

ELUNDINI LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
30 JUNE 2018**

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

General Information

Nature of Business and Principal Activities

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

Legal Form of Entity

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

Executive Committee

Mayor

NR Yelani-Lengs

Councillor

MPS Leteba

Portfolio head: Corporate Services

Councillor

ML Naketsana

Portfolio head: Community Services

Councillor

AM Mqamelo

Portfolio head: Financial Services

Councillor

TV May

Portfolio head: Technical Services

Councillor

N Nkalitshana

Portfolio head: Planning and Economic Development

Speaker

VV Hokwana

Chief Finance Officer (CFO)

J Mdeni

Accounting Officer

K Gashi

Registered Office

No 1 Sellar Street

Maclear

5480

Bankers

First National Bank, Maclear

Standard Bank, Maclear

Municipal Grading

Grade 3

Auditors

Office of the Auditor General - South Africa

Registered Auditors

Attorneys

McFarlane & Associates

Venns Attorneys

Mgxaji Attorneys

Jolwana Mgidlana Incorporated

Wikus van Rensburg

Van der Walt Attorneys

Fikile Ntayiya & Associates

Other Directors

Director: Corporate Services

S Matubatuba

Director: Infrastructure Planning and Development

S Sako

Director: Planning and Economic Development

NC Eddie

Director: Community Services

L Kokose

Section 79 Chairpersons

Members Interest and Ethics Committee

LC Booka

Municipal Public Accounts Committee

M Marubelela

Rules Committee

VV Hokwana

Budget Steering Committee

NR Lengs

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

General Information

Audit Committee

Chairperson

Mr T de Beer

Member

Mr P Songo

Member

Ms F Hluyo Mushohwe

Member

Mr A Mlambo

Councillors of Elundini Local Municipality

Ward 1 - F W Ngayeka

Ward 2 - T J Pikinini

Ward 3 - Z Mampintsha

Ward 4 - K A Mgijima

Ward 5 - S J T Magadla

Ward 6 - S Mdoda

Ward 7 - G Sotsu

Ward 8 - D J Mbombo

Ward 9 - M Marubelela

Ward 10 - T Moleboheng

Ward 11 - L Lubanga

Ward 12 - R D Rashaolane (until 23 July 2017)

Ward 12 - BJ TShoba (from 1 November 2017)

Ward 13 - L S N dumndum

Ward 14 - N G Ntaopane

Ward 15 - L C Booka

Ward 16 - Z L Thwethiso

Ward 17 - V Ntuthu

Proportional - M Tsoananyana

Proportional - K P Mahleleba

Proportional - L Pili

Proportional - B Msuthwana

Proportional - G Moni

Proportional - L B Magqashela

Proportional - M N Ndlumbini

Proportional - N L Motema

Proportional - N N Ndabangaye

Proportional - X P Majikijela

Proportional - NR Yelani-Lengs

Proportional - VV Hokwana

Proportional - MPS Leteba

Proportional - ML Naketsana

Proportional - AM Mqamelo

Proportional - TV May

Proportional - N Nkalitshana

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
PAYE	Pay-as-you-earn tax
SCM	Supply Chain Management
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value added tax

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Approval of Annual Financial Statements

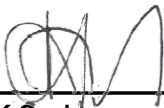
I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 74 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have 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 2018 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.



K Gashi
Municipal Manager

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Notes	2018	2017
Assets			
Current Assets			
Inventory	2	271,301	262,597
Receivables from Exchange Transactions	3	4,614,503	2,781,846
Receivables from non-exchange transactions	4	4,021,564	5,184,222
Taxes	5	5,050,772	6,895,146
Cash and cash equivalents	6	59,239,863	41,931,565
		73,198,003	57,055,376
Non-Current Assets			
Property, plant and equipment	7	399,580,356	367,982,080
Investment property	8	36,083,154	36,160,126
Intangible assets	9	7	7
		435,663,517	404,142,213
Total Assets		508,861,520	461,197,589
Liabilities			
Current Liabilities			
Current Portion of Deferred Revenue	10	171,900	185,377
Consumer Deposits	11	399,064	401,769
Employee benefit obligation	12	8,363,564	6,866,506
Payables from exchange transactions	13	29,002,985	27,965,576
Unspent conditional grants and receipts	14	4,644,711	557,297
Finance Leases	15	162,782	181,892
		42,745,006	36,158,417
Non-Current Liabilities			
Employee benefit obligation	12	3,148,861	3,846,941
Finance Leases	15	-	162,782
Provisions	16	16,633,376	11,832,026
Finance Leases	10	-	171,900
		19,782,237	16,013,649
Total Liabilities		62,527,243	52,172,066
Net Assets		446,334,277	409,025,523
Accumulated surplus		446,334,277	409,025,523

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from Exchange Transactions			
Service Charges	17	26,964,701	23,991,872
Rental of Facilities and Equipment	18	1,269,674	1,575,232
Interest Received - Investment	19	4,777,607	4,538,778
Interest Received - Outstanding Debtors	19	4,081,469	1,803,688
Licences and Permits	20	945,364	2,371,155
Other Income	21	4,181,572	790,566
Commissions received		18,656	-
Total Revenue from Exchange Transactions		42,239,043	35,071,291
Revenue from Non-Exchange Transactions			
Taxation revenue			
Property Rates	22	21,352,107	17,218,030
Transfer revenue			
Government Grants & Subsidies	23	238,841,690	193,612,524
Other Revenue			
Actuarial Gains		-	238
Fines	24	417,934	472,199
Reversal of Impairment		-	16,936
Greenest Town Award	21	500,000	500,000
Total Revenue from Non-Exchange Transactions		261,111,731	211,819,927
Total Revenue		303,350,774	246,891,218
Expenditure			
Employee Related Costs	25	(78,422,573)	(70,480,366)
Remuneration of Councillors	26	(12,027,537)	(10,228,972)
Debt Impairment	27	(5,031,839)	(9,185,391)
Depreciation and Amortisation	28	(29,888,336)	(26,956,047)
Collection Costs		-	(1,130,951)
Repairs and Maintenance	29	(15,926,816)	(9,619,398)
Finance Costs	30	(1,702,296)	(1,205,324)
Bulk Purchases	31	(20,023,259)	(21,294,712)
Contracted Services	32	(2,874,676)	(2,727,340)
Operating grant expenditure	33	(36,822,248)	(20,205,512)
General Expenses	34	(61,636,654)	(51,190,470)
Profit/Loss on Disposal of Non-Monetary Assets	35	-	(34,904)
Actuarial Losses		(497,278)	(28,930)
Transfers and Subsidies	47	(236,550)	-
Sale of goods/Inventory		(951,958)	-
Total Expenditure		(266,042,020)	(224,288,317)
Surplus for the Year		37,308,754	22,602,901

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 30 June 2016 Restated	386,422,622	386,422,622
Net Surplus for the year	22,602,901	22,602,901
Balance at 30 June 2017	409,025,523	409,025,523
Net Surplus for the Period	37,308,754	37,308,754
Balance at 30 June 2018	446,334,277	446,334,277

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Rates, Services and Other		70,289,085	33,432,555
Government		235,251,536	192,743,000
Interest Income		8,859,076	6,342,466
		<u>314,399,697</u>	<u>232,518,021</u>
Payments			
Suppliers and Employees		(234,451,388)	(186,454,970)
Finance Costs		(1,702,296)	(87,436)
		<u>(236,153,684)</u>	<u>(186,542,406)</u>
Net Cash Flows from Operating Activities	36	<u>78,246,013</u>	<u>45,975,615</u>
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	7	(61,854,838)	(56,064,980)
Proceeds from Sale of Property, Plant and Equipment	7	1,034,205	439,876
		<u>(60,820,633)</u>	<u>(55,625,104)</u>
Cash Flows from Financing Activities			
Decrease in Long-Term Liabilities		181,892	(148,494)
Increase in Consumer Deposits		2,705	13,683
Finance lease payments		(301,679)	-
		<u>(117,082)</u>	<u>(134,811)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		17,308,298	(9,784,300)
Cash and Cash Equivalents at the Beginning of the Year		41,931,565	51,715,876
Cash and Cash Equivalents at the End of the Year	6	<u>59,239,863</u>	<u>41,931,576</u>

* See Note

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Statement of Financial Position

Total Current Assets	107,813,000	(1,064,000)	106,749,000	73,198,003	(33,550,997)
Total Non-current Assets	374,157,000	-	374,157,000	435,663,517	61,506,517
Total Current Liabilities	(53,858,000)	-	(53,858,000)	(42,745,006)	11,112,994
Total Non-current Liabilities	(12,112,000)	-	(12,112,000)	(19,782,237)	(7,670,237)
Total Net Assets	416,000,000	(1,064,000)	414,936,000	446,334,277	31,398,277

Statement of Financial Performance

Revenue

Property rates	18,804,000	-	18,804,000	21,352,107	2,548,107
Service charges	27,064,000	(143,000)	26,921,000	26,964,701	43,701
Interest Received - Investment	1,596,000	-	1,596,000	4,777,607	3,181,607
Transfers Recognised - Operational	169,215,000	500,000	169,715,000	168,565,854	(1,149,146)
Rental of Facilities and Equipment	1,500,000	7,117,000	8,617,000	1,269,674	(7,347,326)
Interest earned	1,899,000	-	1,899,000	4,081,469	2,182,469
Licences and Permits	2,418,000	53,000	2,471,000	945,364	(1,525,636)
Other Revenue	123,983,000	(4,870,000)	119,113,000	4,681,572	(114,431,428)
Fines	109,000	254,000	363,000	417,934	54,934
Agency Services	-	-	-	18,656	18,656
Government Grants and Subsidies - Capital	70,222,000	6,000,000	76,222,000	70,275,836	(5,946,164)
Gains on disposal of investment property	335,000	69,000	404,000	-	(404,000)
Total Revenue	417,145,000	8,980,000	426,125,000	303,350,774	(122,774,226)

Expenditure

Employee Related Costs	(91,241,000)	-	(91,241,000)	(78,422,573)	12,818,427
Remuneration of Councillors	(10,589,000)	(959,000)	(11,548,000)	(12,027,537)	(479,537)
Debt Impairment	(9,000,000)	-	(9,000,000)	(5,031,839)	3,968,161
Depreciation and Amortisation	(48,663,000)	-	(48,663,000)	(29,888,336)	18,774,664
Finance Costs	(53,000)	-	(53,000)	(1,702,296)	(1,649,296)
Materials and Bulk Purchases	(24,785,000)	-	(24,785,000)	(20,023,259)	4,761,741
Other Expenditures	(109,724,000)	55,263,000	(54,461,000)	(15,926,816)	38,534,184
Repairs and Maintenance	(21,076,000)	21,026,000	(50,000)	-	50,000
Contracted Services	(13,836,000)	(77,326,000)	(91,162,000)	(2,874,676)	88,287,324
General expenses	-	-	-	(63,322,440)	(63,322,440)
Operation grant expenditure	-	-	-	(36,822,248)	(36,822,248)
Total expenditure	(328,967,000)	(1,996,000)	(330,963,000)	(266,042,020)	64,920,980
	-	-	-	-	-
Operating Surplus	88,178,000	6,984,000	95,162,000	37,308,754	(57,853,246)

Cash Flow Statement

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Net Cash Flow from Operating Activities	113,780,000	(113,780,993)	(993)	78,246,013	78,247,006
Net Cash Flow from Investing Activities	70,222,000	(70,286,222)	(64,222)	(60,820,633)	(60,756,411)
Net Cash Flow from Financing Activities	-	-	-	(117,082)	(117,082)
Net increase / (decrease) in Cash and Cash Equivalents	184,002,000	(184,067,215)	(65,215)	17,308,298	17,373,513

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements Accounting Policies

1. Presentation of Annual Financial Statements

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 – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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.

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

1.1 Presentation currency

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.2 Going concern assumption

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

1.3 Comparative figures

When the presentation or classification of items in the financial statements are 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, which relate to prior periods, 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.

1.4 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.

No significant amendments were made to the accounting policy in the current year.

1.5 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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements Accounting Policies

1.6 Budget information

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (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 asset (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 in the Statement of Financial Performance.

Finance leases - lessee

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

Operating leases - lessor

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

Operating leases - lessee

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Accounting Policies

1.8 Unspent conditional government grants and receipts

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

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

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

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

1.9 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.

1.10 Provisions and contingencies

A provision is a liability of uncertain timing or amount. 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.

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

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

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

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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Accounting Policies

1.10 Provisions and contingencies (continued)

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

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. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.11 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. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

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

Post Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

Multi-employer defined benefit plans

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. 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. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

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 40% 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. The plan is unfunded.

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is 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, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

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.

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1.11 Employee benefits (continued)

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.

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 reporting date 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.

Staff Bonuses Accrued

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

Provision for Performance Bonuses

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

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.

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
- (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.12 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current 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 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.

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1.12 Property, plant and equipment (continued)

Items of property, plant and equipment are initially recognised at cost on its acquisition date. 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.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any 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.

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 asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

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.

Depreciation and Impairment

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 the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	20 - 100
Infrastructure	Straight line	5 - 120
Leased Assets	Straight line	3 - 7
Other Property, Plant and Equipment	Straight line	3 - 15

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1.12 Property, plant and equipment (continued)

Impairment

Property, plant and equipment is 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.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.13 Intangible assets

Initial Recognition

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

The Municipality recognises an intangible asset 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.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset 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.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any 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.

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, its deemed cost is the carrying amount of the asset(s) given up.

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

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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Notes to the Annual Financial Statements Accounting Policies

1.13 Intangible assets (continued)

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

Amortisation and Impairment

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 still subject to an annual impairment test.

Amortisation of an intangible with a finite life 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 the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, 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:

Item	Useful life
Computer software, other	x years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Impairment

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

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

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.

1.14 Investment property

Initial Recognition

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, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset 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.

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Accounting Policies

1.14 Investment property (continued)

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property 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 was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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.

Depreciation and Impairment - Cost Model

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 the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and 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>Investment Property</u>	<u>Years</u>
Buildings	100 - 105

Impairment

Investment property is 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.

De-recognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

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Accounting Policies

1.14 Investment property (continued)

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.15 Borrowing costs

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.16 Impairment of non-monetary assets

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of 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.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. 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.

Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

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.

Reversal of an impairment loss

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

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 had no impairment loss been recognised for the asset in prior periods.

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1.16 Impairment of non-monetary assets (continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal 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.

1.17 Inventories

Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset 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. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories 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.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

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

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

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1.18 Financial instruments

Initial recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised 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.

Subsequent measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

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

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

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Notes to the Annual Financial Statements Accounting Policies

1.18 Financial instruments (continued)

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.

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.

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.

Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost 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 discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not being reversed.

Derecognition

Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ELUNDINI LOCAL MUNICIPALITY

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Accounting Policies

1.18 Financial instruments (continued)

Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Offsetting of Financial Instruments

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

1.19 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.

Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

Impairment and uncollectability of statutory receivables

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.

De-recognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements Accounting Policies

1.20 Revenue

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 Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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.

Taxation Revenue

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Transfer Revenue

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, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

Fines

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment.

Insurance Receipts

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.

Unclaimed deposits

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 Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

Services in-kind

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

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Notes to the Annual Financial Statements Accounting Policies

1.20 Revenue (continued)

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

Contributed Assets

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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.

Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity are based on consumption and a basic charge as per the approved tariffs. 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, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Investment income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Rental income

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

Income from Agency Services

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.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Other Tariffs

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.

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Notes to the Annual Financial Statements Accounting Policies

1.20 Revenue (continued)

Sale of goods

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

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

Deferred payment

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

1.21 Conditional government grants and public contributions

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as an individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.22 Related parties

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

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Notes to the Annual Financial Statements

Accounting Policies

1.21 Conditional government grants and public contributions (continued)

1.21 Related parties (continued)

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.

1.23 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.

1.24 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 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.

1.25 Fruitless and wasteful expenditure

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

1.26 Contingent liability 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.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

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.

1.27 Significant judgements and sources of estimation uncertainty

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:

ELUNDINI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements Accounting Policies

1.27 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

Impairment testing

Impairment of Receivables

The calculation in respect of the impairment of receivables 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.

Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

Useful lives and residual values

The useful lives of assets are based on management's estimates. 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 estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

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.

Application of Directive 7

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

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.

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

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.

ELUNDINI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Accounting Policies

1.27 Significant judgements and sources of estimation uncertainty (continued)

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy 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 prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

Provisions

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.

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.

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.

Componentisation of Infrastructure assets

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

1.28 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 in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

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.

1.29 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.

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements Accounting Policies

1.30 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.

1.31 New standards, amendments to standards and interpretations issued but not yet effective

1.31.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt the following amended Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 12 (2017)	Inventories	1 April 2018
GRAP 16 (2017)	Investment Property	1 April 2018
GRAP 17 (2017)	Property, Plant and Equipment	1 April 2018
GRAP 21 (2017)	Impairment of non-cash-generating assets	1 April 2018
GRAP 26 (2017)	Impairment of cash-generating assets	1 April 2018
GRAP 27 (2017)	Agriculture	1 April 2018
GRAP 31 (2017)	Intangible Assets	1 April 2018
GRAP 103 (2017)	Heritage Assets	1 April 2018
GRAP 106 (2017)	Transfer of Functions Between Entities Not Under Common Control	1 April 2018

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

The Municipality resolved not to early adopt the following Interpretation of the Standard of GRAP which was issued but is not yet effective:

Standard	Description	Effective Date
iGRAP 18 (2017)	Recognition and Derecognition of Land	1 April 2019

When the above-mentioned Interpretation of the Standards of GRAP becomes effective, the effect will be insignificant as the Municipality's current treatment is already in line with the interpretation's requirements and will only result in additional disclosure.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

1.31.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

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Notes to the Annual Financial Statements Accounting Policies

1.2 New standards, amendments to standards and interpretations issued but not yet effective (continued)

1.31.2.1 GRAP 18 - Segment Reporting (Original - February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (mSCOA). The estimated date of implementation is 1 July 2017.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.31.2.2 GRAP 20 - Related Party Disclosure (Original - June 2011)

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.

The Municipality resolved to develop an accounting policy as set out in note 1.23 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.31.2.3 GRAP 32 - Service Concession Arrangements: Grantor (Original - August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.31.2.4 GRAP 34 - Separate Financial Statements (Original - March 2017)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

1.31.2.5 GRAP 35 - Consolidated Financial Statements (Original - March 2017)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

1.31.2.6 GRAP 36 - Investments in Associates and Joint Ventures (Original - March 2017)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

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Notes to the Annual Financial Statements

Accounting Policies

1.2 New standards, amendments to standards and interpretations issued but not yet effective (continued)

1.31.2.7 GRAP 37 - Joint Arrangements (Original - March 2017)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.31.2.8 GRAP 38 - Disclosure of Interests in Other Entities (Original - March 2017)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.31.2.9 GRAP 108 - Statutory Receivables (Original - September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.19.

The impact of this Standard on the financial statements will be minimal.

1.31.2.10 GRAP 109 - Accounting by Principles and Agents (Original - July 2015)

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.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.31.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

No significant impact is expected as the Municipality does not have any living resources. Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.31.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Inventory		
Consumable stores	271,301	262,597
Total Inventory	271,301	262,597
Inventory recognised as an expense during the year	-	96,378
Consumable stores materials losses/(gains) identified during stock counts	-	-

No inventory assets were pledged as security for liabilities.

3. Receivables from Exchange Transactions

Gross balances

Electricity	7,957,631	6,657,194
Refuse	8,163,972	5,871,069
Other Receivables	2,590,117	2,907,198
House Rentals	2,133,246	2,159,203
Arrangements	-	155,089
Sundry	456,871	592,906
Total	18,711,720	15,435,461

Less: Allowance for Impairment

Electricity	(6,802,609)	(5,011,507)
Refuse	(5,264,285)	(5,594,534)
Other Receivables	(2,030,323)	(2,047,574)
Total	(14,097,217)	(12,653,615)

Net Balance

Electricity	1,155,022	1,645,687
Refuse	2,899,687	276,535
Other Receivables	559,794	859,624
Total	4,614,503	2,781,846

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	12,653,615	13,603,303
Contributions to Provision	1,443,602	5,717,838
Debt Impairment Written Off Against Provision	-	(6,667,526)
Total	14,097,217	12,653,615

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.

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Receivables from Exchange Transactions (continued)		
Ageing of Receivables from Exchange Transactions		
Electricity		
Current (0 -30 days)	1,140,147	987,320
31 - 60 days	534,653	535,609
61 - 90 days	560,788	394,646
91 - 120 days	364,212	337,523
121 - 150 days	392,185	195,473
> 150 days	4,965,646	4,206,623
Total	7,957,631	6,657,194
Refuse		
Current (0 -30 days)	235,976	293,110
31 - 60 days	189,594	100,657
61 - 90 days	170,481	86,760
91 - 120 days	159,978	67,120
121 - 150 days	156,744	69,870
> 150 days	7,251,199	5,253,552
Total	8,163,972	5,871,069
Other Receivables		
Current (0 -30 days)	235,976	117,001
31 - 60 days	189,594	58,193
61 - 90 days	170,481	52,371
91 - 120 days	159,978	49,357
121 - 150 days	156,744	57,230
> 150 days	1,220,573	2,573,046
Total	2,133,346	2,907,198

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
4. Receivables from non-exchange transactions		
Gross balances		
Rates	21,158,716	16,464,559
Traffic Fines	2,032,764	1,729,670
Other Receivables	581,480	1,725,823
Deposit	581,480	581,480
Public contributions and subsidies	-	456,572
Other Debtors	-	687,771
Total	23,772,960	19,920,052
Less: Allowance for Impairment		
Rates	(17,718,632)	(13,006,160)
Traffic Fines	(2,032,764)	(1,729,670)
Other Receivables	-	-
Total	(19,751,396)	(14,735,830)
Net Balance		
Rates	3,440,084	3,458,399
Traffic Fines	-	-
Other Receivables	581,480	1,725,823
Total	4,021,564	5,184,222

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.

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.

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	14,735,830	15,559,761
Contribution to provision	5,015,566	5,995,340
Debt Impairment written off against provision	-	(6,819,271)
Total	19,751,396	14,735,830

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4. Receivables from non-exchange transactions (continued)

Aging of Receivables from non-exchange transactions

Rates

Current (0 -30 days)	291,900	35,078
31 - 60 days	674,718	208,975
61 - 90 days	374,508	133,491
91 - 120 days	329,709	78,479
121 - 150 days	164,287	68,462
> 150 days	19,544,633	15,940,074
Total	21,158,716	16,464,559

5. Taxes

VAT Receivable from SARS	8,099,058	4,378,640
VAT Receivable (In suspense)	(6,180,944)	2,403,957
VAT Payable (In suspense)	3,132,658	112,549
VAT Output in Suspense	1,896,501	(1,123,608)
Less: VAT on Provision for Debt Impairment	1,236,157	1,236,157
Total	5,050,772	6,895,146

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Call Investment Deposits	56,980,693	36,548,855
Current Accounts	2,259,170	5,376,724
Cash Floats	-	5,986
Total	59,239,863	41,931,565

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772 (Primary bank account)	476,413	1,196,379
First National Bank - Acc no 62312151848 (Petty Cash Account)	-	4,152
Standard Bank - Acc no 280642407 (Revenue Account)	1,697,670	4,180,345
Total	2,174,083	5,380,876

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6. Cash and cash equivalents (continued)		
First National Bank - Acc no 62159933772 (Primary bank account)		
Cash book balance at beginning of year	1,163,716	237,682
Cash book balance at end of year	476,413	1,163,716
Bank statement balance at beginning of year	1,163,716	1,075,151
Bank statement balance at end of year	1,697,670	1,163,716
First National Bank - Acc no 62312151848 (Petty Cash Account)		
Cash book balance at beginning of year	4,152	2,002
Cash book balance at end of year	1,386	4,152
Bank statement balance at beginning of year	4,152	2,002
Bank statement balance at end of year	1,386	4,152
Standard Bank - Acc no 280642407 (Revenue Account)		
Cash book balance at beginning of year	2,794,483	5,020,254
Cash book balance at end of year	1,697,670	2,794,483
Bank statement balance at beginning of year	2,794,483	5,020,254
Bank statement balance at end of year	1,697,670	2,794,483
Call Investment Deposits		
Standard Bank - Acc no 388497173001 - Elundini Expanded Public Works	2,712,845	1,700,865
Standard Bank - Acc no 388497165001 - Elundini Voting Station	18,657	18,144
Standard Bank - Acc no 388493410002 - FMG	1,785,022	1,708,308
Standard Bank - Acc no 388494255001 - Library	-	10
Standard Bank - Acc no 388493003001 - Maclear Greenfields	1,302	1,273
Standard Bank - Acc no 388492325001 - MSIG	-	20,486
Standard Bank - Acc no 388490810001 - NER	14,220,559	4,549,990
FNB - Acc no 62189194170 - Equitable Share	250,527	14,929
FNB - Acc no 62246726197 - Furniture Management Project	-	414
FNB - Acc no 62246719176 - Hawkers Stalls	-	18
FNB - Acc no 62189180011 - MIG	19,083,167	1,142,005
FNB - Acc no 62268632934 - Ward Functions	-	510
FNB - Acc no 62284785303 - Internal Road Reserve	-	177
FNB - Acc no 62284785121 - Working Capital Reserve	13,057,847	25,180,757
FNB - Acc no 62411792353 - Public Works	-	(164)
FNB - Acc no 62378875226 - Mayoral Investment Account	534,288	514,038
FNB - Acc no 62467970052 - Business Survey	-	1,598
FNB - Acc no 62543909777 - ELM DBSA Bank	-	903
FNB - Acc no 62557779322 - Joe Gqabi Account	-	1,694,594
FNB - Acc no 62557779322 - Eskom Guarantee Account	5,316,479	-
	56,980,693	36,548,855

The municipal bankers First Rand Bank Limited issued a letter of guarantee number OGTT0672ZA0012015 to the sum of R5 216 304-94 in favour of Eskom Holdings Limited. The bank holds security to the same amount over the municipal FNB bank account number 62557779322.

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7. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	121,901,203	(7,205,323)	114,695,880	96,770,200	(5,884,582)	90,885,618
Infrastructure	496,342,077	(229,262,614)	267,079,463	462,678,943	(207,249,869)	255,429,074
Lease Assets	1,260,383	(935,582)	324,801	1,183,077	(605,187)	577,890
Other Assets	58,499,351	(41,019,139)	17,480,212	57,604,855	(36,515,357)	21,089,498
Total	678,003,014	(278,422,658)	399,580,356	618,237,075	(250,254,995)	367,982,080

The following repairs and maintenance expenses were incurred during the year for each asset class:

	30 June 2018	30 June 2017
Land and Buildings	1,415,327	1,415,327
Infrastructure	4,665,047	4,665,047
Other Assets	2,730,131	2,730,131
Total	8,810,505	8,810,505

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7. Property, plant and equipment (continued)

30 June 2018

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge / (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	96,770,200	25,131,003	-	-	121,901,203	5,884,582	1,346,804	(26,063)	-	7,205,323	114,695,880
Land	6,765,100	-	-	-	6,765,100	-	-	-	-	-	6,765,100
Buildings	49,482,240	-	-	22,119,307	71,601,547	3,035,827	630,952	-	-	3,666,779	67,934,768
Capitalised Restoration Costs	8,095,050	-	-	26,063	8,121,113	2,848,755	715,852	(26,063)	-	3,538,544	4,582,569
Work in Progress	32,427,810	25,131,003	-	(22,145,370)	35,413,443	-	-	-	-	-	35,413,443
Infrastructure	462,678,943	33,663,134	-	-	496,342,077	207,249,869	22,012,745	-	-	229,262,614	267,079,463
Electricity	63,486,506	-	-	5,074,501	68,561,007	11,111,305	1,693,421	-	-	12,804,726	55,756,281
Roads, Pavements, Bridges & Storm Water	357,424,639	-	-	24,315,753	381,740,392	196,138,564	20,319,324	-	-	216,457,888	165,282,504
Work in Progress	41,767,798	33,663,134	-	(29,390,254)	46,040,678	-	-	-	-	-	46,040,678
Lease Assets	1,183,077	77,306	-	-	1,260,383	605,187	330,395	-	-	935,582	324,801
Office Equipment	1,183,077	77,306	-	-	1,260,383	605,187	330,395	-	-	935,582	324,801
Other Assets	57,604,855	2,983,395	(2,088,899)	-	58,499,351	36,515,357	6,121,420	(1,711,465)	93,827	41,019,139	17,480,212
Furniture & Fittings	5,680,296	141,421	(60,566)	-	5,761,151	3,571,432	525,185	(54,677)	-	4,041,940	1,719,211
Motor Vehicles	23,413,146	1,106,738	(1,957,997)	-	22,561,887	15,735,180	2,263,977	(1,487,580)	-	16,511,577	6,050,310
Computer Equipment	7,466,033	546,382	106,836	-	8,119,251	3,908,172	1,031,996	-	93,827	5,033,995	3,085,256
Plant and Machinery	20,940,776	1,188,854	(177,172)	-	21,952,458	13,290,112	2,289,801	(169,208)	-	15,410,705	6,541,753
Security	104,604	-	-	-	104,604	10,461	10,461	-	-	20,922	83,682
	618,237,075	61,854,838	(2,088,899)	-	678,003,014	250,254,995	29,811,364	(1,737,528)	93,827	278,422,658	399,580,356

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7. Property, plant and equipment (continued)

30 June 2017

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Impairment Charge / (Reversal)	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	87,383,984	9,435,577	(49,361)	-	96,770,200	4,893,026	1,008,492	(16,936)	-	5,884,582	90,885,618
Land	6,765,100	-	-	-	6,765,100	-	-	-	-	-	6,765,100
Buildings	45,707,246	-	-	3,774,994	49,482,240	2,524,460	511,367	-	-	3,035,827	46,446,413
Capitalised Restoration Costs	8,144,411	-	(49,361)	-	8,095,050	2,368,566	497,125	(16,936)	-	2,848,755	5,246,295
Work in Progress	26,767,227	9,435,577	-	(3,774,994)	32,427,810	-	-	-	-	-	32,427,810
Infrastructure	427,321,009	35,357,934	-	-	462,678,943	188,453,911	18,795,958	-	-	207,249,869	255,429,074
Electricity	60,092,794	-	-	3,393,712	63,486,506	9,541,714	1,569,591	-	-	11,111,305	52,375,201
Roads, Pavements, Bridges & Storm Water	339,628,435	-	-	17,796,204	357,424,639	178,912,197	17,226,367	-	-	196,138,564	161,286,075
Work in Progress	27,599,780	35,357,934	-	(21,189,916)	41,767,798	-	-	-	-	-	41,767,798
Lease Assets	937,749	245,328	-	-	1,183,077	345,760	259,427	-	-	605,187	577,890
Office Equipment	937,749	245,328	-	-	1,183,077	345,760	259,427	-	-	605,187	577,890
Other Assets	48,473,045	11,026,141	(1,894,331)	-	57,604,855	31,243,372	6,691,537	-	(1,419,552)	36,515,357	21,089,498
Furniture & Fittings	5,307,029	411,742	(38,475)	-	5,680,296	3,092,865	508,822	-	(30,255)	3,571,432	2,108,864
Motor Vehicles	20,421,848	3,888,000	(896,702)	-	23,413,146	13,221,791	3,005,809	-	(492,420)	15,735,180	7,677,966
Computer Equipment	5,355,651	2,252,728	(142,346)	-	7,466,033	3,220,600	819,189	-	(131,617)	3,908,172	3,557,861
Plant and Machinery	17,283,913	4,473,671	(816,808)	-	20,940,776	11,708,116	2,347,256	-	(765,260)	13,290,112	7,650,664
Security	104,604	-	-	-	104,604	-	10,461	-	-	10,461	94,143
	564,115,787	56,064,980	(1,943,692)	-	618,237,075	224,936,069	26,755,414	(16,936)	(1,419,552)	250,254,995	367,982,080

Pledged as security

No property, plant and equipment are pledged as securities for liabilities.

There are no restrictions on titles for property, plant and equipment.

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Figures in Rand	2018	2017
8. Investment property		
	Carrying value	Carrying value
Investment property	<u>36,083,154</u>	<u>36,160,126</u>
The movement in investment properties is reconciled as follows:		
Opening Carrying Value	36,160,126	36,237,098
Cost	<u>36,973,696</u>	<u>36,973,696</u>
Accumulated Depreciation	<u>(813,570)</u>	<u>(736,598)</u>
Disposals	-	-
Cost	<u>-</u>	<u>-</u>
Accumulated Depreciation	<u>-</u>	<u>-</u>
Additions	-	-
Depreciation for the year	<u>(76,972)</u>	<u>(76,972)</u>
Closing Carrying Value	36,083,154	36,160,126
Cost	<u>36,973,696</u>	<u>36,973,696</u>
Accumulated Depreciation	<u>(890,542)</u>	<u>(813,570)</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.

An income of R 1 269 674 (2017 - R1 575 232) was identified on these investment properties and was recognised as revenue from rental of facilities. There are no work in progress for investment property.

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Figures in Rand	2018	2017
9. Intangible assets		
Computer Software	Carrying value -	Carrying value 7
Intangible assets 1	7	-
Total	7	7

The movement in Intangible Assets is reconciled as follows:

Opening Carrying Value	7	-
Cost	418,065	418,065
Accumulated Depreciation	(418,058)	(191,423)
Depreciation for the year	(30,146)	(226,635)
Closing Carrying Value	(30,139)	7
Cost	418,065	418,065
Accumulated Depreciation	(448,204)	(418,058)

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.

10. Finance Leases

Rental of SASSA Building	171,900	357,277
Less: Current Portion transferred to Current Liabilities	(171,900)	(185,377)
Total Long-term Deferred Revenue	-	171,900

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.

11. Consumer Deposits

Electricity	303,608	303,608
Housing Rental	95,456	98,161
	399,064	401,769

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

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Figures in Rand	2018	2017
12. Employee Benefit Obligations		
Current Employee Benefits		
Post Retirement Medical Obligation	1,376,771	154,236
Long-Service Provisions	381,488	907,616
Accrued Bonuses	2,649,950	1,935,388
Performance Bonuses	978,554	996,955
Staff Leave	2,976,801	2,872,311
Non-current employee benefits		
Post Retirement Medical Obligation	-	1,338,622
Long-Service Provisions	3,148,861	2,508,319
Total	11,512,425	10,713,447
Non-current Liabilities	3,148,861	3,846,941
Current Liabilities	8,363,564	6,866,506
Total	11,512,425	10,713,447
Accrued Bonuses		
Opening Balance	1,629,294	1,474,940
Contribution During the Year	4,138,580	3,459,734
Payments Made	(3,832,486)	(3,305,380)
Closing Balance	1,935,388	1,629,294
Bonuses are being paid to all municipal staff. The balance at year end represents the portion of the bonus that has already vested for the current salary cycle.		
Performance Bonuses		
Opening Balance	4,932,993	2,630,270
Contribution During the Year	(2,545,420)	2,769,682
Payments Made	(1,390,619)	(466,959)
Closing Balance	996,954	4,932,993
Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.		
Staff Leave		
Opening Balance	3,534,379	3,713,012
Contribution During the Year	557,679	(39,787)
Payments Made	(1,219,747)	(138,846)
Closing Balance	2,872,311	3,534,379
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.		

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12. Employee Benefit Obligations (continued)

Post Retirement Medical Benefits

The movement in Post Retirement Medical Benefits are Reconciled as Follows:

Opening Balance	1,513,357	1,798,214
Payments Made	(148,177)	(149,520)
Finance Charges	127,916	146,323
Actuarial Gain	(238)	(281,660)
Total Balance at Year-End	1,492,858	1,513,357
Less Current Portion	(1,376,771)	(154,236)
Total	116,087	1,359,121

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.

Continuation Members	4	4
Total	4	4

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

Bonitas
LA Health

	2018 %	2017 %
Key Actuarial Assumptions used are as follows:		
i) Interest Rates		
Discount Rate	9.18	8.55
Health Care Cost Inflation Rate	7.10	6.16
Net Effective Discount Rate	1.94	2.25

ii) Mortality rates

SA85-90 (Mixed) Ultimate

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:

Contribution members	Present value of fund obligations
R	R
-	1,492,858
-	1,513,357
-	1,798,214
-	1,882,633
-	1,877,451

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	Assets Gain/(Loss)
-	72,000
-	(28,000)
-	(125,000)
-	6,000
-	77,000

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12. Employee Benefit Obligations (continued)

Sensitivity Analysis on the Accrued Liability

Assumption	Total liability	% change
	R m	
Liability	3,530,348.000	
Health Care Inflation		
+ 1%	3.760	-100.00
- 1%	3.323	-100.00
Discount Rate		
+ 1%	3.316	-100.00
- 1%	3.771	-100.00
Post-Retirement Mortality		
- 1 year	3.882	-100.00

Sensitivity Analysis on the Interest Costs

Assumption	Interest	% change
	R	
Liability	247,500	
Health Care Inflation		
+ 1%	263,400	6.42
- 1%	233,100	-5.82
Discount Rate		
+ 1%	260,500	5.25
- 1%	232,500	-6.06
Post-Retirement Mortality		
- 1 year	131,800	-46.75

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Figures in Rand	2018	2017
12. Employee Benefit Obligations (continued)		
Long Service Awards		
Balance 1 July	2,809,535	2,417,470
Contribution for the Year	408,555	381,782
Expenditure for the Year	(61,535)	(126,300)
Finance Charges	230,450	183,411
Actuarial (Gain)/Loss	28,930	(46,828)
Total Long Service 30 June	3,415,935	2,809,535
Less: Transfer of Current Portion	(907,616)	(194,459)
Balance 30 June	2,508,319	2,615,076

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 275 employees (2017 - 248 employees), but they are not all eligible for payment in the same year.

Key Actuarial Assumptions used are as follows:	2018 %	2017 %
i) Interest Rates		
Discount Rate	8.33	8.33
General Salary Inflation (Long-Term)	6.15	6.15
Net Effective Discount Rate applied to Salary-Related Long Service Bonuses	2.05	2.05

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**

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	Assets Gain/(Loss)
-	319,878
(14,772)	157,004
181,908	(14,772)
(352,275)	181,908
68,809	(352,275)

ELUNDINI LOCAL MUNICIPALITY

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12. Employee Benefit Obligations (continued)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Total liability R m	% change
Liability	3.530	
General Salary Inflation		
+ 1%	3.608	2.21
- 1%	3.243	-8.13
Discount Rate		
+ 1%	3.236	-8.33
- 1%	3.619	2.52
Average Retirement Inflation		
- 2 year	3.171	-10.17
+ 2 year	3.753	6.32
Withdrawal Rates		
- 50%	4.144	17.39

Sensitivity Analysis on the future Current-service and Interest Costs

Assumption	Current Service Cost R	Interest R	Total R	% change
Liability	528,900	247,500	776,400	
General Salary Inflation				
+ 1%	569,500	263,400	832,900	7.28
- 1%	492,600	233,100	725,700	-6.53
Discount Rate				
+ 1%	496,100	260,500	756,600	-2.55
- 1%	566,100	232,500	798,600	2.86
Average Retirement Age				
- 2 years	502,400	228,500	730,900	-5.86
+ 2 years	564,500	273,300	837,800	7.91
Withdrawal Rates				
- 50%	725,400	308,100	1,033,500	33.11

ELUNDINI LOCAL MUNICIPALITY

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Figures in Rand 2018 2017

12. Employee Benefit Obligations (continued)

Retirement Funds

The Consolidated Retirement Fund (former 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 Consolidated Retirement Fund is defined as a defined benefit plan, it will be accounted for as defined contribution plan.

Defined Contribution Funds

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund was in a sound financial position with a funding level of 100.6% (30 June 2017 - 100.4%).

Contributions paid recognised in the Statement of Financial Performance	11,403,366	-
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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:

Municipal Councillors	515,809	-
Cape Retirement	3,930,888	-
SALA Pension	1,452,013	-
SAMWU National	4,707,883	-
National Municipal Workers Fund	796,773	-
	<u>11,403,366</u>	<u>-</u>

13. Payables from exchange transactions

Trade payables	14,761,258	19,260,533
Sundry creditors	420,604	661,603
Payments Received in Advanced	1,660,592	819,470
Retention	10,821,909	6,972,240
Bursary Scheme	-	27,839
Deposits Received	-	120,065
Unknown Receipts	1,338,622	103,826
Total Payables from Exchange Transactions	<u>29,002,985</u>	<u>27,965,576</u>
As Previously Reported		24,560,302
Correction of Error Restatement - Note 41		(906,176)
Restated Balance as at 30 June		<u>23,654,126</u>

ELUNDINI LOCAL MUNICIPALITY

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Figures in Rand 2018 2017

13. Payables from exchange transactions (continued)

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 (2017 - R581 480) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipality did not default on any of their payments.

14. Unspent conditional grants and receipts

Unspent Conditional Grants and Receipts Comprises of:

Unspent conditional grants and receipts

Elundini Library Fund	705,033	555,937
Voter Station Grant	1,360	1,360
Municipal Infrastructure Grant	3,620,013	-
Extended Public Works Programme	318,305	-
	<u>4,644,711</u>	<u>557,297</u>
Unspent Grants	3,938,318	-

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.

15. Finance leases

At amortised cost

Capitalised Lease	<u>162,782</u>	<u>344,674</u>
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Capital lease liabilities at amortised cost are calculated at 20.45% interest rate, with maturity date of 31 March 2019.

Non-current liabilities

At amortised cost	<u>-</u>	<u>162,782</u>
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Current liabilities

At amortised cost	<u>162,782</u>	<u>181,892</u>
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Minimum lease payments

Payable within one year	176,965	235,954
Payable wwithin two to five years	-	176,965
Subtotal	<u>176,965</u>	<u>412,919</u>
Less: Future finance obligations	<u>(14,183)</u>	<u>(68,245)</u>
Total	<u>162,782</u>	<u>344,674</u>

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
16. Provisions		
Reconciliation of provisions		
Opening Balance	11,832,026	11,156,232
Increase in Estimate	4,067,844	-
Decrease in Estimate	-	(49,361)
Unwinding of discounted interest	733,505	725,155
Closing Balance	16,633,375	11,832,026

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	7,718,404	3,131,049
- Maclear	3,511,086	4,665,129
- Ugie	5,403,886	4,035,849
Total	16,633,376	11,832,027

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 as day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

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

- Direct Contract Cost
- Indirect Professional Fees
- Indirect Disbursements
- Escalation

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

Mt Fletcher Landfill Site:

Size of operational landfill area?	5 000 m ² (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

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
16. Provisions (continued)		
Are there any existing boreholes for monitoring?	No	
Is there a monitoring program in place?	N/A	
Are there any geographical features that should be taken into consideration?	No	
Status of cover material?	N/A. Trench System, cover material available from trenching process.	
Size of operational landfill area?	12 000 m ² (Platform)	
Is the site licensed?	Yes	
What is the classification of the site	G:C: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 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 geographical features that should be taken into consideration?	Spring on adjacent farm	
Status of cover material?	Cover material on site, volume unknown	
Size of operational landfill area?	16 000 m ² (Platform)	
Is the site licensed?	Yes	
What is the classification of the site	G:S:C	
Is the site operational?	Yes	
If the site is operational, is there an expected closure date?	No	
If the site is operational, what is the annual tonnage of waste deposited on site?	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.	
Are there any existing boreholes for monitoring?	Yes	

ELUNDINI LOCAL MUNICIPALITY

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Figures in Rand 2018 2017

16. Provisions (continued)

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 geographical features that should be taken into consideration?

No

Status of cover material?

Cover material on site, volume unknown.

17. Service Charges

Electricity	26,280,195	23,843,532
Refuse Removal	-	4,759,218
Solid waste	665,751	-
Sewerage and sanitation charges	18,755	-
Less: Rebates	-	(4,610,878)
	<u>26,964,701</u>	<u>23,991,872</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.

18. Rental of Facilities and Equipment

Facilities and equipment

Rental of Facilities	1,076,606	1,380,945
Rental of Equipment	-	1,219
Deferred Rental Income	193,068	193,068
	<u>1,269,674</u>	<u>1,575,232</u>

Included in the above rentals are operating lease rentals at straight-lined amounts of - (2017: -) as well as contingent rentals of - (2017: -).

19. Investment revenue

Interest on bank balances	<u>4,777,607</u>	<u>4,538,778</u>
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20. Licences and Permits

Public Drivers Permits	885,443	-
Driving Licences	3,379	-
Registrations	1,269,674	1,575,232
Interest received (trading)	-	1,803,688
	<u>2,158,496</u>	<u>3,378,920</u>

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
21. Other Income		
Auction Sales	1,068,705	41,499
Building Plan and Inspection Fees	84,297	79,669
Cemetery Fees	31,639	24,676
Commission Received	-	84,167
Greenest Town	500,000	500,000
Sundry income	2,493,431	-
LGSETA Claims Received	-	54,270
Pound Fees	-	137,538
Prescribed Debt	3,500	-
Sundry Income	-	207,816
Tender Document Sales	-	160,931
Total	4,181,572	1,290,566
Disclosed As:		
Revenue from Exchange Transactions	4,181,572	790,566
Revenue from Non-Exchange Revenue	500,000	500,000
Total	4,681,572	1,290,566

Prescribed Debt includes unclaimed deposits and receipts older than three years recognised as income.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
22. Property Rates		
Rates Received		
Rateable Land and Buildings	-	20,605,214
State	8,115,550	-
Other	13,236,557	-
Less: Rebates	-	(3,387,184)
	21,352,107	17,218,030
Valuations		
Residential	595,320,500	595,320,500
Special Residential	35,625,500	35,625,500
Business and Government Property used by Local Government	638,980,328	638,980,328
Industrial	183,058,500	183,058,500
Government Property used by Provincial and District Government	44,498,500	44,498,500
Government Property used by National Government	22,273,500	22,273,500
Public Service Infrastructure and Agriculture	3,372,587,942	3,372,587,942
Municipal Owned Property and Churches	555,997,276	555,997,276
Rateable Land and Buildings	5,448,342,046	5,448,342,046

Rebates on Income - Basic Rate:

Residential	0.006	0,644c/R
Special Residential	0.010	1,287c/R
Business and Government Property used by Local Government	0.010	0,965c/R
Industrial	0.013	1,287c/R
Government Property used by Provincial and District Government	0.013	1,287c/R
Government Property used by National Government	0.013	1,287c/R
Public Service Infrastructure and Agriculture	0.001	0,161c/R
Municipal Owned Property and Churches	0.006	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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
23. Government Grants and Subsidies		
Operating grants		
Equitable Share	134,116,000	129,070,000
Municipal Finance Management Grant	1,700,000	1,625,000
Integrated National Electrification Programme (INEP)	29,818,255	17,500,000
Other Grants	-	2,168,884
Libraries Grant	600,904	-
Municipal Infrastructure Grant	-	1,862,500
EPWP	2,330,695	-
Total	168,565,854	152,226,384
Capital grants		
Municipal Infrastructure Grant	41,966,512	40,387,500
Premier's Office Grant	28,309,324	-
Voter Station Grant	-	998,640
Total	70,275,836	41,386,140
Total Grants and Subsidies	238,841,690	193,612,524
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	101,794,091	193,612,524
Unconditional grants received	134,116,000	129,070,000
	235,910,091	322,682,524
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	134,116,000	129,070,000
Budget & Treasury	1,700,000	1,625,000
Community Services	2,330,695	620,884
Technical services	71,784,767	62,296,640
Total Grants	209,931,462	193,612,524
Equitable Share		
Current-year receipts	134,116,000	129,070,000
Conditions met - operating	(134,116,000)	(129,070,000)
Closing Unspent Balance	-	-
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.		
Municipal Infrastructure Grant (MIG)		
Current-year receipts	45,587,000	42,250,000
Conditions met - operating	(1,979,350)	(1,862,500)
Conditions met - capital	(39,987,637)	(40,387,500)
Closing Unspent Balance	3,620,013	-

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.

ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

	2018	2017
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23. Government Grants and Subsidies (continued)

Premier's Office Grant

Current-year receipts	20,449,536	-
Conditions met - capital	(28,309,324)	-
Closing Unspent Balance	(7,859,788)	-

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.

Financial Management Grant (FMG)

Current-year receipts	1,700,000	1,625,000
Conditions met - operating	(1,700,000)	(1,625,000)
Closing Unspent Balance	-	-

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).

Integrated National Electrification Programme (INEP)

Current-year receipts	30,000,000	17,500,000
Conditions met - operating	(29,818,255)	(17,500,000)
Closing Unspent Balance	181,745	-

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

Libraries & Voter station Grants

Balance unspent at beginning of year	557,297	1,437,761
Current-year receipts	750,000	2,298,000
Conditions met - operating	(600,904)	(3,178,464)
Closing Unspent Balance	706,393	557,297

Various grants were received from other spheres of government.

24. Fines

Traffic fines	320,340	330,400
Illegal connection fines	97,594	36,433
Other fines	-	105,366
	417,934	472,199

ELUNDINI LOCAL MUNICIPALITY

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Figures in Rand	2018	2017
25. Employee related costs		
Contribution to Current Employee Benefits - Bonuses Accrued	2,061,745	4,142,077
Contribution to Current Employee Benefits - Staff Leave	-	557,679
Contribution to Current Employee Benefits - Performance Bonuses	1,137,726	(2,545,414)
Contribution to Employee Benefits - Long Service Awards	349,910	408,555
Medical Aid Contributions	3,560,006	3,502,900
Overtime	3,014,918	2,369,833
Pension Fund Contributions	9,368,377	7,453,611
Salaries and Wages	50,920,174	49,735,506
Skills Development Levy	-	743,995
Travel, Motor Car, Telephone, Assistance and Other Allowances	6,291,502	6,383,945
UIF Contributions	497,499	424,604
Workmens Compensation	-	23,507
Housing benefits and allowances	146,388	-
Travel, motor car, accommodation, subsistence and other allowances	921,705	-
Car allowance	152,623	-
Sub-Total	<u>78,422,573</u>	<u>73,200,798</u>
Less: Employee Costs Capitalised	-	(2,720,432)
Total	<u>78,422,573</u>	<u>70,480,366</u>
Municipal Manager - K Gashi		
Annual Remuneration	786,347	852,316
Car Allowance	321,547	296,856
Performance Bonuses	55,213	95,448
Contributions to UIF, Medical and Pension Funds	130,562	126,051
Other	-	130,900
Total	<u>1,293,669</u>	<u>1,501,571</u>
Director Infrastructure Planning and Development - X Mntonintshi		
Annual Remuneration	179,414	759,408
Car Allowance	104,189	414,849
Performance Bonuses	-	33,852
Contributions to UIF, Medical and Pension Funds	620	13,253
Leave pay	100,472	-
Total	<u>384,695</u>	<u>1,221,362</u>
The director's contract ended on 30 September 2017		
Director Corporate Services - SR Matubatuba		
Annual Remuneration	632,647	752,404
Car Allowance	345,567	399,450
Performance Bonuses	27,200	122,565
Contributions to UIF, Medical and Pension Funds	-	14,948
Other	1,884	83,148
Total	<u>1,007,298</u>	<u>1,372,515</u>

ELUNDINI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand 2018 2017

25. Employee related costs (continued)

Director Infrastructure Planning and Development - S Sako

Annual Remuneration	414,690	-
Car Allowance	127,086	-
Contributions to UIF, Medical and Pension Funds	37,238	-
Total	579,014	-

The director was appointed on 1 December 2017

Chief Financial Officer - J Mdeni

Annual Remuneration	681,137	719,504
Car Allowance	391,992	419,462
Performance Bonuses	27,200	56,420
Contributions to UIF, Medical and Pension Funds	1,884	13,386
Total	1,102,213	1,208,772

Director Strategic Planning and Economic Development - NC Eddie

Annual Remuneration	776,971	719,504
Car Allowance	234,189	419,462
Performance Bonuses	47,844	56,420
Contributions to UIF, Medical and Pension Funds	1,875	13,386
Leave pay	114,825	-
Total	1,175,704	1,208,772

Director Community Services - L Kokose

Annual Remuneration	608,314	442,276
Car Allowance	280,192	244,375
Performance Bonuses	20,400	30,602
Contributions to UIF, Medical and Pension Funds	76,281	8,701
Other	-	60,250
Total	985,187	786,204

26. Remuneration of councillors

Executive Mayor	840,313	763,569
Speaker	686,666	630,664
Councillors	8,613,469	8,834,739
Chief Whip	377,418	-
EXCO	1,509,671	-
Total	12,027,537	10,228,972

In-kind benefits

The Mayor and Speaker are full-time. They are provided with secretarial support, office and a municipal motor vehicle at the cost of the Council.

27. Debt Impairment

Contribution to Debt Impairment	5,031,839	9,185,391
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ELUNDINI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
28. Depreciation and Amortisation		
Property, plant and equipment	29,811,364	28,375,434
Investment Property	76,972	76,972
Intangible assets	-	226,635
Total	29,888,336	28,679,041
Less: Depreciation and Amortisation Capitalised	-	(102,973)
	29,888,336	28,576,068
29. Repairs and Maintenance		
Infrastructure	1,365,276	4,917,709
Land and Buildings	1,417,817	2,077,053
Other Assets	13,143,723	3,275,618
Total Repairs and Maintenance	15,926,816	10,270,380
Less: Repairs and Maintenance Capitalised	-	(650,982)
Total Repairs and Maintenance	15,926,816	9,619,398
Restated Balance as at 30 June		-
30. Finance Costs		
Trade and other payables	247,490	-
Finance leases	301,679	-
Interest	1,153,127	1,205,324
	1,702,296	1,205,324
31. Bulk Purchases		
Electricity	20,023,259	21,294,712
32. Contracted Services		
Solid Waste	-	2,727,340
Total	-	2,727,340
33. Operating Grant Expenditure		
Budget & Treasury	2,815,905	1,532,860
Planning and Economic Development	-	786,741
Infrastructure Development and Planning	34,006,343	17,885,911
Total	36,822,248	20,205,512

ELUNDINI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
34. General Expenses		
Advertising	924,296	759,823
Auditors Remuneration	3,854,247	3,109,191
Bank Charges	461,613	109,655
Cleaning	-	79,638
Commission Paid	513,506	476,779
Conferences and Seminars	-	205,945
Consulting and Professional Fees	17,463,315	5,698,307
Entertainment	1,447,639	1,108,077
Fraud Prevention Plan	-	42,000
Fuel and Oil	2,753,952	3,233,340
Gifts	-	165,607
Insurance	519,174	403,745
Job Evaluation	-	178,186
Lease Rentals	-	655,292
Licence Fees	-	954,928
mSCOA Implementation Costs	-	4,032,665
Other Expenses	14,319,116	2,544,213
Postage and Courier	19,079	44,695
Printing and Stationery	1,378,272	1,059,805
Promotions and Sponsorships	-	1,385,437
Protective Clothing	906,974	523,489
Public Participation	1,443,921	798,722
Refuse	-	91,892
Relocation Costs	-	1,500
Security (Guarding of Municipal Property)	2,236,666	2,278,001
Small Tools and Equipment	-	1,033,437
Special Programmes	70,328	4,297,865
Subscriptions and Membership Fees	639,706	1,537,695
Telephone and Fax	3,142,503	2,567,063
Town Planning and Property Valuation Fees	-	66,457
Traffic Department Costs	-	139,213
Training	2,458,503	3,719,091
Travel and Subsistence	6,354,506	7,654,550
Ward Committees	729,338	1,322,644
Sub-total	61,636,654	52,278,947
Less: General Expenses Capitalised	-	(1,088,477)
Total	61,636,654	51,190,470
As Previously Reported		38,933,247
Correction of Error - Refer to note 41		(245,287)
Restated Balance as at 30 June		38,687,960
35. Gains / (Losses) on Disposal of Assets		
Gains / (Loss) on the disposal of Investment Property	-	(34,904)

ELUNDINI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
36. Cash generated from operations		
Surplus	37,308,754	22,602,901
Adjustments for:		
Reversal of Impairments	-	(16,936)
Un-winding of Deferred Revenue - Rental Income	(193,068)	(193,068)
Loss on Disposal of Non-Monetary Assets	-	34,904
Debt Impairment	5,031,839	9,185,391
Un-winding of Deferred Revenue - Finance Charges	21,168	33,665
Depreciation and Amortisation	29,888,336	27,059,020
Movement in Employee Benefits - Non-current	(698,080)	(172,952)
Movement in Employee Benefits - Current	1,497,058	(3,533,160)
Movement in Provisions	4,801,350	725,155
Changes in Working Capital:		
Receivables from exchange and non-exchange	(669,999)	(9,679,486)
Taxes	1,844,374	(3,613,943)
Inventory	(8,704)	102,198
Prepayments	(5,701,838)	-
Unspent Government Grants	4,087,414	(869,524)
Payables from exchange transactions	1,037,409	4,311,450
	78,246,013	45,975,615

37. Additional Disclosures in Terms of Municipal Finance Management Act

37.1 SALGA Contributions [MFMA 125 (1)(b)]

Current year subscription / fee	880,042	812,290
Amount paid - current year	(880,042)	(812,290)
Outstanding Balance	-	-

37.2 Audit Fees [MFMA 125 (1)(c)]

Opening balance	-	-
Expenditure incurred	3,835,388	3,415,576
Current year subscription / fee	3,835,388	3,415,576
Payments	(3,835,388)	(3,415,576)
Outstanding Balance	-	-

37.3 VAT [MFMA 125 (1)(c)]

Opening balance	4,105,622	2,463,657
Current year subscription / fee	14,688,084	14,116,204
Amount paid - current year	(6,589,105)	-
Amount paid - previous years	(4,102,613)	(12,474,239)
Outstanding Balance	8,101,988	4,105,622

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.

ELUNDINI LOCAL MUNICIPALITY

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Figures in Rand	2018	2017
37. Additional Disclosures in Terms of Municipal Finance Management Act (continued)		
37.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]		
Current year subscription / fee	13,656,390	14,091,263
Amount paid - current year	(13,656,390)	(14,091,263)
Outstanding Balance	-	-
37.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]		
Current year subscription / fee	19,430,102	17,577,446
Amount paid - current year	(19,430,102)	(17,577,446)
Outstanding Balance	-	-
37.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]		
No Councillor had any arrear account outstanding for more than 90 days at year end.		
37.7 Quotations Awarded - Deviations from SCM		
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	397,956	3,316,442
Section 36(1)(a)(ii) - Single Provider	4,484,648	3,034,571
Section 36(1)(a)(iii) - Specialised Services	1,064,264	1,415,328
Section 36(1)(a)(v) - Impractical to Follow Official Procurement Process	2,036,696	5,242,853
Total	7,983,564	13,009,194
Municipal Manager Office	806,993	1,080,759
Budget and Treasury Office	1,164,584	1,344,164
Infrastructure Planning and Development	1,219,154	6,813,777
Corporate Services	3,785,001	2,809,161
Strategic Planning and Development	443,416	207,603
Community Services	564,416	753,730
Total	7,983,564	13,009,194

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Figures in Rand	2018	2017
38. Contingent Liabilities		
Council do have the following contingent liabilities at the end of the financial year 2017/2018:		
	-	-
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. A notice of motion dated 24 April 2018 was served on the municipality on 21 May 2018, with different claim amounts by the former employees - EL Bezuidenhout R477 311.05, B Perkins R544 737.93 and A V Lefember R454 546.20	1,476,595	465,892
A company was contracted to do road repairs in Maclear, but failed to do work to satisfaction of the 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 a plaintiff for damages to his vehicle amounting to R85 307. The plaintiff alludes 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).	85,307	85,307
A former director in the employ of the municipality has approached the Labour Court, praying that the appointment of an employee to the position previously occupied by the applicant, and to which he had applied, be deemed irregular and invalid on account of the employee being unsuitable for the position and, by implication, he be deemed the suitable candidate. The municipality is defending the action.	582,487	-
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 matter was enrolled for a hearing before the Mthatha High Court on 28 November 2017, but the plaintiff did not appear, resulting in the matter being removed from the roll and the plaintiff being ordered to pay the wasted costs. The matter has subsequently been scheduled for a hearing	1,250,000	1,250,000
A music production company has applied for a court interdict against the municipality, alleging copyright infringement when an artists copy of album was given to a competitor to promote, produce ad market the artist's music. Furthermore, that in terms of an agreement, the municipality was supposed to give the applicant a right of first option if the artist's music was to be released and distributed in any formats for commercial exploitation. they claim to have a right to the artist's profits ad royalties, and are claiming damages, the quantum of which will be determined at a later stage and is currently unknown.	-	-
An employee has lodged papers in the Labour Court, in which he is seeking the Labour Court to order parity of remuneration among him and his colleagues who, whilst enjoying the same T.A.S.K grade as them, they are however remunerated better than him. The municipality is opposing the matter. The claim is that the employee's remuneration be adjusted to R670 000 with effect from 1 June 2014, to R712 210 with effect from 1 January 2015 and that hence forth the salary be equated to that of the other employees. The employee has not complied with an order granted on 9 February 2016, which compliance ought to have happened by the 18th October 2017 and the application is now deemed to be withdrawn	-	258,472

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38. Contingent Liabilities (continued)

A contractor was appointed to construct an access road and was paid off as per the terms of the contract. Subsequent to the work performed, the contractor submitted a claim alleging to have performed additional work for which the municipality has not paid. The municipality has refused to pay the amounts claimed as the work allegedly performed cannot be verified and was also not authorised. The contractor has approached a court of law to demand payment and the municipality is defending the action.

961,156 961,156

Total estimated Contingent Liabilities

5,305,545 3,970,827

39. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Opening balance - 8,159,636
Unauthorised expenditure current year - capital - -
Approved by Council - (8,159,636)

Unauthorised Expenditure Awaiting Approval

- -

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. The Council committee responsible for this expenditure has conducted investigations and Council wrote off of the amount.

	2017 Actual R	2017 Final Budget R
Unauthorised expenditure - Per Vote	_____	_____
Total	<u>-</u>	<u>-</u>

39.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure consist out of the following:

Opening balance - 902,052
Approved by Council - (887,392)
Approved by Council - (14,660)

Fruitless and wasteful expenditure awaiting approval

- -

Details of Fruitless and wasteful expenditure incurred:

None.

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39. Unauthorised, Irregular, Fruitless and Wasteful Expenditure (continued)

39.3 Irregular Expenditure

Irregular expenditure consists out of the following:

Opening Balance	6,645,697	474,227
Add: Irregular Expenditure - current year	54,342,397	6,645,697
Less: Amounts written off by council	(60,841,615)	-
Less: Amounts not recoverable (not condoned)	-	(474,227)
Irregular Expenditure Awaiting Approval	146,479	6,645,697

Details of Irregular expenditure incurred:

Opening Balance	-	6,645,697
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The Council Committee responsible for this expenditure has assessed the circumstances surrounding the expenditure and made recommendations to Council to write off the expenditure. Council has not yet set to resolve on the matter.

40. Material losses

Electricity distribution losses		
Kwh Purchased	20,234,152	19,347,202
Less: Kwh Sold	(15,446,172)	(14,873,985)
Kwh losses	4,787,980	4,473,217
% Losses	23.66	23.12
Average cost per Kwh unit (excl VAT)	0.9900	1.0129
Losses in Rand Value	4,740,100	4,530,921

41. Financial Instruments Disclosure

In accordance with GRAP 104 the following financial instruments carried at amortised cost:

Categories of Financial Instruments

42. Related parties

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

42.1 Related Party Loans

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

42.2 Compensation of management personnel

The compensation of management personnel is set out in notes 25 and 26 to the financial statements.

42.3 Joe Gqabi Economic Development Agency (SoC) Ltd - (JoGEDA)

The Municipal Manager serves on the board of directors of JoGEDA. No transactions was entered into during the financial period.

ELUNDINI LOCAL MUNICIPALITY

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Figures in Rand	2018	2017
42. Related parties (continued)		
42.4 Other related party transactions		
The following purchases were made during the year Key Management Personnel and Officials have an interest:		
Abojali Construction (mother of Nandipha Ntaka)	23,275	-
Isiphile Trading (Niece of N Thuli)	164,215	370,737
Lonaphiko Trading (Spouse of Ms. Nomtha Nkani)	-	43,200
Mozi Auctioneers (Hlubikazi Mduzulwana Family)	-	4,788
Nosisana Trading Enterprise (Niece of official Z Thuli)	-	2,745
Thozama and AB Trading (Mother to Vuyokazi Nodikana)	-	1,950
Imbokodo(mother of Ms Fundisiwe Tshaka)	21,600	-
Sandisile Business Enterprise (Spouse of Z Lusawana)	133,025	120,974
K2012048808 (SA) Pty (Ltd) (Relative of TV Sahlulo and B Sahlulo)	-	6,000
	342,115	550,394

43. Financial Risk Management

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

Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

Price Risk

The Municipality is not exposed to price risk.

Controlling entity

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:

0.0% (2018 - 0.5%) Increase in interest rates	-	292,593
0.0% (2018 - 0.5%) Decrease in interest rates	-	(292,593)

Credit Risk

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43. Financial Risk Management (continued)

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.

Balances past due not impaired:

	2018 R	2017 R
Electricity	47	18
Refuse	-	-
Other	53	82

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.

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:

Cash and Cash Equivalents	-	-
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Liquidity Risk

ELUNDINI LOCAL MUNICIPALITY

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43. Financial Risk Management (continued)

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.

At 30 June 2018	Less than 1 Year	Between 1 and 5 Years	Over 5 Years	Total
Long Term liabilities - Finance Lease Liability	176,965	-	-	176,965
Payables from Exchange Transactions	29,002,985	-	-	29,002,985
Unspent conditional government grants and receipts	4,644,711	-	-	4,644,711
Total	33,824,661	-	-	33,824,661

At 30 June 2017	Less than 1 Year	Between 1 and 5 Years	Over 5 Years	Total
Long Term liabilities - Finance Lease Liability	235,954	176,965	-	412,919
Payables from Exchange Transactions	27,965,576	-	-	27,965,576
Unspent conditional government grants and receipts	557,297	-	-	557,297
Total	28,758,827	176,965	-	28,935,792

44. Events after the reporting date

The Municipality has no events after reporting date during the financial year ended 2017/2018.

45. In-kind donations and assistance

No in-kind donations and assistance were received by the Municipality during the 2017/2018 financial year.

46. Statutory Receivables

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

Taxes	5,050,772	6,895,146
Receivables from Non-exchange Transactions	3,440,084	3,458,399
Rates	3,440,084	3,458,399
Traffic Fines	-	-
Total Statutory Receivables	8,490,856	10,353,545

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47. 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
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 32 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 fulfil 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.

48. Explanatory Notes to the Statement of Comparison of Budget and Actual

Original Budget vs Final Budget

Statement of Financial Position

There were no reportable significant variances in the statement of financial position

of Financial Performance - Revenue

Transfers recognised was increased to be aligned with newly anticipated grant receipts. allocated in the second semester of the financial year.

Other revenue was budgeted much higher to accommodate non-cash expenses such as depreciation and impairment.

Capital grants budget increased due to the additional allocation that was made in the second semester of the financial year.

Statement of Financial Performance - Expenditure

The budget was adjusted to be in line with mSCOA, which project does not account for repairs and maintenance as a separate line item.

There is demonstrable effort to align mSCOA budget with the GRAP reporting requirements. As such the budget changed its classification of items, as opposed to the usual GRAP reporting. As a result of this, line items like operating grant expenditure, repairs & maintenance and general expenses end up not being linked directly to the budget reporting lines.

Cash Flow Statement

Not much change in was anticipated at budget stage in operating and financing activities.

Actual Amount vs Final Budget

Statement of Financial Position

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48. Explanatory Notes to the Statement of Comparison of Budget and Actual (continued)

Total non-current assets grew significantly as a result of additional grant funding from the Premier's office.

Actual non-current liabilities increased mainly due to the increase in provision for rehabilitation of landfill sites.
Statement

Statement of Financial Performance - Revenue

Due to prior period under budgeting of debt impairment, a more prudent approach was adopted during the budgeting calculations of debt impairments.

Plant income, recorded under rental of facilities and equipment, was lower than budgeted. This is due to the Department of Public Works decreasing their allocation to the municipality during the year due to financial constraints.

Interest Earned was more than budgeted for. Expenses that was anticipated to be incurred early in the financial year was delays, resulting in funds being held in investment account for a longer period. This increased the interest earned to more than what was budgeted for.

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48. Explanatory Notes to the Statement of Comparison of Budget and Actual (continued)

Statement of Financial Performance - Expenditure

Employee related costs were less than budgeted for due to delays in the appointment of candidates for the newly added and budgeted positions in the structure.

There was a misalignment in the budget of operating grant expenditure and general expenses. These expenses are budgeted for under contracted services and other expenditures. As much as the budget was informed by mSCOA, the actual reporting is still done in lign with GRAP standards.

Cash Flow Statement

Operating efficiencies resulted in the increase in cashflows from operating activities.

The increase in capital grants resulted in an increase in the net cash outflow from investing activities

49. IMPLEMENTATION OF MSCOA INTRODUCED BY NATIONAL TREASURY

National Treasury has introduced legislation relating to the chart of accounts to be used by municipalities/municipal entities (referred to as the "Municipal Standard Chart of Accounts (mSCOA)"). This regulation was legislated on 22 April 2014 and will only be adopted by all municipalities on 1 July 2017. Elundini Municipality has had to comply with the mSCOA regulations on 1 July 2017.

ELUNDINI LOCAL MUNICIPALITY

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Appendices

APPENDIX A - Unaudited

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

	Rate	Loan Number	Maturity Date	Balance at 30 June 2018	Received during the period	Redeemed during the Period	Balance at 30 June 2018
				R	R	R	R
FINANCE LEASE LIABILITIES							
Fujitsu FI 6670	20.45 %	ELM-4/038/2015-2016	31/03/2019	101,154	-	(53,381)	47,773
Xerox Work centre 7225	20.45 %	ELM-4/038/2015-2016	31/03/2019	33,473	-	(17,664)	15,809
Xerox Work centre 7225	20.45 %	ELM-4/038/2015-2016	31/03/2019	33,473	-	(17,664)	15,809
Xerox Work centre 7225	20.45 %	ELM-4/038/2015-2016	31/03/2019	33,473	-	(17,664)	15,809
Xerox D110	20.45 %	ELM-4/038/2015-2016	31/03/2019	140,758	-	(74,281)	66,477
Xerox Workcentre 3210	20.45 %	ELM-4/038/2015-2016	31/03/2019	2,341	-	(1,235)	1,106
Total External Loans				344,672	-	(181,889)	162,783

* See Note

ELUNDINI LOCAL MUNICIPALITY

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Appendices

APPENDIX B - Unaudited

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

	Balance 1 July 2017	Correction of Error Restatement 2017	Restated Balance 1 July 2017	Contributions during the year	Operating Expenditure Transferred to Revenue	Capital Expenditure Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
	R	R	R	R	R	R	R	R	R
National Government Grants									
Equitable Share	-	-	-	134,116,000	(134,116,000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	45,587,000	(1,979,350)	(39,987,637)	3,620,013	3,620,013	-
INEP	-	-	-	30,000,000	(29,818,255)	-	181,745	181,745	-
Financial Management Grant	-	-	-	1,700,000	(1,700,000)	-	-	-	-
EPWP	-	-	-	2,649,000	(2,330,695)	-	318,305	318,305	-
Greenest Town	-	-	-	-	-	-	-	-	-
Total	-	-	-	214,052,000	(169,944,300)	(39,987,637)	4,120,063	4,120,063	-
Provincial Government Grants									
Library Fund	555,297	-	555,297	750,000	(600,904)	-	704,393	704,393	-
Premier's Office Grant	-	-	-	20,449,	-	(28,309,	(7,859,	-	(7,859,
Total	555,297	-	555,297	21,199,536	(600,904)	(28,309,324)	(7,155,395)	704,393	(7,859,788)
Other Grant Providers									
Voter Station	1,360	-	1,360	-	-	-	1,360	1,360	-
Total	1,360	-	1,360	-	-	-	1,360	1,360	-
ALL SPHERES GOVERNMENT	556,657	-	556,657	235,251,536	(170,545,204)	(68,296,961)	(3,033,972)	4,825,816	(7,859,788)

* See Note