsidies and Accumulated Surplus were understated.

Refer to Unspent Conditional Government Grants and Receipts - note 9	5 054 615
Refer to Government Grants and Subsidies - note 19	(700 000)
Refer to Accumulated Surplus - 1 July 2013 - note 43.01	(4 354 615)

**43.05 Taxes**

In the current year the South African Revenue Service (SARS) conducted a Value Added Tax (VAT) audit from 1 July 2009 to 30 June 2013. The audit revealed that the Municipality overclaimed VAT amounting to R1 863 049. Interest and penalties amounting to R523 214 and R187 170 respectively were charged on this overclaim.

The SARS VAT audit revealed that no Output VAT was being paid Licences and Permits. The amount of Output VAT relating to Licences and Permits for 2013/14 amounted to R230 773.

Refer to Taxes - note 10	(2 804 208)
Refer to Licences and Permits - note 27	230 773
Refer to Accumulated Surplus - 1 July 2013 - note 43.01	2 573 434

**43.06 Property, Plant and Equipment**

In the current year an exercise was undertaken on the property register. The exercise included determining who is the controlling party of the property as well as the correct classification of the property, i.e. Property, Plant and Equipment, Investment Property or Inventory

The exercise revealed the following

- Included in the property register were property amounting to R11 254 360 which were still registered in the name of the Municipality, but is not being controlled by the Municipality. These property mainly included RDP houses, legal occupations or the property is being controlled by a different sphere of government, which includes clinics and schools.
- Property not registered in the name of the Municipality, but which is being controlled by the Municipality amounted to R9 497 050. Examples of such property included the Sonwabile Community Centre, Transido and Mount Fletcher Youth Centre.
- When the use of the property was evaluated, the net effect revealed that Property, Plant and Equipment amounting to R7 313 875 was incorrectly classified as Inventory (R2 290 000) and Investment Property (R5 023 875).

Included in the infrastructure work-in-progress was a project amounting to R3 409 131 for the electrification of rural areas. It was however determined that these assets will be effectively controlled by Eskom and that the Municipality is only acting as agent in this regard. The expenditure has therefore been removed from work-in-progress and has been disclosed as operating expenditure. As a result of this, the grant income has also been reclassified from Capital Grant Income to Operating Grant Income.

It was noted that roads infrastructure with a carrying value of R2 483 579 was replaced during 2013/14. These assets were not removed from the asset register.

Refer to Property, Plant and Equipment - note 11	4 689 013
Refer to Investment Property - note 12	(2 973 482)
Refer to Inventory - note 14	(6 867 000)
Refer to Depreciation and Amortisation - note 34	31 929
Operating Grant Expenditure - note 4C	3 409 131
Refer to Accumulated Surplus - 1 July 2013 - note 43.01	1 710 409
Refer to Property, Plant and Equipment - note 11	(3 860 203)
Refer to Other Income - note 29	112 312
Refer to Gain/(Loss) on Disposal of Property, Plant and Equipment - note 4E	4 093 337
Refer to Gain on Disposal of Investment Property - note 3C	(308 735)
Refer to Statement of Financial Performance - Loss on Disposal of Land Held for Sale - note 43.01	(36 711)

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**43.07 Receivables from Exchange Transactions**

The Municipality uses the payment percentage ratio in order to determine the percentage of non-payment. The non-payment percentage per consumer is used in order to determine the debt impairment. It was however noted that the opening balance of the consumer was not taken into account during the calculations, resulting that a higher payment percentage was incorrectly calculated. Accordingly, the provision for debt impairment was understated by R661 420.

Refer to Taxes - note 10	(69 752)
Refer to Receivables from Exchange Transactions - note 15	(661 420)
Refer to Debt Impairment - note 33	(316 708)
Refer to Accumulated Surplus - 1 July 2013 - note 43.01	1 047 880

**43.08 Receivables from Non-Exchange Transactions**

The Municipality uses the payment percentage ratio in order to determine the percentage of non-payment. The non-payment percentage per consumer is used in order to determine the debt impairment. It was however noted that the opening balance of the consumer was not taken into account during the calculations, resulting that a higher payment percentage was incorrectly calculated. Accordingly, the provision for debt impairment was understated by R3 599 941 of which R1 974 095 related to 2013/14 and the remainder of R1 625 846 related to prior 1 July 2013.

In addition, a non-indigent consumer incorrectly received an indigent subsidy amounting to R18 259 of which R3 462 related to 2013/14 and the remainder of R14 796 related to prior 1 July 2013.

Refer to Receivables from Non-Exchange Transactions - note 16	(3 581 681)
Refer to Property Rates - note 18	(3 463)
Refer to Debt Impairment - note 33	1 974 095
Refer to Accumulated Surplus - 1 July 2013 - note 43.01	1 611 049

**43.09 Statement of Financial Performance**

Collection Costs	946 743
As previously reported	902 148
Correction of error restatement - note	44 595
Loss on Disposal of Land Held for Sale	-
As previously reported	36 711
Correction of error restatement - note 43.06	(36 711)

**43.10 Capital Commitments**

Capital Commitments contained the following errors

- Included in Capital Commitments were internal projects of which the Municipality is the contractor. The Municipality can not have a commitment with itself and therefore these commitments have be removed. Capital Commitments were overstated by R4 429 046 in this regard.
- As noted in note 43.06 operating expenditure was incorrectly classified as capital expenditure. The unspent portion of this contract as on 30 June 2015 was R3 298 377. Capital Commitments were therefore overstated by this amount.
- Other insignificant errors amounted to R52 442

**43.11 Material Losses**

The material losses for electricity was quantified using the tariff inclusive of VAT. The amount should be quantified using the tariff exclusive of VAT. The use of the incorrect tariff resulted that material losses for 2013/14 was overstated by R259 976.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>44 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>		
Surplus/(Deficit) for the year	26 284 008	(17 509 295)
<b>Adjustments for:</b>		
Reversal of Impairments	(14 795)	(5 416)
Reversal of Debt Impairment	(1 800 583)	-
(Gain)/Loss on disposal of Property, Plant and Equipment	374 137	3 680 336
(Gain)/Loss on disposal of Investment Property	75 623	(144 831)
Contribution from/to employee benefits - non-current	660 356	565 625
Contribution from/to employee benefits - non-current - expenditure incurred	(324 655)	(236 784)
Contribution from/to employee benefits - non-current - loss/(actuarial gains)	(288 255)	95 449
Contribution to employee benefits – current	3 963 854	4 726 058
Contribution to employee benefits – current - expenditure incurred	(3 741 642)	(3 401 822)
Contribution to provisions – non-current	288 997	258 601
Contribution of provisions – Allowance for Doubtful Debts	3 234 015	8 972 211
Un-winding of deferred revenue - rental income	(193 068)	(193 068)
Un-winding of deferred revenue - finance charges	56 000	65 965
Bad debts written off	(330 673)	(30 382 101)
Grants Received	150 903 969	128 754 425
Grant Expenditure	(159 218 972)	(125 032 103)
Depreciation and Amortisation	32 031 860	32 117 955
Operating Surplus before changes in working capital	51 960 175	2 331 206
Changes in working capital - Restated for prior year	2 233 542	32 449 546
Increase in Payables from Exchange Transactions	4 443 675	4 662 643
Increase in Taxes	(1 771 892)	(4 419 426)
Decrease in Inventory	(131 336)	177 680
(Increase)/Decrease in Receivables from exchange transactions	(2 037 360)	34 796 107
(Increase) in Receivables from non-exchange transactions	1 730 455	(2 767 458)
<b>Cash generated by operations</b>	<b>54 193 717</b>	<b>34 780 752</b>
<b>45 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following		
Call Investments Deposits - Note 17	33 052 221	23 182 407
Bank - Note 17	751 786	1 048 990
Cash Floats - Note 17	1 498	1 210
<b>Total cash and cash equivalents</b>	<b>33 805 505</b>	<b>24 232 607</b>
<b>46 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - note 4E	33 805 505	24 232 607
Less:	(1 612 327)	(9 881 295)
Unspent Committed Conditional Grants - note E	(1 612 327)	(9 881 295)
<b>Net cash resources available for internal distribution</b>	<b>32 193 178</b>	<b>14 351 312</b>
<b>47 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - note 2	68 594	343 303
Used to finance property, plant and equipment - at cost	(68 594)	(343 303)
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
48	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
48.1	<b>Unauthorised expenditure</b>		
	Reconciliation of unauthorised expenditure		
	Opening balance	5 179 958	68 142 893
	Unauthorised expenditure current year - capital	-	511 082
	Unauthorised expenditure current year - operating	2 979 678	4 668 877
	Written off by Council	-	(68 142 893)
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	<u>8 159 636</u>	<u>5 179 958</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	Actual R	Final Budget R	Variance R	Unauthorised Expenditure R
<b>Operating Expenditure by Vote</b>				
Executive Council	29 933 006	32 907 437	(2 974 431)	-
Budget & Treasury	31 062 963	33 131 599	(2 068 636)	-
Corporate Services	19 692 298	22 447 966	(2 755 668)	-
Community Services	24 768 420	21 788 742	2 979 678	2 979 678
Strategic Planning & Development	6 968 581	9 111 810	(2 143 229)	-
Technical services	64 958 844	66 112 416	(1 153 572)	-
<b>Total Expenditure</b>	<u>177 384 112</u>	<u>185 499 970</u>	<u>(8 115 858)</u>	<u>2 979 678</u>
<b>Capital Expenditure by Vote</b>				
Executive Council	961 033	980 000	(18 967)	-
Budget & Treasury	559 419	570 000	(10 581)	-
Corporate Services	575 090	590 000	(14 910)	-
Community Services	22 850	220 000	(197 150)	-
Strategic Planning & Development	2 539 868	3 228 094	(688 226)	-
Technical services	40 072 316	45 796 195	(5 723 879)	-
<b>Total Expenditure</b>	<u>44 730 577</u>	<u>51 384 289</u>	<u>(6 653 712)</u>	<u>-</u>

48.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance	27 763	1 018 164
Fruitless and wasteful expenditure - current year	163 904	90 207
Fruitless and wasteful expenditure - prior year	710 385	-
Condoned / written off / recovered by Council	-	(1 080 608)
Fruitless and wasteful expenditure awaiting condonement	<u>902 052</u>	<u>27 763</u>

Incident	Disciplinary steps/criminal proceedings	2015 R	2014 R
Interest charged by creditors	Disciplinary steps have been taken.	14 660	40 030
Workmen's Compensation penalty for late submission	None yet.	-	39 207
Employees were on leave without prior approval. No unpaid leave was deducted from their salaries.	Disciplinary steps have been taken and employees have been dismissed.	-	10 970
Interest and penalties charged by SARS for VAT	None yet.	710 385	-
Audit - period 1 July 2009 to 30 June 2013		-	-
Interest and penalties charged by SARS for Payroll Taxes	None yet.	105 167	-
Fuel dispensing losses relating to the Municipality's road construction plant.	Investigation still underway regarding the cause of these distribution losses.	44 077	-
		<u>874 289</u>	<u>90 207</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>48.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance	-	1 330 773
Irregular expenditure - current year	345 348	41 249
Irregular expenditure - prior year	138 800	-
Written off by Council	-	(1 372 022)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonemen	<b>484 148</b>	<b>-</b>

Incident	Disciplinary steps/criminal proceedings		
Non-compliance with Supply Chain Management Policy	None	474 227	41 249
Error in calculation of performance bonus	None	9 921	-
		<b>484 148</b>	<b>41 249</b>

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

For all irregular expenditure disclosed, the goods and services were received by the Municipality

**49 MATERIAL LOSSES**

**Electricity distribution losses**

Kwh purchased	17 338 832	18 283 864
Less: Kwh sold	(15 034 750)	(15 663 511)
Kwh losses	2 304 082	2 620 353
% Losses	13.29%	14.33%
Average cost per Kwh unit (excl VAT)	0.7771	0.7308
Losses in Rand Value	<b>1 790 465</b>	<b>1 914 917</b>
As previously reported		2 174 893
Correction of error restatement - note 43.11		(259 976)
Restated balance		<b>1 914 917</b>

**50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT1**

**50.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Council subscriptions	630 259	1 252 792
Amount paid - current year	-	(1 252 792)
<b>Balance unpaid (included in creditors)</b>	<b>630 259</b>	<b>-</b>

**50.2 Audit fees - [MFMA 125 (1)(b)]**

Opening balance	86 471	140 761
Current year audit fees	3 915 133	3 225 242
Amount paid - current year	(4 001 604)	(3 279 531)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>86 471</b>

**50.3 VAT - [MFMA 125 (1)(b)]**

Opening balance	790 413	2 793 065
Amounts received - current year	(8 379 060)	(8 379 060)
Amounts claimed - current year	11 812 118	6 376 408
<b>VAT Receivable</b>	<b>4 223 471</b>	<b>790 413</b>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>50.4</b>		
<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contribution	10 751 252	9 812 578
Amount paid - current year	(10 751 252)	(9 812 578)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>50.5</b>		
<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
Opening balance	919 934	-
Current year payroll deductions and Council Contribution	14 562 798	12 115 999
Amount paid - current year	(15 482 732)	(11 196 066)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>919 934</b>
<b>50.6</b>		
<b><u>Other non-compliance (MFMA 125(2)(e))</u></b>		
Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:		
All the deviations were ratified by the Municipal Manager and reported to Council		
Section 36(1)(a)(i) - Emergencies	4 358 061	4 963 478
Section 36(1)(a)(ii) - Single provider	2 595 708	3 369 770
Section 36(1)(a)(iii) - Specialised services	2 983 668	6 883 038
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical to follow official procurement process	7 444 411	2 457 295
	<b>17 381 848</b>	<b>17 673 580</b>
Municipal Manager Office	2 570 589	2 808 260
Budget and Treasury Office	5 048 233	2 879 417
Infrastructure Planning and Development	5 526 709	6 583 485
Corporate Services	2 699 187	1 418 080
Strategic Planning and Development	1 128 565	502 367
Community Services	408 565	3 481 971
	<b>17 381 848</b>	<b>17 673 580</b>
<b>50.7</b>		
<b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>		
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
The following Councillors had arrear accounts for more than 90 days as at 30 June		
S L Baduza	-	7 512
T Koteli	2 170	-
<b>Total Councillor Arrear Consumer Accounts as on 30 June</b>	<b>2 170</b>	<b>7 512</b>
<b>51</b>		
<b><u>CAPITAL COMMITMENTS</u></b>		
<b>Commitments in respect of capital expenditure:</b>		
Infrastructure	8 939 690	19 859 903
Approved and contracted for	8 939 690	19 481 520
Tender awarded but contract not yet signed	-	378 383
<b>Total</b>	<b>8 939 690</b>	<b>19 859 903</b>
As previously reported		27 639 770
Correction of error restatement - note 43.10		(7 779 867)
Restated balance		19 859 903
This expenditure will be financed from		
Government Grants	6 572 666	17 498 574
Own funding	2 367 024	2 361 329
	<b>8 939 690</b>	<b>19 859 903</b>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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**FINANCIAL RISK MANAGEMENT**

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

**(a) Foreign Exchange Currency Risk**

The Municipality does not engage in foreign currency transactions

**(b) Price risk**

The Municipality is not exposed to price risk

**(c) Interest Rate Risk**

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

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

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

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

0.5% (2014 - 0.5%) Increase in interest rates	189 701	147 005
0.5% (2014 - 0.5%) Decrease in interest rates	(189 701)	(147 005)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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

All rates and services are payable within 30 days from invoice date. Refer to note 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 for balances included in receivables that were re-negotiated for the period under review.

	2015 %	2015 R	2014 %	2014 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	0%	-	100%	271 877
	0%	-	100%	271 877
<u>Exchange Receivables</u>				
Electricity	15.74%	285 276	17.87%	543 816
Refuse	0.00%	-	1.46%	44 390
Other	84.26%	1 527 324	80.68%	2 455 743
	100%	1 812 600	100%	3 043 950

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

Due to the short term nature of trade and other receivables the carrying value disclosed in note 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate where applicable



ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

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

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

	2015 R	2014 R
Receivables from Exchange Transactions	2 776 851	3 734 507
Receivables from Non-Exchange Transactions	663 406	637 331
Cash and Cash Equivalents	33 805 505	24 232 607
Unpaid conditional grants and subsidies	46 036	607 666
	<u>37 291 798</u>	<u>29 212 111</u>

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2015</b>				
Long Term liabilities - Finance Lease Liability	69 737	-	-	69 737
Capital repayments	68 594	-	-	68 594
Interest	1 143	-	-	1 143
Payables from Exchange Transactions	27 012 428	-	-	27 012 428
Unspent conditional government grants and receipts	1 612 327	-	-	1 612 327
	<u>28 624 755</u>	<u>-</u>	<u>-</u>	<u>28 624 755</u>
<b>2014</b>				
Long Term liabilities - Annuity Loans	90 022	-	-	90 022
Capital repayments	79 497	-	-	79 497
Interest	10 525	-	-	10 525
Long Term liabilities - Finance Lease Liability	209 211	69 737	-	278 947
Capital repayments	195 212	68 594	-	263 806
Interest	13 999	1 143	-	15 142
Payables from Exchange Transactions	21 805 931	-	-	21 805 931
Unspent conditional government grants and receipts	10 488 961	-	-	10 488 961
	<u>32 594 125</u>	<u>69 737</u>	<u>-</u>	<u>32 663 861</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>53 FINANCIAL INSTRUMENTS</b>		
In accordance with GRAP 104 the financial instruments of the Municipality are classified as follow:		
<b>53.1 Financial Assets</b>		
<b>Financial Instruments at Amortised Cost</b>		
Receivables from Exchange Transactions	2 776 851	3 734 507
Receivables from Non-exchange Transactions	663 406	637 331
Unpaid Conditional Government Grants and Receipts	46 036	607 666
Cash and Cash Equivalents	33 805 505	24 232 607
<b>Total carrying amount of financial assets</b>	<b>37 291 798</b>	<b>29 212 111</b>
<b>53.2 Financial Liability</b>		
<b>Financial Instruments at Amortised Cost</b>		
Long-term Liabilities	-	68 594
Payables from Exchange Transactions	28 339 619	23 895 944
Unspent Conditional Grants and Receipts	1 612 327	10 488 961
Current Portion of Long-term Liabilities	68 594	274 709
<b>Total carrying amount of financial liabilities</b>	<b>30 020 540</b>	<b>34 728 208</b>
<b>54 STATUTORY RECEIVABLES</b>		
In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:		
Taxes	3 906 377	1 896 572
Receivables from Exchange Transactions	694 424	796 610
Rates	694 424	796 610
Traffic Fines	-	-
<b>Total Statutory Receivables</b>	<b>4 600 801</b>	<b>2 693 182</b>

**55 EVENTS AFTER THE REPORTING DATE**

The Municipality has no events after reporting date during the financial year ended 2014/2015.

**56 IN-KIND DONATIONS AND ASSISTANCE**

Provincial COGTA seconded Ms Joyce Malinga to be the acting Chief Financial Officer (CFO) of the Municipality from 3 July 2014 to 31 January 2015. The new CFO, Mr Jack Mdeni, was appointed 1 July 2015.

**57 PRIVATE PUBLIC PARTNERSHIPS**

Council entered into a Private Public Partnership (PPP) with Interwaste (Pty) Ltd ("The Private Company") on 30 May 2013.

In terms of the PPP the Private Company will be responsible for the maintenance and operation of the landfill sites in Ugie and Maclear, as well as Mt Fletcher from 2015/16. The Municipality is still responsible for the collection of refuse at the consumers' premises.

The duration of the contract is 10 years and future estimated payments (including VAT) are set out below

Year	Amount payable
2015/16	4 793 136
2016/17	5 080 728
2017/18	5 385 566
2018/19	5 708 715
2019/20	6 051 221
2020/21	6 414 297
2021/22	6 679 164
2022/23	7 207 122

Refer to note 38 for expenditure incurred during the current and previous financial year

In terms of the PPP, the Private Company is required to provide their own movable assets in order to fulfill their function. The PPP does make provision for the transfer of the movable assets to the Municipality at the end of the contract. The Private Company is not required to build any new assets, but only to maintain the current assets belonging to the Municipality

The performance of the Private Company is reviewed on an annual basis. The contract may be terminated based on non-performance. There is also no renewal clause after the 10 years

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<b>58 CONTINGENT LIABILITIES</b>		
Council do have the following contingent liabilities at the end of the financial year 2014/2015:		
A labour related dispute was declared. The SALGBC has found in favour of the applicant and as such has instructed the Council to appoint the applicant to the position of Community Services Manager, effective June 2013. The salary backpay owed to the applicant is R3 106 900. The Municipality has taken the arbitration's award on review at the Labour Court and is awaiting a Court date. The estimated legal costs for appealing this matter is estimated at R100 000.	3 106 900	2 083 478
A labour dispute was declared relating to unpaid employee benefits amounting to R465 892. The matter emanates from their claim for unpaid overtime and standby allowance dating back to 2002. This matter is currently pending litigation and legal costs are estimated at R10 000.	465 892	663 417
Employees were dismissed for various counts of gross misconduct and fruitless and wasteful expenditure. A dispute has been lodged in terms of unfair dismissal and therefore reinstatement. The employees backpay claim is estimated at R920 685. This matter is still on arbitration level. Legal fees are estimated at R600 000 if this matter were to go to court.	920 685	560 000
A company was contracted to do road repairs in Maclear, but failed to do work to satisfaction of Municipality. The Municipality rightfully retained a certain percentage of the retention fee amounting to an estimate of R950 000. The plaintiff is suing the Municipality for the retention fees. The Municipality has defended the action. The Municipality is now awaiting for its attorneys to give a response to the claim (Plea). Legal fees are estimated at R100 000.	950 000	950 000
The Municipality has been sued by two separate plaintiffs for fire that allegedly originated from communal property registered in the name of the Municipality, which spread to the plaintiffs' properties causing damages of R100 000 and R54 000 respectively. Estimated legal fees to defend this case is estimated at R40 000. The matter has been set down for hearing on 11 September 2015.	154 000	200 000
The Municipality has been sued by a plaintiff for damages to his vehicle amounting to R85 307. The plaintiff alleges that the damages obtained was due to the Municipality neglecting to maintain its roads. The Municipality is now awaiting for its attorneys to respond to the claim (Plea). Legal fees are estimated at R50 000, given the anticipation that this matter can go to trial.	85 307	-
A contractor failed to fulfill its contractual obligations and therefor the Municipality, after following due process, terminated the contract in March 2014. A Summons was received on 23 September 2014 claiming for loss of profit of the said termination amounting to R1 250 000. The Municipality filed an Application challenging the Summons. The matter was recently heard, but judgement was reserved. The Municipality is awaiting judgement dated. Legal fees are estimated to be R200 000.	1 250 000	-
<b>Total estimated Contigent Liabilities</b>	<b>6 932 784</b>	<b>4 456 895</b>
<b>59 RELATED PARTIES</b>		
Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers and residents.		
<b>59.1 Related Party Loans</b>		
Since 1 July 2004 loans to Councillors and Senior management employees are not permitted		
<b>59.2 Compensation of management personnel</b>		
The compensation of management personnel is set out in note 31 and 32 to the financial statements		
<b>59.3 Joe Gqabi Economic Development Agency (SoC) Ltd - (JoGEDA)</b>		
The Municipal Manager serves on the board of directors of JoGEDA. Transactions as disclosed in note 39 are therefor considered to be related party transactions. There were no other transactions with JoGEDA and no outstanding balances at year-end.		
<b>59.4 Other related party transactions</b>		
The following purchases were made during the year Key Management Personnel and Officials have an interest:		
Ganta Trading Enterprise (Spouse of Director A M Ntaba)	60 970	94 225
Nosisanda Trading Enterprise (Niece of official Z Thuli)	12 575	34 280
Nobongoza Trading Enterprise (Spouse of official T Klaas)	18 880	28 925
Imbokodo Women Trading (Mother of official Tshaka)	3 900	13 975
Siphesihle Trading (Daughter of official Sahlulo)	-	33 921
Zilwa Contractors CC (Spouse of official Sahlulo)	-	467 108
	<b>96 325</b>	<b>672 434</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

60.01 ORIGINAL BUDGET vs FINAL BUDGET

Statement of Financial Position

Total Current Assets were increased as a result of Cash and Cash Equivalents which were increased to take into account surplus cash

Statement of Financial Performance - Revenue

Government Grant and Subsidies (Capital) were increased to take into account additional allocations from INEP (R5 200 000) as well as the approved roll over on MIG amounting to R6 474 299.

Other Income include reserve funding for internal projects which is funded by own revenue of roll-over funds from prior year:

Statement of Financial Performance - Expenditure

General Expenses were increased to take into account additional legal fees amounting to R221 443 and a diagnostic study amounting to R900 000 which was not budgeted for in the original budget.

Cash Flow Statement

Net Cash Flow from Operating Activities were decreased to take into account the additional operating expenditure which included the legal fees and a diagnostic study.

Net Cash Flow from Investing Activities were increased as a result of the additional funding from INEP and the approval of the MIG roll over

Operating Expenditure per Vote

Executive Council were increased to take into account additional legal fees and a diagnostic study which was not budgeted for in the original budget.

Capital Expenditure per Vote

Strategic Planning & Development has been allocated an additional funding from internal reserves in order to implement the Small town regeneration project.

Technical Services were increased to take into account the additional funding from INEP and the approval of the MIG roll over

60.02 ACTUAL AMOUNTS vs FINAL BUDGET

Statement of Financial Position

Total Current Assets were less than budgeted for due to cash surplus not realising as anticipated

Total Non-current Assets were less than budgeted for due to INEP expenditure incorrectly budgeted for as capital expenditure rather than operating expenditure.

Total Current Liabilities were more than budgeted for due to Joe Gqabi District Municipality's water and sanitation account going into credit, whereby it was in debit in the previous year.

Total Non-Current Liabilities were more than budgeted for due to a change in legislation with regards to the minimum requirements for the rehabilitation of landfill site provision.

Statement of Financial Performance - Revenue

Government Grants and Subsidies (Capital) was less than budgeted for as the INEP grant was incorrectly budgeted for as a capital grant

Operating Grants and Subsidies (Operating) were more than budgeted due to the INEP grant incorrectly budgeted for

Reversal of Impairments were not budgeted for.

Service Charges were less than budgeted for due to indigents households increasing from 6002 to 8224

Rental of Facilities and Equipment was less than budgeted for as equipment used for plant income was not rented out as anticipated

In 2012, the Municipality submitted a budget to Treasury which contained a deficit. The reason for the deficit is that the Municipality budgeted for expenditure which would have been funded from own roll-over funds of the prior year. Treasury instructed the Municipality that they were not allowed to budget for a deficit and subsequently had to increase own revenue to accommodate for the roll-over funds. This practice resulted in the variance of Other Income.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**Statement of Financial Performance - Expenditure**

Debt Impairment was less than budgeted for due to the increase in indigent households

Bulk Purchases were less than budgeted due to less units purchased. In the current year 17 338 832 kwh were purchased compared to 2013/14 where only 18 283 864 were purchased.

Operating Grants Expenditure was more than budgeted due to the reclassification of the INEP grant expenditure

Saving on General Expenses due to austerity measures

**Cash Flow Statement**

The budgeted amount for Net Cash Flow from Operating Activities seems to be incorrect, as the net cash out flow is more than the available cash as on 30 June 2014.

Net Cash Flow from Investing Activities was less than budgeted for due to the reclassification of the INEP expenditure

**Operating Expenditure per Vote**

Executive and Council were less than budgeted for due to savings on Remuneration of Councillors

Budget and Treasury was less than budgeted for due to change in Debt Impairment. An expense was budgeted for, but an income (Reversal of Debt Impairment) was the actual result.

Corporate Services were less than budgeted for due to savings on General Expenses

The overexpenditure on Community Services was due to staff transferred from Corporate Services, but the budget was not transferred as well

Strategic Planning & Development were less than budgeted for due to savings on General Expenses

**Capital Expenditure per Vote**

Technical Services were less than budgeted for due to INEP grant expenditure incorrectly budgeted as capital expenditure rather than operating expenditure.

60.03 RECONCILIATION BETWEEN BUDGETS DISCLOSED AND APPROVED BUDGETS	Revenue R	Expenditure R
<b>Original Budget</b>		
Budget approved by Council as per A schedules	233 685 599	194 430 699
Rebates and indigent support budgeted as expenditure and not netted off against Revenue	(2 746 651)	(2 746 651)
Plant Income budgeted as Revenue rather than being off-set against expenditure	(8 433 837)	(8 433 837)
Other immaterial/rounding variances	448	630
<b>Total as per Statement of Comparison of Budget and Actual Amounts</b>	<b>222 505 559</b>	<b>183 250 841</b>
<b>Adjustment Budget</b>		
Budget approved by Council as per B schedules	248 651 173	197 266 174
Rebates and indigent support budgeted as expenditure and not netted off against Revenue	(4 368 027)	(4 368 027)
Plant Income budgeted as Revenue rather than being off-set against expenditure	(7 398 103)	(7 398 103)
Other immaterial/rounding variances	(786)	(7 725)
<b>Total as per Statement of Comparison of Budget and Actual Amounts</b>	<b>236 884 257</b>	<b>185 492 319</b>

**APPENDIX A - Unaudited  
ELUNDINI LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

EXTERNAL LOANS	Rate	Loan Number	Maturity date	Balance at 30 June 2014	Received during the period	Redeemed during the period	Balance at 30 June 2015
<b>ANNUITY LOANS</b>							
DBSA loan	17.36%	9004857	30/06/2015	79 497	-	(79 497)	-
<b>Total Annuity Loans</b>				<b>79 497</b>	<b>-</b>	<b>(79 497)</b>	<b>-</b>
<b>LEASE LIABILITIES</b>							
Kyocera Taskalfa 8000i	7.97%	ELM-4/031/2011-2012	31/08/2015	76 110	-	(52 018)	19 790
Kyocera Taskalfa 6550i	7.97%	ELM-4/031/2011-2012	31/08/2015	98 143	-	(67 077)	25 519
Kyocera Taskalfa 4500i	7.97%	ELM-4/031/2011-2012	31/08/2015	38 940	-	(26 614)	10 125
Kyocera Taskalfa 3500i	7.97%	ELM-4/031/2011-2012	31/08/2015	22 769	-	(15 562)	5 920
Kyocera Ecosys FS-3140MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	5 319	-	(3 635)	1 383
Kyocera Ecosys FS-6525MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	11 263	-	(7 698)	2 929
Kyocera Ecosys FS-6525MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	11 263	-	(7 698)	2 929
<b>Total Lease Liabilities</b>				<b>263 806</b>	<b>-</b>	<b>(180 302)</b>	<b>68 594</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>343 303</b>	<b>-</b>	<b>(259 799)</b>	<b>68 594</b>

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

	Balance 1 July 2014 R	Correction of error Restatement R	Restated Balance 1 July 2014 R	Contributions during the year R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2015 R	Unspent 30 June 2015 (Creditor) R	Unpaid 30 June 2015 (Debtor) R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>									
<b><u>National Government Grants</u></b>									
0201/1201 - EQUITABLE SHARE	-	-	-	101 878 000	(101 878 000)	-	-	-	-
7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT	5 680 953	-	5 680 953	36 485 000	(1 824 250)	(40 099 213)	242 490	242 490	-
7140/5402 - INEP	-	-	-	5 200 000	(5 149 550)	-	50 450	50 450	-
7140/5404 - FINANCIAL MANAGEMENT GRANT	-	-	-	1 600 000	(1 600 000)	-	-	-	-
7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-	-	-	934 000	(934 000)	-	-	-	-
7140/5405 - EPWP	-	-	-	1 590 000	(1 590 000)	-	-	-	-
<b>Total National Government Grants</b>	<b>5 680 953</b>	<b>-</b>	<b>5 680 953</b>	<b>147 687 000</b>	<b>(112 975 800)</b>	<b>(40 099 213)</b>	<b>292 940</b>	<b>292 940</b>	<b>-</b>
<b><u>Provincial Government Grants</u></b>									
7140/5411 - HAWKERS STALLS	741 795	-	741 795	-	-	(741 795)	-	-	-
7140/5426 - ELUNDINI HOUSING	71 732	-	71 732	-	-	-	71 732	71 732	-
7140/5430 - HOUSING PILOT	112 508	-	112 508	-	-	-	112 508	112 508	-
7140/5432 - LIBRARY FUND	201 707	-	201 707	656 000	(517 528)	-	340 179	340 179	-
7140/5434 - BUSINESS SURVEY	74 018	-	74 018	-	-	-	74 018	74 018	-
7140/5443 - TOURISM	562 756	-	562 756	-	-	-	562 756	562 756	-
7140/5446 - LED OPEN	155 403	-	155 403	-	-	-	155 403	155 403	-
7140/5455 - MADIBA CORRIDOR	700 000	(700 000)	-	-	-	-	-	-	-
7140/5457 - DEDEA BOTTLING WATER	1 250	(1 250)	-	-	-	-	-	-	-
7140/5433 - PUBLIC WORKS	2 885 298	-	2 885 298	1 999 339	(4 884 637)	-	-	-	-
7140/5478 - ETHEMBENI HOUSING	(607 630)	-	(607 630)	561 630	-	-	(46 000)	-	(46 000)
<b>Total Provincial Grants</b>	<b>4 898 837</b>	<b>(701 250)</b>	<b>4 197 587</b>	<b>3 216 969</b>	<b>(5 402 165)</b>	<b>(741 795)</b>	<b>1 270 596</b>	<b>1 316 596</b>	<b>(46 000)</b>
<b><u>District Municipality Grants</u></b>									
7140/5461 - WARD FUNCTIONS	42 196	(42 196)	-	-	-	-	-	-	-
7140/5463 - COMMUNITY PARTICIPATION	68 684	(68 684)	-	-	-	-	-	-	-
<b>Total District Municipality Grants</b>	<b>110 880</b>	<b>(110 880)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Other Grant Providers</u></b>									
7140/5403 - MSP	1 637 912	(1 637 912)	-	-	-	-	-	-	-
7140/5416 - VOTER STATION	299 896	(299 896)	-	-	-	-	-	-	-
7140/5422 - TOWN REGISTER	(36)	-	(36)	-	-	-	(36)	-	(36)
7140/5429 - KATLEHONG HOUSING	2 791	-	2 791	-	-	-	2 791	2 791	-
7140/5449 - LEAVE RESERVE	12 118	(12 118)	-	-	-	-	-	-	-
7140/5476 - ECDC	2 245 618	(2 245 618)	-	-	-	-	-	-	-
7140/5465 - SOCIAL DEVELOPMENT PROGRAMME	46 941	(46 941)	-	-	-	-	-	-	-
<b>Total Other Grant Providers</b>	<b>4 245 240</b>	<b>(4 242 485)</b>	<b>2 755</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 755</b>	<b>2 791</b>	<b>(36)</b>
<b>TOTAL</b>	<b>14 935 910</b>	<b>(5 054 615)</b>	<b>9 881 295</b>	<b>150 903 969</b>	<b>(118 377 964)</b>	<b>(40 841 008)</b>	<b>1 566 291</b>	<b>1 612 327</b>	<b>(46 036)</b>