

ELUNDINI LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

ELUNDINI LOCAL MUNICIPALITY

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ELUNDINI LOCAL MUNICIPALITY

GENERAL INFORMATION

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

Legal Form 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

Municipal Manager 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 Mgxaji Attorneys
Clark and Laing Inc
Mdledle Attorneys
Owen Huxyable
Gray Moodliar
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	S Mdoda
Budget Steering Committee	NR Lengs
Mandate Committee	KA Mgijima

Audit Committee

Chairperson	Mr T de Beer
Member	Mr P Songo (served until 09/06/2019)
Member	Ms F Hluyo Mushohwe
Member	Mr A Mlambo (served until 11/06/2019)

ELUNDINI LOCAL MUNICIPALITY

GENERAL INFORMATION

Councillors of Elundini Local Municipality

Ward 1	F W Ngayeka	Proportional	M Tsoananyana
Ward 2	T J Pikitini	Proportional	K P Mahleleba
Ward 3	Z Mampintsha	Proportional	L Pili
Ward 4	K A Mgijima	Proportional	B Msuthwana
Ward 5	S J T Magadla	Proportional	G Moni
Ward 6	S Mdoda	Proportional	L B Magqashela
Ward 7	G Sotsu	Proportional	M N Ndlumbini (served until 25/03/2019)
Ward 8	D J Mbombo	Proportional	N L Motema
Ward 9	M Marubelela	Proportional	N N Ndabangaye
Ward 10	T Moleboheng	Proportional	X P Majikijela
Ward 11	L Lubanga	Proportional	NR Yelani-Lengs
Ward 12	BJ Tshoba	Proportional	VV Hokwana
Ward 13	L S Ndumndum	Proportional	MPS Leteba
Ward 14	N G Ntaopane	Proportional	ML Naketsana
Ward 15	L C Booka	Proportional	AM Mqamelo
Ward 16	Z L Thwethiso	Proportional	TV May
Ward 17	V Ntuthu	Proportional	N Nkalitshana

RELEVANT LEGISLATION

Municipal Finance Management Act, 2003 (Act 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act, 1998 (Act 117 of 1998)
Municipal Systems Act, 2000 (Act 32 of 2000) as Amended
Municipal Planning and Performance Management Regulations
Water Services Act, 1997 (Act 108 of 1997)
Housing Act, 1997 (Act 107 of 1997)
Municipal Property Rates Act, 2004 (Act 6 of 2004)
Electricity Act, 1987 (Act 41 of 1987)
Skills Development Levies Act, 1999 (Act 9 of 1999)
Employment Equity Act, 1998 (Act 55 of 1998)
Unemployment Insurance Act, 1966 (Act 30 of 1966)
Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
Municipal Budget and Reporting Regulations
National Environmental Management Act, 2008 (Act 62 of 2008)
Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
Occupational Health and Safety Act, 1993 (Act 85 of 1993)
Public Office Bearers Act
mSCOA Regulation

ELUNDINI LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2019, which are set out on pages 1 to 82 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 2020 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

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
ASSETS			
Current Assets			
		107 879 953	99 585 714
Inventory	2	177 988	271 301
Receivables from Exchange Transactions	3	9 014 576	4 989 397
Receivables from Non-exchange Transactions	4	10 688 384	24 536 826
Taxes	5	10 874 092	10 517 388
Cash and Cash Equivalents	6	77 124 912	59 270 802
Other Current Assets		-	-
Non-Current Assets			
		466 807 024	441 374 788
Property, Plant and Equipment	7	414 407 679	390 573 925
Investment Property	8	46 067 087	42 176 507
Intangible Assets	9	7	7
Capitalised Restoration Cost (PPE)	10	6 332 251	8 624 349
Total Assets			
		574 686 977	540 960 502
Current Liabilities			
		63 528 533	53 883 698
Current Portion of Deferred Revenue	11	-	185 377
Consumer Deposits	12	385 799	385 086
Current Employee Benefits	13	10 047 191	7 988 562
Payables from exchange transactions	14	51 818 255	40 335 434
Unspent conditional grants and receipts	15	1 212 783	4 826 457
Finance Leases (Current Portion)	16	64 506	162 782
Non-Current Liabilities			
		23 435 614	21 043 221
Non-Current employee benefits	13	5 628 201	4 409 846
Finance Leases	16	93 031	-
Provisions	17	17 714 382	16 633 375
Deferred Revenue	11	-	-
Total Liabilities			
		86 964 147	74 926 919
NET ASSETS			
		487 722 830	466 033 584
COMMUNITY WEALTH			
Accumulated Surplus	18	487 722 830	466 033 584
TOTAL COMMUNITY WEALTH			
		487 722 830	466 033 584

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
REVENUE			
REVENUE FROM EXCHANGE TRANSACTIONS		52 599 582	44 040 565
Operating Activities		52 599 582	44 040 565
Service Charges	19	33 282 595	26 862 081
Rental of Facilities and Equipment	20	8 234 698	7 497 800
Investment Revenue	21	7 485 702	6 680 012
Licences and Permits	22	2 796 071	2 336 685
Other Income	23	800 516	542 497
Profit on disposal Monetary Assets	39	-	121 490
REVENUE FROM NON-EXCHANGE TRANSACTIONS		258 332 597	259 209 682
Taxation Revenue		23 203 124	18 408 425
Property Rates	24	23 203 124	18 408 425
Transfer Revenue		233 476 415	238 842 165
Government Grants and subsidies	25	233 476 415	238 842 165
Other Revenue		1 653 058	1 959 092
Actuarial Gains	26	-	354 825
Fines, Penalties and Forfeits	27	1 166 204	1 095 308
Greenest Town Award		200 000	500 000
Insurance Refunds		286 855	8 959
TOTAL REVENUE		310 932 180	303 250 247
EXPENDITURE			
Employee Related Costs	28	98 972 059	83 685 220
Remuneration of Councillors	29	12 027 751	11 542 381
Debt Impairment	30	10 084 909	(5 654 966)
Depreciation and Amortisation	31	30 157 010	29 157 156
Impairment Loss	32	5 363 757	2 361 412
Finance Cost	33	1 489 181	1 259 623
Bulk Purchases	34	20 820 704	20 017 802
Contracted Services	35	69 241 105	57 467 733
General Expenses	36	35 624 191	42 703 529
Actuarial Losses	26	812 532	-
Transfers and Subsidies	37	2 428 156	2 130 126
Sale of goods/Inventory	38	962 569	491 800
Loss on disposal Monetary Assets	39	1 259 009	-
TOTAL EXPENDITURE		289 242 933	245 161 816
SURPLUS FOR THE YEAR		21 689 247	58 088 431

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2019

	ACCUMULATED SURPLUS R	TOTAL R
Balance on 1 July 2017 - Previously Reported	409 025 509	409 025 509
Prior Period Adjustments - Refer to note 40	(1 080 357)	(1 080 357)
Restated Balance on 1 July 2017	407 945 152	407 945 152
Net Surplus for the year	58 088 432	58 088 432
Restated Balance on 30 June 2018	466 033 584	466 033 584
Net Surplus for the year	21 689 246	21 689 246
Balance on 30 June 2019	487 722 830	487 722 830

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates		27 461 017	15 438 911
Service charges and interest on outstanding debtors		27 672 620	28 254 390
Other revenue		10 001 787	7 187 107
Government - operating		171 427 000	166 954 575
Government - capital		64 786 076	68 296 961
SARS VAT Refunds		17 110 968	10 691 869
Interest		5 515 291	4 786 831
Payments			
Suppliers and Employees		(241 482 527)	(215 467 408)
Finance charges		(51 249)	(130 579)
Transfers and Grants		(2 428 156)	(2 130 126)
NET CASH FROM OPERATING ACTIVITIES	41	80 012 827	83 882 531
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of Property, Plant and Equipment		-	622 518
Payments			
Purchase of Property, Plant and Equipment		(61 951 722)	(66 904 192)
Purchase of Intangible Assets		-	-
NET CASH USED IN INVESTING ACTIVITIES		(61 951 722)	(66 281 675)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Increase/(Decrease) in Consumer Deposits		715	(16 683)
Loans Raised		-	-
Payments			
Loans repaid		(207 710)	(181 892)
NET CASH USED IN FINANCING ACTIVITIES		(206 995)	(198 575)
NET INCREASE IN CASH HELD		17 854 110	17 402 281
Cash and Cash Equivalents at the beginning of the year		59 270 802	41 868 521
Cash and Cash Equivalents at the end of the year		77 124 912	59 270 802
NET INCREASE IN CASH HELD		17 854 110	17 402 281

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Current assets	167 525 485	(244 590 623)	(77 065 138)	107 879 953	184 945 091
Non-current assets	414 455 616	(326 304 264)	88 151 352	466 807 024	378 655 672
Current liabilities	46 010 529	(46 010 529)	-	63 528 533	63 528 533
Non-current liabilities	16 013 829	(16 013 829)	-	23 435 614	23 435 614
Total Community Wealth	519 956 743	(508 870 529)	11 086 214	487 722 830	476 636 616
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Property rates	28 254 605	-	28 254 605	23 203 124	(5 051 481)
Service Charges	28 908 884	5 135 609	34 044 493	33 282 595	(761 898)
Investment revenue	2 441 000	-	2 441 000	5 515 291	3 074 291
Transfers recognised - operational	173 745 000	2 274 082	176 019 082	173 495 665	(2 523 417)
Other own revenue	43 766 939	837 039	44 603 978	15 454 754	(29 149 224)
Total Revenue (excluding capital transfers)	277 116 428	8 246 730	285 363 158	250 951 430	(34 411 728)
EXPENDITURE					
Employee costs	98 540 000	637 276	99 177 276	98 972 059	(205 217)
Remuneration of councillors	12 398 000	203 783	12 601 783	12 027 751	(574 032)
Debt impairment	7 810 991	-	7 810 991	10 084 909	2 273 918
Depreciation and asset impairment	48 897 811	-	48 897 811	35 520 766	(13 377 045)
Finance charges	53 200	-	53 200	1 489 181	1 435 981
Bulk purchases	26 599 079	-	26 599 079	20 820 704	(5 778 375)
Other Materials	3 188 310	(864 267)	2 324 043	962 569	(1 361 474)
Contracted Services	82 705 333	5 713 816	88 419 149	69 241 105	(19 178 044)
Transfers and grants	-	-	-	2 428 156	2 428 156
Other expenditure	53 633 131	963 638	54 596 769	36 436 723	(18 160 046)
Loss on disposal of PPE	-	-	-	1 259 009	1 259 009
Total Expenditure	333 825 855	6 654 246	340 480 101	289 242 933	(51 237 168)
Surplus/(Deficit)	(56 709 427)	1 592 484	(55 116 943)	(38 291 504)	16 825 439
Transfers recognised - capital	67 795 000	1 709 662	69 504 662	59 980 750	(9 523 912)
NET SURPLUS FOR THE YEAR	11 085 573	3 302 146	14 387 719	21 689 247	7 301 528
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	79 028 787	(39 596 243)	39 432 544	80 012 827	40 580 283
Net Cash Flow from Investing Activities	(86 897 000)	(4 874 012)	(91 771 012)	(61 951 722)	29 819 290
Net Cash Flow from Financing Activities	-	-	-	(206 995)	(206 995)
Net increase in cash and cash equivalents	(7 868 213)	(44 470 255)	(52 338 468)	17 854 110	70 192 578

Refer to note 43.2 for explanations of material variances between the original and final budget.

Refer to note 43.2 for explanations of material variances between the final budget and actual amounts.

Material variances are considered to be any variances greater than R2.5 million.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPERATION

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.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

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

1.04 GOING CONCERN ASSUMPTION

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

1.05 COMPARATIVE INFORMATION

1.05.1 Prior Year Comparatives

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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.05.2 Amended Accounting Policies

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.

1.06 MATERIALITY

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

1.07 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.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 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 Standards of GRAP which were issued but are not yet effective:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosures	1 April 2019
GRAP 108	Statutory Receivables	1 April 2019

The effect of the above-mentioned Standards of GRAP which were early adopted is considered insignificant. Accounting policies for these Standards of GRAP were already formulated in the prior year's financial statements. The only effect is additional disclosure requirements.

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 1 (2018)	Presentation of Financial Statements	1 April 2020
GRAP 21 (2018)	Impairment of Non-cash-generating Assets	1 April 2020
GRAP 26 (2018)	Impairment of Cash-generating Assets	1 April 2020
GRAP 104 (2018)	Financial Instruments	1 April 2020

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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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

1.08.1.1 GRAP 18 - Segment Reporting (Effective 1 April 2020)

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

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

1.08.1.2 GRAP 32 - Service Concession Arrangements: Grantor (Effective 1 April 2019)

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.

1.08.1.3 GRAP 34 - Separate Financial Statements (effective 1 April 2020)

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.

1.08.1.4 GRAP 35 - Consolidated Financial Statements (effective 1 April 2020)

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.

1.08.1.5 GRAP 36 - Investments In Associates And Joint Ventures (effective 1 April 2020)

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.

1.08.1.6 GRAP 37 - Joint Arrangements (effective 1 April 2020)

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.

1.08.1.7 GRAP 38 - Disclosure Of Interests In Other Entities (effective 1 April 2020)

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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.08.1.8 GRAP 109 - Accounting By Principles And Agents (Effective 1 April 2019)

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.

1.08.1.9 GRAP 110 - Living And Non-Living Resources (Effective 1 April 2020)

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.

Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.1.10 iGRAP 1 (Revised) - Applying The Probability Test On Initial Recognition Of Revenue (effective 1 April 2020)

This Interpretation addresses the manner in which an entity applies the probability test on initial recognition of:

- (a) exchange revenue in accordance with GRAP 9; and
- (b) non-exchange revenue in accordance with GRAP 23.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

1.08.1.11 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

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.

1.08.1.12 iGRAP 18 - Recognition And Derecognition Of Land (Effective 1 April 2019)

This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements.

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

1.08.1.13 iGRAP 19 - Liabilities To Pay Levies (Effective 1 April 2019)

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

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

1.08.1.14 iGRAP 20 - Accounting for Adjustments to Revenue (effective 1 April 2020)

This Interpretation clarifies the accounting for adjustments to:

- (a) exchange and non-exchange revenue charged in terms of legislation or similar means; and
- (b) interest and penalties that arise from revenue already recognised.

No significant impact is expected as the Municipality's current treatment is already to a large extent in line with the Interpretation's requirements.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.08.2 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.

All Standards of GRAP currently issued, have effective dates.

1.09 INVESTMENT PROPERTY

1.09.1 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.

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.

1.09.2 Subsequent Measurement – Cost Model

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

1.09.3 Depreciation – 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.

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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:

	YEARS
Buildings	105

1.09.4 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.

1.09.5 Derecognition

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.

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.

1.10 PROPERTY, PLANT AND EQUIPMENT

1.10.1 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.

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.

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1.10.2 Subsequent Measurement - Cost Model

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

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

1.10.3 Depreciation

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 the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	YEARS
Land and Buildings	20 - 100
Infrastructure	5 - 120
Leased Assets	3 - 7
Other Property, Plant and Equipment	3 - 15

1.10.4 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.

1.10.5 Derecognition

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.

1.11 INTANGIBLE ASSETS

1.11.1 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.

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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.

1.11.2 Subsequent Measurement - Cost Model

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

1.11.3 Amortisation

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:

	Years
Computer Software	5

1.11.4 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.

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1.11.5 Derecognition

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.

1.12 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.

1.12.1 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.

1.12.2 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.

1.12.3 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.

1.12.4 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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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.

1.13 INVENTORIES

1.13.1 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.

1.13.2 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 first-in-first-out (FIFO) 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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1.14 EMPLOYEE BENEFITS

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

1.14.1 Post-Retirement Benefits

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

1.14.1.1 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.

1.14.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% 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.

1.14.1.3 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.14.2 Long-Term Benefits

1.14.2.1 Long Service Awards

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

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

1.14.3 Short-Term Benefits

1.14.3.1 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.

1.14.3.2 Bonuses

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

1.14.3.3 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.

1.14.3.4 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:

- a) 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.

1.15 PROVISIONS

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.

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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:

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

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

1.16 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.

1.16.1 Municipality As Lessee

1.16.1.1 Finance Leases

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.

1.16.1.2 Operating Leases

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.16.2 Municipality As Lessor

1.16.2.1 Finance Leases

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.

1.16.2.2 Operating Leases

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.

1.17 FINANCIAL INSTRUMENTS

1.17.1 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.

1.17.2 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.17.3 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.

1.17.3.1 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.

1.17.3.2 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 is not be reversed.

1.17.4 Derecognition Of Financial Instruments

1.17.4.1 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.

1.17.4.2 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.

1.17.5 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.

1.18 STATUTORY RECEIVABLES

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

1.18.1 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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.18.2 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.

1.18.3 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.

1.18.4 Derecognition

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.

1.19 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.20 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.21 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.22 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.24 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 a 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.

1.25 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.

1.25.1 Revenue From Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.25.1.1 *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.

1.25.1.2 *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.

1.25.1.3 *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.

1.25.1.4 *Insurance Refund*

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.

1.25.1.5 *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.

1.25.1.6 *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.

1.25.1.7 *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.

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.

1.25.1.8 *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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.25.2 Revenue From Exchange Transactions

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

1.25.2.1 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.

1.25.2.2 Interest Earned

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.

1.25.2.3 Rental Income

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

1.25.2.4 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.

1.25.2.5 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.

1.25.2.6 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.

1.25.2.7 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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.26 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.

1.27 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.

1.28 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.

1.29 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.

1.30 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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.

1.31 CAPITAL COMMITMENTS

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

1.32 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:

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.33 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.

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.

1.34 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

1.34.01 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 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.

GRAP implementation date for the Municipality is 1 July 2009 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2009 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

1.34.02 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.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.34.03 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.

1.34.04 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.

1.34.05 Post-Retirement And Long-Term Benefits

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

1.34.06 Provisions And Contingent Liabilities

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.

1.34.07 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.

1.34.08 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.

1.34.10 Provision For Staff Leave

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

1.34.11 Provision For Performance Bonuses

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

1.34.12 Componentisation Of Infrastructure Assets

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
2 INVENTORY		
Consumable Stores	177 988	271 301
Total Inventory	177 988	271 301
Inventory recognised as an expense during the year	962 569	491 800
Consumable stores materials losses/(gains) identified during stock counts	-	-
3 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
30 JUNE 2019		
Gross balances		
Service Receivables	29 762 260	19 918 691
Electricity	11 011 709	6 493 620
Refuse	9 094 258	6 535 516
House Rentals	3 113 774	2 517 200
Other Receivables	6 542 519	4 372 355
Sundry Receivables	477 444	477 444
Sundry	477 444	477 444
Total	30 239 704	20 396 134
Less: Allowance for Impairment		
Electricity Impairment	6 977 273	4 944 608
Refuse Impairment	7 423 377	5 205 007
Housing Rentals Impairment	2 047 751	1 784 069
Other Receivables Impairment	4 776 727	3 473 054
Total	21 225 127	15 406 737
Net Balance		
Electricity	4 034 436	1 549 012
Refuse	1 670 881	1 330 509
House Rentals	1 066 023	733 131
Other Receivables	1 765 792	899 301
Sundry Receivables	477 444	477 444
Total	9 014 576	4 989 397
Consumer debtors are receivable 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	15 406 737	12 653 615
Contributions to Provision	6 321 945	2 753 122
Bad debts written off	(503 554)	-
Total	21 225 127	15 406 737

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

2019

2018

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.

Ageing of Receivables from Exchange Transactions

Electricity

Current (0 -30 days)	1 134 043	960 644
31 - 60 days	695 085	438 084
61 - 90 days	508 659	468 701
91 - 120 days	336 546	306 231
121 - 150 days	366 174	331 393
> 150 days	7 971 203	3 988 567
Total	11 011 709	6 493 620

Refuse

Current (0 -30 days)	253 234	235 976
31 - 60 days	183 628	189 594
61 - 90 days	174 303	170 481
91 - 120 days	170 823	159 978
121 - 150 days	167 259	156 744
> 150 days	8 145 009	5 622 743
Total	9 094 258	6 535 516

Housing Rentals

Current (0 -30 days)	127 837	100 316
31 - 60 days	87 802	62 103
61 - 90 days	77 328	56 062
91 - 120 days	72 726	54 020
121 - 150 days	71 033	52 155
> 150 days	2 677 047	2 192 544
Total	3 113 774	2 517 200

Other Receivables

Current (0 -30 days)	443 946	345 567
31 - 60 days	359 900	270 063
61 - 90 days	313 642	268 667
91 - 120 days	287 880	222 332
121 - 150 days	284 215	209 457
> 150 days	4 852 935	3 056 271
Total	6 542 519	4 372 355

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
30 JUNE 2019		
Gross balances		
Rates	14 920 062	19 434 074
Traffic Fines	2 791 814	2 032 764
Other Receivables	3 235 276	9 585 611
Office of the Premier Grant (unpaid)	1 344 799	7 859 788
Energy Efficiency & Demand Side Management Grant (unpaid)	164 654	-
Deposit	581 480	581 480
Public contributions and subsidies	456 572	456 572
Other Debtors	687 771	687 771
Total	20 947 153	31 052 449
Less: Allowance for Impairment		
Rates Impairment	7 466 955	4 482 859
Traffic Fines Impairment	2 791 814	2 032 764
Other Receivables Impairment	-	-
Total	10 258 769	6 515 623
Net Balance		
Rates	7 453 107	14 951 215
Traffic Fines	-	-
Other Receivables	3 235 276	9 585 611
Total	10 688 384	24 536 826
Consumer debtors are receivable 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	6 515 623	14 735 830
Contributions to/(reversal of) Provision	3 999 265	(8 220 207)
Bad debts written off	(256 119)	-
Total	10 258 769	6 515 623
Ageing of Receivables from Exchange Transactions		
Rates		
Current (0 -30 days)	158 587	-
31 - 60 days	431 791	527 670
61 - 90 days	383 377	248 689
91 - 120 days	363 901	178 261
121 - 150 days	341 465	168 318
> 150 days	13 240 941	18 311 137
Total	14 920 062	19 434 074

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
5 TAXES		
VAT Receivable from SARS	2 955 429	6 638 592
VAT In Suspense	6 258 324	2 454 757
Less: VAT on Provision for Debt Impairment	1 660 339	1 424 039
Total	10 874 092	10 517 388

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Call Accounts	66 447 331	56 981 964
Current Accounts	10 543 087	2 288 838
Cash on hand	132 058	-
Cash Floats	2 436	-
Total	77 124 912	59 270 802

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

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

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772 (Primary bank account)	9 595 424	592 019
First National Bank - Acc no 62312151848 (Petty Cash Account)	121	149
Standard Bank - Acc no 280642407 (Revenue Account)	764 633	1 696 670
Wesbank - Acc no 13179 (Fuel Account)	182 909	-
Total	10 543 087	2 288 838

First National Bank - Acc no 62159933772 (Primary bank account)

Cash book balance at beginning of year	592 019	1 163 716
Cash book balance at end of year	9 595 424	592 019
Bank statement balance at beginning of year	476 413	1 163 716
Bank statement balance at end of year	9 624 674	476 413

First National Bank - Acc no 62312151848 (Petty Cash Account)

Cash book balance at beginning of year	149	4 152
Cash book balance at end of year	121	149
Bank statement balance at beginning of year	149	4 152
Bank statement balance at end of year	121	149

Standard Bank - Acc no 280642407 (Revenue Account)

Cash book balance at beginning of year	1 696 670	2 794 483
Cash book balance at end of year	764 633	1 696 670
Bank statement balance at beginning of year	1 696 670	2 794 483
Bank statement balance at end of year	764 633	1 696 670

Wesbank - Acc no 13179 (Fuel Account)

Cash book balance at beginning of year	-	-
Cash book balance at end of year	182 909	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	182 909	-

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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Call Investment Deposits:

Standard Bank - Acc no 3884 9717 3001 – Expanded Public Works	2 189 219	2 712 845
Standard Bank - Acc no 3884 9716 5001- Elundini Voting Station	1 484	18 657
Standard Bank - Acc no 3884 9341 0002 - FMG	1 791 299	1 785 022
Standard Bank - Acc no 3884 9300 3001 - Maclear greenfields	1 332	1 302
Standard Bank – Acc no 3884 9232 5001 - MSIG	406	406
Standard Bank - Acc no 3884 9081 0001 - NER	111 352	14 220 559
FNB – Acc no 6218 9194 170 - Equitable share	2 440 604	250 527
FNB – Acc no 6218 9180 111 - MIG	7 681 104	19 083 167
FNB – Acc no 6228 4785 121- Working capital reserve	45 373 054	13 058 710
FNB – Acc no 6237 8875 226 - Mayors social investment account	534 049	534 288
FNB – Acc no 6255 7779 322 - Joe Gqabi	5 652 857	5 316 480
FNB – Acc no 6278 5909 650 - Energy Efficiency	670 571	-
	66 447 331	56 981 964

7 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	414 407 679	390 573 925
Total	414 407 679	390 573 925
Repairs and maintenance incurred on Property, Plant and Equipment	13 058 747	8 440 544

The leased property, plant and equipment and the buildings are secured as set out in note 16.

The reconciliation of the carrying value of Property, Plant and Equipment is disclosed on the following page:

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

7 PROPERTY PLANT AND EQUIPMENT

30 JUNE 2019	Cost					Accumulated Depreciation and Impairment					Carrying Value R
	Opening Balance R	Additions R	Disposals R	Transfer to Capital Assets R	Closing Balance R	Opening Balance R	Additions R	Charge / (Reversal) R	Disposals R	Closing Balance R	
Land and Buildings	113 512 961	11 495 870	(1 194 507)	(4 370 606)	119 443 718	17 137 963	2 790 174	4 379 821	(210 273)	24 097 686	95 346 032
Land	6 765 101	-	-	(4 370 606)	2 394 494	-	-	-	-	-	2 394 494
Buildings	68 134 533	88 678	(1 194 507)	19 459 341	86 488 045	17 137 963	2 790 174	-	(210 273)	19 717 865	66 770 181
Work In Progress	38 613 327	11 407 192	-	(19 459 341)	30 561 178	-	-	4 379 821	-	4 379 821	26 181 357
Infrastructure	501 943 626	46 306 842	-	-	548 250 468	227 031 837	17 865 409	983 935	-	245 881 182	302 369 286
Electricity	66 613 942	-	-	966 856	67 580 798	13 263 385	1 911 483	-	-	15 174 868	52 405 929
Roads, Pavements, Bridges & Storm Water	377 284 016	-	-	7 469 381	384 753 396	213 768 452	15 953 927	-	-	229 722 378	155 031 018
Work in Progress	58 045 668	46 306 842	-	(8 436 236)	95 916 274	-	-	983 935	-	983 935	94 932 339
Lease Assets	1 183 077	202 463	-	-	1 385 540	605 187	50 477	-	-	655 664	729 876
Office Equipment	1 183 077	202 463	-	-	1 385 540	605 187	50 477	-	-	655 664	729 876
Other Assets	59 890 062	4 149 009	(1 039 163)	-	62 999 908	41 180 813	6 620 999	-	(764 388)	47 037 424	15 962 485
Furniture & Fittings	5 809 347	341 085	(511 862)	-	5 638 570	4 270 531	766 951	-	(371 702)	4 665 780	972 790
Motor Vehicles	22 561 887	2 646 822	(364 506)	-	24 844 203	16 210 969	2 366 487	-	(244 456)	18 333 000	6 511 203
Computer Equipment	8 002 222	1 094 700	(151 687)	-	8 945 235	4 935 573	1 084 504	-	(137 540)	5 882 537	3 062 698
Plant and Machinery	23 412 002	66 403	(11 108)	-	23 467 297	15 742 817	2 392 597	-	(10 690)	18 124 725	5 342 572
Security	104 604	-	-	-	104 604	20 922	10 460	-	-	31 382	73 222
Total	676 529 725	62 154 185	(2 233 670)	(4 370 606)	732 079 634	285 955 800	27 327 060	5 363 757	(974 661)	317 671 956	414 407 678

The following projects (included in Work in Progress) is taking a significant longer period to complete:

Project	Carrying value	Reason for delays
Construction of T83 to Platana Access Road	3 672 643	Contractor was terminated due to malperformance, whereby a new contractor was appointment. Funds was made available for 2019/20 to complete the project.
Mbidlana Access Road	3 478 080	Contractor was terminated due to malperformance, whereby the municipality has resorted to availing internal staff for the project.
Total	7 150 723	

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

7 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2018	Cost					Accumulated Depreciation and Impairment					Carrying Value R
	Opening				Closing	Opening				Closing	
	Balance R	Additions R	Disposals R	Transfer to Capital Assets R	Balance R	Balance R	Additions R	Charge / (Reversal) R	Disposals R	Balance R	
Land and Buildings	96 392 508	18 572 001	-	(1 451 548)	113 512 961	15 077 909	2 060 054	-	-	17 137 963	96 374 998
Land	6 765 101	-	-	-	6 765 101	-	-	-	-	-	6 765 101
Buildings	57 199 596	-	-	10 934 937	68 134 533	15 077 909	2 060 054	-	-	17 137 963	50 996 570
Work In Progress	32 427 811	18 572 001	-	(12 386 485)	38 613 327	-	-	-	-	-	38 613 327
Infrastructure	456 747 665	45 195 961	-	-	501 943 626	207 597 323	19 434 514	-	-	227 031 837	274 911 789
Electricity	62 629 700	-	-	3 984 242	66 613 942	11 458 759	1 804 626	-	-	13 263 385	53 350 557
Roads, Pavements, Bridges & Storm Water	357 197 247	-	-	20 086 768	377 284 016	196 138 564	17 629 888	-	-	213 768 452	163 515 564
Work in Progress	36 920 717	45 195 961	-	(24 071 010)	58 045 668	-	-	-	-	-	58 045 668
Lease Assets	1 183 077	-	-	-	1 183 077	605 187	-	-	-	605 187	577 890
Office Equipment	1 183 077	-	-	-	1 183 077	605 187	-	-	-	605 187	577 890
Other Assets	57 604 855	3 136 230	(2 302 571)	1 451 548	59 890 062	36 515 357	6 466 998	-	(1 801 542)	41 180 813	18 709 249
Furniture & Fittings	5 680 296	189 617	(60 566)	-	5 809 347	3 571 432	751 752	-	(52 653)	4 270 531	1 538 816
Motor Vehicles	23 413 146	1 106 738	(1 957 997)	-	22 561 887	15 735 180	1 963 369	-	(1 487 580)	16 210 969	6 350 918
Computer Equipment	7 466 033	643 025	(106 836)	-	8 002 222	3 908 172	1 119 503	-	(92 102)	4 935 573	3 066 649
Plant and Machinery	20 940 776	1 196 850	(177 172)	1 451 548	23 412 002	13 290 112	2 621 913	-	(169 208)	15 742 817	7 669 184
Security	104 604	-	-	-	104 604	10 461	10 461	-	-	20 922	83 682
Total	611 928 104	66 904 192	(2 302 571)	-	676 529 725	259 795 776	27 961 566	-	(1 801 542)	285 955 800	390 573 925

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

8 INVESTMENT PROPERTY

	2019	2018
Investment Property	46 067 087	42 176 507

The movement in investment properties is reconciled as follows:

	2019	2018
Opening Carrying Value	42 176 507	45 017 656
Cost	48 956 105	48 956 105
Accumulated Depreciation	(4 418 187)	(3 938 449)
Accumulated Impairment	(2 361 412)	-
Additions / Transfers	4 370 606	-
Disposals	-	-
Cost	-	-
Accumulated Depreciation	-	-
Depreciation	(480 025)	(479 737)
Impairment	-	(2 361 412)
Closing Carrying Value	46 067 087	42 176 507
Cost	53 326 711	48 956 105
Accumulated Depreciation	(4 898 212)	(4 418 187)
Accumulated Impairment	(2 361 412)	(2 361 412)

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 1 648 835 (2018 - R1 304 469) was identified on these investment properties and was recognised as revenue from rental of facilities. There are no work in progress for investment property.

9 INTANGIBLE ASSETS

Computer Software	7	7
Total	7	7

The movement in intangible assets is reconciled as follows:

	2019	2018
Opening Carrying Value	7	7
Cost	418 065	418 065
Accumulated Depreciation	(418 058)	(418 058)
Additions	-	-
Disposals	-	-
Cost	-	-
Accumulated Depreciation	-	-
Depreciation	-	-
Closing Carrying Value	7	7
Cost	418 065	418 065
Accumulated Depreciation	(418 058)	(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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2018

10 CAPITALISED RESTORATION COST (PPE)

Capitalised Restoration Cost - Carrying Value	<u>6 332 251</u>	<u>8 624 349</u>
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The movement in capitalised restoration cost is reconciled as follows:

Opening Carrying Value	8 624 349	5 246 294
Cost	12 162 893	8 095 049
Accumulated Depreciation	(3 538 544)	(2 822 692)
Accumulated Impairments	-	(26 063)
Additions	191 749	4 067 844
Disposals	(133 922)	-
Depreciation for the year	(2 349 925)	(715 852)
Reversal of impairments	-	26 063
Closing Carrying Value	<u>6 332 251</u>	<u>8 624 349</u>
Cost	12 220 720	12 162 893
Accumulated Depreciation	(5 888 469)	(3 538 544)
Accumulated Impairments	-	-

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill sites under control of the Elundini Municipality.

Although this item is accounted for under the Property Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

11 DEFERRED REVENUE

Rental of SASSA Building	-	185 377
Less: Current Portion transferred to Current Liabilities	-	(185 377)
Total	<u>-</u>	<u>-</u>

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.

12 CONSUMER DEPOSITS

Electricity	303 497	303 497
Housing Rental	82 301	81 588
Total	<u>385 799</u>	<u>385 086</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
13 EMPLOYEE BENEFIT OBLIGATIONS		
Current Employee Benefits		
Post Retirement Medical Benefits	123 982	115 785
Long-Service Provisions	557 788	381 488
Accrued Bonuses	2 417 224	2 217 327
Performance Bonuses	2 352 938	1 172 869
Staff Leave	4 595 258	4 101 093
Non-Current employee benefits		
Post Retirement Medical Benefits	1 436 653	1 260 986
Long-Service Provisions	4 191 548	3 148 860
Total	15 675 392	12 398 408
Current Employee Benefits	10 047 191	7 988 562
Non-Current employee benefits	5 628 201	4 409 846
Total	15 675 392	12 398 408
13.1 Accrued Bonuses		
Opening Balance	2 217 327	1 935 388
Contribution during the year	5 062 708	4 483 575
Payments made	(4 862 811)	(4 201 636)
Payments made	-	-
Closing Balance	2 417 224	2 217 327
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.		
13.2 Performance Bonuses		
Opening Balance	1 172 869	996 954
Contribution during the year	1 255 824	353 770
Payments made	(75 756)	(177 855)
Payments made	-	-
Closing Balance	2 352 938	1 172 869
Performance bonuses are being paid to Municipal Manager, Directors, Contract Workers and other Senior Managers after an evaluation of performance.		
13.3 Staff Leave		
Opening Balance	4 101 093	2 872 311
Contribution during the year	780 867	1 580 841
Payments made	(286 702)	(352 059)
Closing Balance	4 595 258	4 101 093
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.		

13.4 Post Retirement Medical Benefits

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

Opening Balance	1 376 771	1 492 858
Payments Made	(129 313)	(117 015)
Finance Charges	121 190	126 910
Actuarial Loss / (Gain)	191 987	(125 982)
Total balance at year-end	1 560 635	1 376 771
Less Current Portion	123 982	115 785
Total	1 436 653	1 260 986

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

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

Key Actuarial Assumptions used are as follows:

i) Interest Rates

Discount rate	8.86%	9.18%
Health Care Cost Inflation Rate	6.43%	7.10%
Net Effective Discount Rate	2.28%	1.94%

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

ii) Mortality Post-employment

PA(90) - 1 with a 1% mortality improvement per annum from 2010

iii) Last valuation

The last valuation was performed on 31 July 2019.

iv) 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
30 June 2019	1 560 635	1 560 635
30 June 2018	1 376 771	1 376 771
30 June 2017	1 492 858	1 492 858
30 June 2016	1 513 357	1 513 357
30 June 2015	1 798 214	1 798 214

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)
	R	R
30 June 2019	46 000	-
30 June 2018	(37 000)	-
30 June 2017	72 000	-
30 June 2016	(280 000)	-
30 June 2015	(125 000)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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Sensitivity Analysis on the Accrued Liability

Assumption	Total liability (Rm)	% change
Liability	1 560 635	
Health care inflation		
+ 1%	1 723 000	10%
- 1%	1 421 000	-9%
Discount rate		
+ 1%	1 425 000	-9%
- 1%	1 721 000	10%
Post-retirement mortality		
- 1 year	1 619 000	4%

Sensitivity Analysis on the Interest Costs

Assumption	Interest	% change
Estimated interest for 2019/20	132 900	
Health care inflation		
+ 1%	147 300	11%
- 1%	120 600	-9%
Discount rate		
+ 1%	134 500	1%
- 1%	130 500	-2%
Post-retirement mortality		
- 1 year	138 100	4%

13.5 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

Opening Balance	3 530 348	3 415 935
Contribution during the year	587 116	528 866
Expenditure for the Year	(274 543)	(433 073)
Finance Charges	285 871	247 462
Actuarial (Gain)/Loss	620 544	(228 843)
Total balance at year-end	4 749 336	3 530 348
Less Current Portion	(557 788)	(381 488)
Total	4 191 548	3 148 860

The following members are eligible for long service bonuses:

	2019	2018
In-service members	283	275

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 283 employees (2018 - 275 employees), but they are not all eligible for payment in the same year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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2018

Key Actuarial Assumptions used are as follows:

i) Interest Rates

Discount rate	8.15%	8.55%
General Salary Inflation (long-term)	5.56%	6.16%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.45%	2.25%

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

ii) Last valuation

The last valuation was performed on 31 July 2019.

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:

Present value
of fund
obligations
R

30 June 2019	4 749 336
30 June 2018	3 530 348
30 June 2017	3 415 935
30 June 2016	2 809 535
30 June 2015	2 417 470

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

Experience adjustments were calculated as follows:

	Liabilities (Gain)/Loss R	Assets Gain/(Loss) R
30 June 2019	348 115	-
30 June 2018	293 874	-
30 June 2017	319 878	-
30 June 2016	157 004	-
30 June 2015	(14 772)	-

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Total liability (Rm)	% change
Liability	4 749 336	
General salary inflation		
+ 1%	5 072 000	7%
- 1%	4 459 000	-6%
Discount rate		
+ 1%	4 451 000	-6%
- 1%	5 088 000	7%
Average retirement age		
- 2 years	4 475 000	-6%
+ 2 years	5 158 000	9%
Withdrawal rates		
- 50%	5 586 000	18%

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Sensitivity Analysis on the future Current-service and Interest Costs

Assumption	Current Service Cost (Rm)	Interest Cost (Rm)	Total Cost (Rm)	% change
Future Cost for 2019/20	834 300	364 800	1 199 100	
General salary inflation				
+ 1%	901 900	391 100	1 293 000	8%
- 1%	774 100	341 100	1 115 200	-7%
Discount rate				
+ 1%	779 700	382 300	1 162 000	-3%
- 1%	896 500	344 200	1 240 700	3%
Average retirement age				
- 2 years	794 500	342 500	1 137 000	-5%
+ 2 years	873 300	397 100	1 270 400	6%
Withdrawal rates				
- 50%	1 027 100	433 000	1 460 100	22%

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

Council contributes to the following defined benefit plans:

Consolidated Retirement Fund (Former Cape Retirement Fund)	4 739 426	3 877 068
--	-----------	-----------

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100.6% (30 June 2015 - 100.4%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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Defined Contribution Funds

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

Contributions paid recognised in the Statement of Financial Performance:

SALA Pension	1 134 474	1 002 280
SAMWU National	3 994 787	3 417 971
National Municipal Workers Fund	515 578	368 009
Discovery Investment	27 300	15 166
Total	5 672 139	4 803 426

14 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	36 183 417	29 360 364
Sundry creditors	691 411	338 437
Payments Received in Advanced	1 941 151	697 164
Retention	12 759 968	9 742 653
Bursary Scheme	31 747	31 747
Deposits Received	210 562	165 070
Total	51 818 255	40 335 434

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 (2018 - R581 480) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipality did not default on any of their payments.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**Unspent Conditional Grants and Receipts Comprises of:**

Municipal Infrastructure Grant	-	3 620 013
Integrated National Electrification Programme (INEP)	-	181 745
Expanded Public Works Program (EPWP)	-	318 305
Libraries Grant	711 423	705 034
DEDEA Grant	500 000	-
Voter Station Grant	1 360	1 360
Total	1 212 783	4 826 457

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.

<i>Figures in Rand</i>		2019	2018
16	FINANCE LEASES		
	At amortised cost		
	Capitalised Lease	157 537	162 782
	Less Current Portion	(64 506)	(162 782)
	Total	93 031	-
	Capital lease liabilities at amortised cost are calculated at 19.68% interest rate, with maturity date of 31 August 2021.		
	Non-current liabilities		
	At amortised cost	93 031	-
	Current liabilities		
	At amortised cost	64 506	162 782
	Minimum lease payments		
	Payable within one year	89 893	176 965
	Payable within two to five years	104 876	-
	Subtotal	194 769	176 965
	Less: Future finance obligations	(37 233)	(14 183)
	Total	157 537	162 782

17	PROVISIONS		
	Landfill Sites	17 714 382	16 633 375
	Total	17 714 382	16 633 375
	Reconciliation of provisions		
	Opening Balance	16 633 375	11 832 026
	Increase in Estimate	191 749	4 067 844
	Decrease in Estimate	(133 922)	-
	Unwinding of discounted interest	1 023 180	733 505
	Total	17 714 382	16 633 375

The Municipality is required by relevant Environmental Legislation to rehabilitate landfill sites at the closure date of each respective site. 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	8 100 578	7 718 403
Maclear	3 685 756	3 511 086
Ugie	5 928 048	5 403 886
Total	17 714 382	16 633 375

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated Decommission Date	Future Cost of Rehabilitation	Future Cost of Rehabilitation
Mount Fletcher	2021	9 144 794	9 192 743
Maclear	2023	4 697 236	4 698 625
Ugie	2025	8 528 749	8 163 774
Total		22 370 779	22 055 142

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.

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?	10 000 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?	2021
If the site is operational, what is the annual tonnage of waste deposited on site?	5 000 tons
If the site is not operational what was the date the site was last operated?	N/A
Is there any hazardous waste on site?	Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site.
Are there any existing boreholes for monitoring?	No
Is there a monitoring program in place?	N/A
Are there any geographical features that should be taken into consideration?	No
Status of cover material?	N/A. Trench System, cover material available from trenching process.

Maclear Landfill Site:

Size of operational landfill area?	Nil m ² (Platform)
Is the site licensed?	Yes
What is the classification of the site	G:S:B
Is the site operational?	Site is now a transfer station
If the site is operational, is there an expected closure date?	2023
If the site is operational, what is the annual tonnage of waste deposited on site?	1 000 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 Spring on adjacent farm
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

Ugie Landfill Site:

Size of operational landfill area?	8 000 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?	2025
If the site is operational, what is the annual tonnage of waste deposited on site?	Estimate 5,000 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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	2019	2018
Are there any existing boreholes for monitoring? Is there a monitoring program in place?	Yes	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
Are there any geographical features that should be taken into consideration? Status of cover material?	No	Cover material on site, volume unknown.
18 ACCUMULATED SURPLUS		
Accumulated Surplus	466 033 584	407 945 152
Total	466 033 584	407 945 152
19 SERVICE CHARGES		
Electricity	30 277 903	26 674 001
Refuse Removal	5 280 628	5 046 779
Total Service charges prior to rebates	35 558 531	31 720 781
Less: Rebates	(2 275 936)	(4 858 699)
Electricity	(1 140 579)	(2 683 133)
Refuse Removal	(1 135 358)	(2 175 566)
Total	33 282 595	26 862 081
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.		
20 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of Facilities	1 686 027	1 304 469
Rental of Equipment	6 355 603	6 000 263
Deferred Rental Income	193 068	193 068
Total	8 234 698	7 497 800
21 INVESTMENT REVENUE		
Interest on bank balances	5 515 291	4 786 831
Interest charged on trade and other receivables	1 970 411	1 893 181
Total	7 485 702	6 680 012
22 LICENCES AND PERMITS		
Public Drivers Permits	201 087	217 720
Driving Licences	456 161	414 266
Learner Driving Licences	332 160	313 379
Registrations	1 806 663	1 391 320
Total	2 796 071	2 336 685

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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	2019	2018
23 OTHER INCOME		
Building Plan and Inspection Fees	61 759	84 297
Cemetery Fees	30 500	31 639
Commission Received	110 205	115 411
Sundry Income	129 808	7 179
Tender Document Sales	298 532	138 140
Skills Development Levy Refund	169 713	165 831
Total	800 516	542 497

24 PROPERTY RATES		
Rateable Land and Buildings	28 822 405	22 268 662
Less: Rebates	(5 619 280)	(3 860 237)
Total	23 203 124	18 408 425

Property rate levied are based on the following rateable valuations and disclosed net of any rebates granted:

Valuations

Residential	769 544 051	538 842 500
Special Residential	329 469 000	316 599 828
Business and Government Property used by Local Government	548 973 002	414 484 000
Industrial	211 807 000	183 058 500
Government Property used by Provincial and District Government	50 102 900	44 498 500
Government Property used by National Government	25 198 000	22 273 500
Public Service Infrastructure and Agriculture	4 433 812 118	3 372 587 942
Municipal Owned Property and Churches	452 104 883	555 997 276
Rateable Land and Buildings	6 821 010 954	5 448 342 046

Rebates on Income - Basic Rate:

Residential	0.721c/R	0.684c/R
Special Residential	1.082c/R	1.027c/R
Business and Government Property used by Local Government	1.442c/R	1.369c/R
Industrial	1.442c/R	1.369c/R
Government Property used by Provincial and District Government	1.442c/R	1.369c/R
Government Property used by National Government	1.442c/R	1.369c/R
Public Service Infrastructure and Agriculture	0.180c/R	0.171c/R
Municipal Owned Property and Churches	0.000c/R	0.000c/R

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
25 GOVERNMENT GRANTS AND SUBSIDIES		
Operating grants		
Equitable Share	138 382 305	134 116 000
Municipal Finance Management Grant	1 700 000	1 700 000
Integrated National Electrification Programme (INEP)	25 817 745	29 818 255
Libraries Grant	743 611	600 904
Municipal Infrastructure Grant - Operating	1 910 350	1 979 350
Expanded Public Works Program (EPWP)	1 777 000	2 330 695
Energy Efficiency & Demand Side Management	3 164 654	-
DEDEA Grant	-	-
Total	173 495 665	170 545 204
Capital grants		
Municipal Infrastructure Grant - Capital	39 916 663	39 987 637
Premier's Office Grant	20 064 087	28 309 324
Voter Station Grant	-	-
Total	59 980 750	68 296 961
Total Grants and Subsidies	233 476 415	238 842 165

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	95 094 110	104 726 165
Unconditional grants received	138 382 305	134 116 000
Total	233 476 415	238 842 165

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	138 382 305	134 116 000
Vote 1 - Executive & Council	-	-
Vote 2 - Budget and Treasury	1 700 000	1 700 000
Vote 3 - Corporate admin	-	-
Vote 4 - Community Services	2 520 611	2 931 599
Vote 5 - Strategic Planning Development	-	-
Vote 6 - Infrastructure Planning & Development	90 873 499	100 094 567
Total	233 476 415	238 842 165

25.01 Equitable Share

Opening Unspent Balance	-	-
Grants Received	138 382 305	134 116 000
Transferred to Revenue - Operating	(138 382 305)	(134 116 000)
Transferred to Revenue - Capital	-	-
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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	2019	2018
25.02 Municipal Finance Management Grant		
Opening Unspent Balance	-	-
Grants Received	1 700 000	1 700 000
Transferred to Revenue - Operating	(1 700 000)	(1 700 000)
Transferred to Revenue - Capital	-	-
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).		
25.03 Integrated National Electrification Programme (INEP)		
Opening Unspent Balance	181 745	-
Grants Received	25 636 000	30 000 000
Transferred to Revenue - Operating	(25 817 745)	(29 818 255)
Transferred to Revenue - Capital	-	-
Closing Unspent Balance	-	181 745
The National Electrification Grant is used for electrical connections in previously disadvantaged areas.		
25.04 Libraries Grant		
Opening Unspent Balance	705 033	555 937
Grants Received	750 000	750 000
Transferred to Revenue - Operating	(743 611)	(600 904)
Transferred to Revenue - Capital	-	-
Closing Unspent Balance	711 422	705 033
The Library Grant is used to pay the salaries of library staff.		
25.05 Expanded Public Works Program (EPWP)		
Opening Unspent Balance	318 305	-
Grants Received	1 458 695	2 649 000
Transferred to Revenue - Operating	(1 777 000)	(2 330 695)
Transferred to Revenue - Capital	-	-
Closing Unspent Balance	-	318 305
The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.		
25.06 Municipal Infrastructure Grant		
Opening Unspent Balance	3 620 013	-
Grants Received	38 207 000	45 587 000
Transferred to Revenue - Operating	(1 910 350)	(1 979 350)
Transferred to Revenue - Capital	(39 916 663)	(39 987 637)
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.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
25.07 Energy Efficiency & Demand Side Management		
Opening Unspent Balance	-	-
Grants Received	3 000 000	-
Transferred to Revenue - Operating	(3 164 654)	-
Transferred to Revenue - Capital	-	-
Closing Unspent Balance	(164 654)	-
This grant is used for maintaining electrical infrastructure assets and street lights.		
25.08 Premier's Office Grant		
Opening Unspent Balance	(7 859 788)	-
Grants Received	26 579 076	20 449 536
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	(20 064 087)	(28 309 324)
Closing Unspent Balance	(1 344 799)	(7 859 788)
This grant is utilised for the revitalization of Mt Fletcher Streets and electricity.		
25.09 DEDEA Grant		
Opening Unspent Balance	-	-
Grants Received	500 000	-
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	-	-
Closing Unspent Balance	500 000	-
This grant is utilised to build sheep shearing sheds for emerging farmers.		
25.09 Voter Station Grant		
Opening Unspent Balance	1 360	1 360
Grants Received	-	-
Transferred to Revenue - Operating	-	-
Transferred to Revenue - Capital	-	-
Closing Unspent Balance	1 360	1 360
This grant is used for maintenance of roads to voting stations		
25.10 Total Grants		
Opening Unspent Balance	(3 033 332)	557 297
Grants Received	236 213 076	235 251 536
Transferred to Revenue - Operating	(173 495 665)	(170 545 204)
Transferred to Revenue - Capital	(59 980 750)	(68 296 961)
Closing Unspent Balance	(296 671)	(3 033 332)
Disclosed as follow:		
- Receivables from non-exchange transactions - note 4	(1 509 453)	(7 859 788)
- Unspent Conditional Government Grants and Receipts - note 15	1 212 782	4 826 456
	(296 671)	(3 033 332)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

<i>Figures in Rand</i>	2019	2018
26 ACTUARIAL GAINS / (LOSSES)		
Post Retirement Medical Benefits	(191 987)	125 982
Long Service Awards	(620 544)	228 843
Total	(812 532)	354 825
27 FINES, PENALTIES AND FORFEITS		
Traffic fines	793 800	350 400
Illegal connection fines	9 373	17 246
Pound Fees	219 402	97 594
Retention	143 628	630 068
Total	1 166 204	1 095 308
28 EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	64 881 122	54 380 171
Pension and UIF Contributions	10 997 770	10 046 022
Medical Aid Contributions	4 031 771	3 648 716
Overtime	4 107 860	3 242 637
Motor Vehicle Allowance	1 233 862	1 120 810
Cellphone Allowance	326 377	353 906
Housing Allowance	88 039	107 790
Other benefits and allowances	4 542 784	3 435 986
Acting Allowance	775 170	951 200
Bargaining Council	30 406	29 707
Other Allowances	2 422 186	1 705 292
Scarcity Allowance	321 371	37 871
Standby Allowance	993 651	711 916
Contributions to Employee Benefits	7 686 515	6 947 053
Bonuses	5 062 708	4 483 575
Staff Leave	780 867	1 580 841
Performance Bonus	1 255 824	353 770
Long Service Awards	587 116	528 866
Workmens Compensation Fund	1 075 960	402 130
Total	98 972 059	83 685 220
Remuneration of Key Personnel		
Municipal Manager - K Gashi		
Annual Remuneration	782 175	786 347
Car Allowance	317 259	321 547
Performance Bonuses	-	55 213
Contributions to UIF, Medical and Pension Funds	127 101	130 562
Total	1 226 535	1 293 669
Director Infrastructure Planning and Development - X Mntonintshi (until 30 Sept 2017)		
Annual Remuneration	-	179 414
Car Allowance	-	104 189
Contributions to UIF, Medical and Pension Funds	-	620
Leave pay	-	100 472
Total	-	384 695

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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Director Corporate Services - SR Matubatuba

Annual Remuneration	687 242	632 647
Car Allowance	308 974	345 567
Performance Bonuses	-	27 200
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Total	998 106	1 007 298

Director Infrastructure Planning and Development - S Sako (appointed December 2017)

Annual Remuneration	742 807	414 960
Car Allowance	218 406	127 086
Contributions to UIF, Medical and Pension Funds	78 871	37 238
Total	1 040 084	579 284

Chief Financial Officer - J Mdeni

Annual Remuneration	716 874	681 137
Car Allowance	287 098	391 992
Performance Bonuses	-	27 200
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Total	1 005 862	1 102 213

Director Strategic Planning and Economic Development - NC Eddie

Annual Remuneration	827 504	776 971
Car Allowance	237 646	234 189
Performance Bonuses	-	47 844
Contributions to UIF, Medical and Pension Funds	1 890	1 875
Leave pay	-	114 825
Total	1 067 040	1 175 704

Director Community Services - L Kokose

Annual Remuneration	716 750	608 314
Car Allowance	232 475	280 192
Performance Bonuses	6 800	20 400
Contributions to UIF, Medical and Pension Funds	126 644	76 281
Total	1 082 669	985 187

29 REMUNERATION OF COUNCILLORS

Executive Mayor	872 149	840 313
Speaker	706 600	681 130
Councillors	8 497 391	8 133 848
Chief Whip	390 322	377 418
EXCO	1 561 288	1 509 671
Total	12 027 751	11 542 381

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.

30 DEBT IMPAIRMENT

Receivables from Exchange Transactions	6 321 945	2 753 122
Receivables from Non-Exchange Transactions	3 999 265	(8 220 207)
	10 321 209	(5 467 084)
VAT portion on provision for Debt Impairment	(236 300)	(187 882)
Total	10 084 909	(5 654 966)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

<i>Figures in Rand</i>		2019	2018
31	DEPRECIATION AND AMORTISATION		
	Property, Plant and Equipment	27 327 060	27 961 566
	Investment Property	480 025	479 737
	Intangible assets	-	-
	Capitalised Restoration Cost (PPE)	2 349 925	715 852
	Total	30 157 010	29 157 156
32	IMPAIRMENT LOSS		
	Property, Plant and Equipment	5 363 757	-
	Investment Property	-	2 361 412
	Total	5 363 757	2 361 412
33	FINANCE COST		
	Employees benefits	407 061	374 372
	Finance leases	40 249	54 062
	Interest	11 000	76 517
	Landfill Site Provision	1 023 180	733 505
	Deferred Revenue	7 691	21 168
	Total	1 489 181	1 259 623
34	BULK PURCHASES		
	Electricity	20 820 704	20 017 802
	Total	20 820 704	20 017 802
35	CONTRACTED SERVICES		
	Accounting and Auditing	6 444 764	5 083 046
	Administrative and Support Staff	190 184	420 645
	Audit Committee	253 611	101 040
	Catering Services	1 419 085	1 355 140
	Dumping Sites	1 310 822	1 394 868
	Electrical	26 872 314	22 247 388
	Engineering	56 170	2 841 190
	Internal Audit	1 299 057	1 611 726
	Legal Services	774 233	513 387
	Licence Cards	120 208	115 024
	Maintenance Services	13 058 747	8 440 544
	Organisational	2 318 741	569 285
	Personnel and Labour	6 579 284	4 963 002
	Prepaid Electricity Vendors	175 565	179 949
	Professional Staff	1 885 227	1 510 518
	Project Management	780 349	1 162 919
	Qualification Verification	42 719	208 465
	Research and Advisory	980 373	323 265
	Refuse Removal	213 465	151 602
	Safeguard and Security	3 063 245	2 311 584
	Valuer and Assessors	672 398	1 043 478
	Other Contracted Services	730 544	919 669
	Total	69 241 105	57 467 733

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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	2019	2018
36 GENERAL EXPENSES		
Advertising Publicity and Marketing	1 975 474	835 016
External Audit Fees	3 496 269	3 829 875
Bank Charges	1 381 121	419 828
Commission Paid	847 383	492 907
Computer Services	567 458	1 798 661
Fuel and Oil	3 670 971	2 977 718
Insurance	640 058	521 748
Lease Rentals	1 273 827	628 511
Learnerships and Internships	186 219	1 292 238
Management Fees	138 960	8 738 608
Motor Vehicle Licences	444 720	240 230
Municipal Services	170 324	217 178
Printing and Stationary	1 318 613	1 306 397
Protective Clothing	1 026 387	831 773
Skills Development Levy	963 099	825 753
Professional Bodies, Membership and Subscription	1 504 575	1 845 792
Telephone and Fax	2 476 421	2 791 975
Training	2 731 182	3 206 411
Travel and Subsistence	9 309 639	8 432 243
Ward Committees	1 362 920	1 331 846
Other Sundries and Consumables	138 572	138 822
Total	35 624 191	42 703 529
37 TRANSFERS AND SUBSIDIES		
Indigent Support - Eskom Electricity	1 629 546	1 590 126
Indigent Support - Other Energy Sources	495 000	-
Elundini Cooperative Development Centre	303 610	540 000
Total	2 428 156	2 130 126
38 SALE OF GOODS/INVENTORY		
Inventory Consumed	962 569	491 800
Total	962 569	491 800
39 PROFIT/LOSS ON DISPOSAL MONETARY ASSETS		
Cash Received	-	622 518
Carrying value of assets disposed	(1 259 009)	(501 028)
Total	(1 259 009)	121 490

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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40 PRIOR PERIOD ADJUSTMENTS**40.01 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Balance Previously Reported	5 322 705
Correction of immaterial errors noted	(333 307)
Restated Balance on 30 June 2018	4 989 398

40.02 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance Previously Reported	23 099 402
Correction of immaterial errors noted	1 437 423
Restated Balance on 30 June 2018	24 536 825

40.03 TAXES

Balance Previously Reported	1 643 860
Opening Balance incorrectly transferred to 2018 ledger	1 294 699
Accruals for 2017/18 not raised	946 704
VAT incorrectly raised on Department of Transport Receipts	788 520
VAT correction made to operating expenditure	1 280 744
VAT Corrections made to infrastructure assets	2 973 554
Correction of other immaterial errors noted	1 589 308
Restated Balance on 30 June 2018	10 517 388

40.04 CASH AND CASH EQUIVALENTS

Balance Previously Reported	59 239 863
Correction of immaterial errors noted	30 939
Restated Balance on 30 June 2018	59 270 802

40.05 OTHER CURRENT ASSETS

Balance Previously Reported	45 907
Correction of immaterial errors noted	(45 907)
Restated Balance on 30 June 2018	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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40.06 PROPERTY, PLANT AND EQUIPMENT

Balance Previously Reported	405 201 157
Reclassify Capital Restoration Costs (PPE)	(8 624 349)
Net result of asset verification performed - 1 July 2017 (carrying value)	(10 657 492)
Change in depreciation and disposals as a result of above-mentioned corrections	4 011 776
Correction of other immaterial errors noted	642 834
Restated Balance on 30 June 2018	390 573 925

40.07 INVESTMENT PROPERTY

Balance Previously Reported	36 083 155
Net result of asset verification performed - 1 July 2017 (carrying value)	8 857 529
Impairment not recognised	(2 361 412)
Change in depreciation and disposals as a result of above-mentioned corrections	(402 766)
Restated Balance on 30 June 2018	42 176 507

40.08 CAPITALISED RESTORATION COST (PPE)

Balance Previously Reported	-
Reclassify Capital Restoration Costs (PPE)	8 624 349
Restated Balance on 30 June 2018	8 624 349

40.09 CURRENT PORTION OF DEFERRED REVENUE

Balance Previously Reported	171 900
Correction of immaterial errors noted	13 477
Restated Balance on 30 June 2018	185 377

40.10 CONSUMER DEPOSITS

Balance Previously Reported	399 064
Correction of immaterial errors noted	(13 978)
Restated Balance on 30 June 2018	385 086

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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40.11 CURRENT EMPLOYEE BENEFITS

Balance Previously Reported	7 768 394
Correction of immaterial errors noted	220 168
Restated Balance on 30 June 2018	7 988 562

40.12 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance Previously Reported	29 518 410
Opening Balance incorrectly transferred to 2018 ledger	7 895 536
Duplicated / invalid operating expenditure invoices raised in creditors control account	(7 263 978)
Accruals for 2017/18 not raised	8 578 819
Correction of other immaterial errors noted	1 606 647
Restated Balance on 30 June 2018	40 335 434

40.13 ACCUMULATED SURPLUS

Balance Previously Reported	467 017 127
Corrections included in 2018 Statement of Financial Performance	96 822
Correction of other immaterial errors noted	(1 080 357)
Restated Balance on 30 June 2018	466 033 592

40.14 STATEMENT OF FINANCIAL PERFORMANCE

Surplus previously reported	57 991 609
Net effect of the corrections made as per note 40.01 to 40.12 on the Statement of Financial Performance	96 822
Restated Surplus on 30 June 2018	58 088 431

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

Figures in Rand

	2019	2018
41 CASH FROM OPERATIONS		
Net Surplus/(Deficit) for the year	21 689 247	58 088 431
Non-Cash Expenditure and Revenue	49 115 149	26 490 269
Actuarial Gains	-	(354 825)
Impairment recovered	-	-
Reversal of Impairment Loss (included under Other Income)	-	(26 063)
Profit on disposal Monetary Assets	-	(121 490)
Debt Impairment	10 084 909	(5 654 966)
Depreciation and Amortisation	30 157 010	29 157 156
Impairment loss	5 363 757	2 361 412
Finance Charges	1 437 932	1 129 045
Actuarial Losses	812 532	-
Loss on disposal Monetary Assets	1 259 009	-
Contributions - Provisions and Employee Benefits	7 686 515	6 947 053
Post Retirement Medical Benefits	-	-
Long Service Awards	587 116	528 866
Performance Bonuses	1 255 824	353 770
Bonuses	5 062 708	4 483 575
Staff Leave	780 867	1 580 841
Expenditure - Provisions and Employee Benefits	(5 629 126)	(5 281 637)
Post Retirement Medical Benefits	(129 313)	(117 015)
Long Service Awards	(274 543)	(433 073)
Performance Bonuses	(75 756)	(177 855)
Bonuses	(4 862 811)	(4 201 636)
Staff Leave	(286 702)	(352 059)
Other adjustments	(759 673)	-
Bad Debts Written Off	(759 673)	-
Operating Surplus before changes in working capital	72 102 112	86 244 116
Movement in working capital	7 910 715	(2 361 585)
Receivables from exchange and non-exchange transactions	498 027	(15 905 187)
Deferred Revenue	(193 068)	(193 068)
Inventory	93 313	(8 705)
Payables from exchange transactions	11 482 822	13 965 980
Unspent Conditional Government Grants	(3 613 674)	4 269 160
Taxes	(356 705)	(4 489 765)
Cash Flow from Operating Activities	80 012 827	83 882 531
42 CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents comprise out of the following:		
Call Accounts	66 447 331	56 981 964
Current Accounts	10 543 087	2 288 838
Cash on hand	132 058	-
Cash Floats	2 436	-
Total	77 124 912	59 270 802

Refer to note 6 for more details relating to cash and cash equivalents.

43 BUDGET COMPARISONS**43.1 COMPARABLE BASIS**

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

Statement of Financial Position

The Statement of Financial Position is presented on a comparable basis.

Statement of financial performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement. Other revenue per budget statement consist out of the following line items - Public Contributions and donations, Other Income, Actuarial Gains and Insurance Receipts.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement. Other Expenditure per budget statement consist out of the following line items - Other Expenditure, Repairs and Maintenance, Operating Grant Expenditure, Fair Value Adjustments and Actuarial Losses.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

43.2 MATERIAL VARIANCES**Statement of financial position - Budget Adjustments**

With the adjustment budget presented, the Statement of Financial Position was not accurately populated.

Statement of financial position - Budget versus Actual

Due to the Statement of Financial Position not accurately populated, no meaningful budget comparison can be made in this regard. The reason for the budget not being accurately populated is mainly due to the opening balances not included in the budget, but only the movement for the year under review.

Statement of financial performance - Budget Adjustments

All proposed adjustments based on actual figures available during mid-year performance assessment of the municipality.

Statement of financial performance - Budget versus Actual

Property Rates	Property Rates were less than budget, as rebates were budgeted as expenditure rather than a deduction in revenue.
Service Charges	Service Charges were less than budget, as rebates were budgeted as expenditure rather than a deduction in revenue.
Investment revenue	More cash surpluses were available which were invested in call deposit accounts
Transfers recognised - operational	Libraries and DEDEA grant not spent in full.
Other own revenue	Roll over funds were budgeted as other income.
Depreciation and asset impairment	Depreciation was more than budget due decrease in useful lives as a result of the physical verification performed in current year.
Bulk purchases	Bulk Purchases were less than budget due to the introduction of smart meters.
Contracted Services	Actuals were less than budget due to not all project concluded in the current year.
Transfers and grants	Transfer and grants was budgeted as part of Other Expenditure.
Other expenditure	Actuals were less than budget as a result of cost containment measures implemented.
Transfers recognised - capital	Budget was incorrect, as the budget was based on receipts and not income to be recognised.

Cash Flow Statement - Budget Adjustments

All proposed adjustments based on actual figures available during mid-year performance assessment of the municipality.

Cash Flow Statement - Budget versus Actual

Net Cash Flow from Operating Activities was more than budget due to savings on Contracted Services and Other Expenditure. Reasons are provided under Statement of Financial Performance above.

Net Cash Flow from Investing Activities was less than budget as not all capital projects were implemented/concluded at year-end

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**44.1 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure consist out of the following:

Opening Balance	-	-
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Approved by Council	-	-
Unauthorised expenditure awaiting approval	-	-

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Variance analysis was performed and submitted to Council to condone.

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44.2 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure consist out of the following:

Opening Balance	-	-
Fruitless and wasteful expenditure incurred	-	-
Approved by Council	-	-
Fruitless and wasteful expenditure awaiting approval	-	-

Details of Fruitless and wasteful expenditure incurred :

None	-	-
Total	-	-

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

44.3 IRREGULAR EXPENDITURE

Irregular expenditure consist out of the following:

Opening Balance	334 699	6 645 697
Irregular expenditure incurred	50 575 910	54 530 617
Approved by Council	(49 888 662)	(60 841 615)
Irregular expenditure awaiting approval	1 021 947	334 699

Details of Irregular expenditure incurred :

SCM Processes not followed	73 492	16 740
Deviations not in line with SCM Regulation 36	6 280	188 220
Incorrect calculations of Preferential Points during evaluation	1 287 360	-
Breach of Regulation 29 , where there was less than 4 Senior Managers sitting in the BAC	48 452 135	54 325 657
Making use of non compliant service providers	46 084	-
Policy not followed with appointment of employee	710 560	-
Total	50 575 910	54 530 617

Number of incidents:

SCM Processes not followed	15	4
Deviations not in line with SCM Regulation 36	2	1
Incorrect calculations of Preferential Points during evaluation	5	-
Breach of Regulation 29 , where there was less than 4 Senior Managers sitting in the BAC	4	10
Making use of non compliant service providers	7	-
	1	-
Total	34	15

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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45 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	20 089 736	20 234 152
- Units sold (Kwh)	15 210 363	15 446 172
- Units lost during distribution (Kwh)	4 879 373	4 787 980
- Percentage lost during distribution	24.29%	23.66%
- Average Cost per kWh unit (excl VAT)	1.03	0.99
- Rand Value of Loss	5 020 387	4 740 100

The root causes of these losses are technical and administrative in nature. Technical losses are distribution network electrical losses inherent in the physical delivery of electric energy. It includes conductor losses, transformer core losses, and potential/current coils in metering equipment. Administrative losses includes distribution network losses that accounts for the electric energy used by the distribution utility in the proper operation of the distribution network.

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Salga Contributions [MFMA 125 (1)(b)]

Opening balance	-	-
Expenditure incurred	986 679	880 042
Payments	(986 679)	(880 042)
Outstanding Balance	-	-

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

Opening balance	-	-
Expenditure incurred	3 496 269	3 829 875
Payments	(3 496 269)	(3 829 875)
Outstanding Balance	-	-

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

Opening balance	6 638 592	4 105 622
Movement during the year	(3 683 163)	2 532 970
Outstanding Balance	2 955 429	6 638 592

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.

46.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

Opening balance	-	-
Payments due to SARS	17 120 709	14 096 205
Payments	(17 120 709)	(14 096 205)
Outstanding Balance	-	-

46.5 PENSION AND MEDICAL AID CONTRIBUTIONS [MFMA 125 (1)(c)]

Opening balance	-	-
Payments due to pension fund and medical aid	23 276 623	24 019 030
Payments	(23 276 623)	(24 019 030)
Outstanding Balance	-	-

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46.6 COUNCILLORS ARREAR ACCOUNTS [MFMA 124 (1)(b)]

No Councillor had any arrear account outstanding for more than 90 days at year end.

46.7 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:

Section 36(1)(a)(i) - Emergencies	1 124 255	397 956
Section 36(1)(a)(ii) - Single Provider	1 239 311	4 484 648
Section 36(1)(a)(iii) - Specialised Services	-	1 064 264
Section 36(1)(a)(v) - Impractical to follow official procurement process	4 838 054	2 036 696
Total	7 201 621	7 983 564
Municipal Manager Office	335 451	806 993
Budget and Treasury Office	1 877 446	1 164 584
Infrastructure Planning and Development	2 206 622	1 219 154
Corporate Services	1 757 659	3 785 001
Strategic Planning and Development	627 040	443 416
Community Services	397 404	564 416
Total	7 201 621	7 983 564

47 CAPITAL COMMITMENTS

Approved and contracted for - Infrastructure	52 493 491	75 502 178
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This expenditure will be financed from:

Own Revenue	1 660 517	3 801 758
Municipal Infrastructure Grant	24 159 826	23 853 898
Office of the Premier Grant (OTP)	26 673 148	47 846 523
	52 493 491	75 502 178

48 FINANCIAL RISK MANAGEMENT

The municipality is potentially exposed to the following risks:

48.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

Cash and Cash Equivalents	76 990 418	59 270 802
Receivables from exchange transactions	9 014 576	4 989 397
Receivables from non-exchange transactions	10 688 384	24 536 826
Total	96 693 378	88 797 025

Cash and Cash Equivalents and Non-Current Investments

Deposits of the municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables 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.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to notes 3 and 4 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

Rates	7 294 520	14 951 215
Electricity	2 900 393	588 368
Refuse	1 417 647	1 094 533
Other	2 260 032	1 186 550
Total	13 872 592	17 820 665

Rates is not considered to be a financial asset, but is included in analysis for user purposes.

Long Term Receivables (including current portion)

Long Term Receivables are disclosed after taking into account any provision for impairment raised against the outstanding balance. Each outstanding balance are individually assessed for impairment.

No receivables were pledged as security for liabilities and no collateral is held from any of the counter parties.

48.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the municipality is not directly exposed to any currency risk.

48.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

Cash and Cash Equivalents (Excluding Cash on Hand)	76 990 418	59 270 802
Long-term Liabilities (Including Current Portion)	-	-
Net balance exposed	76 990 418	59 270 802

Although the non-current provision is not defined as a financial instrument, the potential effect of changes in interest rates used to discount this balance over time, is included for the benefit of the user of the financial statements.

Potential effect of changes in interest rates on surplus and deficit for the year/period:

0.5% increase in interest rates	384 952	296 354
1% decrease in interest rates	(769 904)	(592 708)

South Africa have reached the turning point in the rates cycle and any further upward adjustments are remote.

48.4 Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

	Within 1 Year	Two to five years	PAYABLE After five years	Total
30 JUNE 2019				
Finance Leases	89 893	104 876	-	194 769
Payables from exchange transactions	49 877 105	-	-	49 877 105
Unspent conditional grants and receipts	1 212 783	-	-	1 212 783
Total	51 179 781	104 876	-	51 284 657
30 JUNE 2018				
Finance leases	176 965	-	-	176 965
Payables from exchange transactions	39 638 270	-	-	39 638 270
Unspent conditional grants and receipts	4 826 457	-	-	4 826 457
Total	44 641 692	-	-	44 641 692

48.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The municipality is not exposed to any other price risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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49 FINANCIAL INSTRUMENTS

The municipality recognised the following financial instruments (All balances are recognised at amortised cost.)

Financial Assets

Cash and Cash Equivalents	77 124 912	59 270 802
Receivables from exchange transactions	9 014 576	4 989 397
Total	86 139 489	64 260 199

Financial Liabilities

Current Portion of Long-term Liabilities	64 506	162 782
Payables from exchange transactions	49 877 105	39 638 270
Unspent Conditional Grants and Receipts	1 212 783	4 826 457
Long-term Liabilities	93 031	-
Total	51 247 424	44 627 509

50 STATUTORY RECEIVABLES

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

Rates	7 453 107	14 951 215
Fines	-	-
Taxes	10 874 092	10 517 388
Total	18 327 200	25 468 603

Refer to notes 4 and 5 for more detail relating to the rates receivables and taxes.

The amounts above are disclosed after any provision for impairment has been taken into account.

51 EVENTS AFTER REPORTING DATE

The Municipal had no significant events after reporting date.

52 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance were received by the Municipality during the 2018/2019 financial year.

53 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

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
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

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.

54 CONTINGENT LIABILITIES

Council do have the following contingent liabilities at the end of the financial year 2018/2019:

54.1	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, B Perkins R544,737 and A V Lefember R454,546. The applicants have since withdrawn the matter from the Labour Court and the municipality has claimed and been paid for wasted costs amounting to R95,000.	-	1 476 595
54.2	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).	950 000	950 000
54.3	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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

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54.4 A former director in the employment of the Municipality has approached the Labour Court, claiming 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 suitable for the position and, by implication, he be deemed the suitable candidate. The Municipality is defending the action. As the applicant has been employed in another municipality in a role similar to the one that he played at the municipality since the 2017/2018 financial year, it is considered adequate that the contingent liability be calculated.	582 487	582 487
54.5 A contractor failed to fulfil its contractual obligations and therefore 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 is still pending before the Mthatha High Court as it has been postponed on various occasions.	1 250 000	1 250 000
54.6 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
54.7 The Municipality has been sued by a plaintiff for damages to his vehicle amounting to R305,307.90. The plaintiff alludes that the damages obtained was due to the Municipality's negligent of its vehicle with registration letters and number HPY 707 EC. The Municipality and through its insurers, is defending the claim.	305 308	-
54.8 A notice of motion and founding affidavit has been lodged with the Labour Court in Port Elizabeth on 29 October 2018 by a former employee of the municipality, seeking to be reinstated to his position with effect from the date of dismissal. The municipality is defending the matter and the matter is awaiting a set down.	967 974	-
Total estimated Contigent Liabilities	<u>5 102 232</u>	<u>5 305 545</u>

55 RELATED PARTIES

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

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

55.1 Related Party Loans

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

55.2 Compensation of Management Personnel

Remuneration of related parties are disclosed in notes 28 and 29

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

The Municipal Manager is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

55.4 Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations

<u>Company name</u>	<u>Relationship to the person of the state (Position)</u>		
Isiphile Trading 2013	Family to N Thuli (Chief Buyer)	325 527	164 215
Abojali Developers Enterprise	Sibling to N Ntaka (Intern - BTO)	43 410	23 275
Thozama and AB Trading Enterprise	Mother to VNodikana (SMMME Dev Officer)	9 231	-
K201248808/Siphesihle Trading	Daughter of M Sahlulo (Registry Clerk)	96 050	-
Mfana 83 Trading	Spouse of Z Mbana (Clerk - Expenditure)	11 250	-
Imbokodo Women Trading Enterprise	Mother of F Chaka (Senior Enatis Clerk)	5 250	21 600
ITY Trading	Sibling of N Pula (Cleaner/Parks and amenities)	22 200	-
Sandisile Business Enterprise	Spouse of Z Lusawana (Accountant)	-	133 025
Infrastructure Options	Benjamin Watermeyer - Son	215 000	-
Total		727 918	342 115

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APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2019

INSTITUTION	RATE	REDEMPTION DATE	OPENING BALANCE 1 JULY 2018 R	RECEIVED DURING YEAR R	REDEEMED DURING YEAR R	CLOSING BALANCE 30 JUNE 2019 R
LEASE LIABILITIES						
Fujitsu FI-6670	20.45%	2019/03/31	47 773	-	(47 773)	-
Xerox 7225	20.45%	2019/03/31	15 809	-	(15 809)	-
Xerox 7225	20.45%	2019/03/31	15 809	-	(15 809)	-
Xerox 7225	20.45%	2019/03/31	15 809	-	(15 809)	-
Xerox D110	20.45%	2019/03/31	66 477	-	(66 477)	-
Xerox 3210	20.45%	2019/03/31	1 106	-	(1 106)	-
Xerox C8055	19.68%	2021/08/31	-	101 231	(22 463)	78 768
Xerox C8055	19.68%	2021/08/31	-	101 231	(22 463)	78 768
Total Lease Liabilities			162 783	202 463	(207 709)	157 537

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APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2019

	Restated balance 1 JULY 2018 R	Contributions during the year R	Operating Expenditure transferred to revenue (OPERATING) R	Capital Expenditure transferred to revenue (CAPITAL) R	Balance 30 June 2019 R	Unspent 30 June 2019 (Creditor) R	Unpaid 30 June 2019 (Debtor) R
NATIONAL GOVERNMENT							
Equitable Share	-	138 382 305	(138 382 305)	-	-	-	-
Municipal Infrastructure Grant	3 620 013	38 207 000	(1 910 350)	(39 916 663)	-	-	-
Integrated National Electrification Programme (INEP)	181 745	25 636 000	(25 817 745)	-	-	-	-
Municipal Finance Management Grant	-	1 700 000	(1 700 000)	-	-	-	-
Expanded Public Works Program (EPWP)	318 305	1 458 695	(1 777 000)	-	-	-	-
Energy Efficiency & Demand Side Management	-	3 000 000	(3 164 654)	-	(164 654)	-	(164 654)
Total	4 120 063	208 384 000	(172 752 054)	(39 916 663)	(164 654)	-	(164 654)
PROVINCIAL GOVERNMENT							
Libraries Grant	705 033	750 000	(743 611)	-	711 422	711 422	-
Premier's Office Grant	(7 859 788)	26 579 076	-	(20 064 087)	(1 344 799)	-	(1 344 799)
DEDEA Grant	-	500 000	-	-	500 000	500 000	-
Total	(7 154 755)	27 829 076	(743 611)	(20 064 087)	(133 377)	1 211 422	(1 344 799)
OTHER GRANT PROVIDERS							
Voter Station Grant	1 360	-	-	-	1 360	1 360	-
Total	1 360	-	-	-	1 360	1 360	-
ALL SPHERES GOVERNMENT	(3 033 332)	236 213 076	(173 495 665)	(59 980 750)	(296 671)	1 212 782	(1 509 453)

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
Financial Performance						
Property rates	28 254 605	-	28 254 605	23 203 124	(5 051 481)	18 408 425
Service charges	28 908 884	5 135 609	34 044 493	33 282 595	(761 898)	26 862 081
Investment revenue	2 441 000	-	2 441 000	5 515 291	3 074 291	4 786 831
Transfers and subsidies - operational	173 745 000	2 274 082	176 019 082	173 495 665	(2 523 417)	170 545 204
Other own revenue	43 766 939	837 039	44 603 978	15 454 754	(29 149 224)	14 350 744
Total Operating Revenue (excluding capital transfers)	277 116 428	8 246 730	285 363 158	250 951 430	(34 411 728)	234 953 286
Employee costs	98 540 000	637 276	99 177 276	98 972 059	(205 217)	83 685 220
Remuneration of councillors	12 398 000	203 783	12 601 783	12 027 751	(574 032)	11 542 381
Debt impairment	7 810 991	-	7 810 991	10 084 909	2 273 918	(5 654 966)
Depreciation and asset impairment	48 897 811	-	48 897 811	35 520 766	(13 377 045)	31 518 567
Finance charges	53 200	-	53 200	1 489 181	1 435 981	1 259 623
Bulk purchases	26 599 079	-	26 599 079	20 820 704	(5 778 375)	20 017 802
Other Materials	3 188 310	(864 267)	2 324 043	962 569	(1 361 474)	491 800
Contracted Services	82 705 333	5 713 816	88 419 149	69 241 105	(19 178 044)	57 467 733
Transfers and grants	-	-	-	2 428 156	2 428 156	2 130 126
Other expenditure	53 633 131	963 638	54 596 769	36 436 723	(18 160 046)	42 703 529
Loss on disposal of PPE	-	-	-	1 259 009	1 259 009	-
Total Expenditure	333 825 855	6 654 246	340 480 101	289 242 933	(51 237 168)	245 161 816
Surplus/(Deficit)	(56 709 427)	1 592 484	(55 116 943)	(38 291 504)	16 825 439	(10 208 530)
Transfers and subsidies - capital (monetary)	67 795 000	1 709 662	69 504 662	59 980 750	(9 523 912)	68 296 961
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-
Surplus/(Deficit) for the year	11 085 573	3 302 146	14 387 719	21 689 247	7 301 528	58 088 431
Capital expenditure & funds sources						
Capital expenditure	86 897 327	4 873 238	91 770 565	62 154 185	(29 616 380)	66 904 192
Transfers recognised - capital	67 795 000	1 709 662	69 504 662	55 382 692	(14 121 970)	51 274 641
Public contributions & donations	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-
Internally generated funds	19 102 000	3 163 350	22 265 350	6 771 493	(15 493 857)	15 629 551
Total sources of capital funds	86 897 000	4 873 012	91 770 012	62 154 185	(29 615 827)	66 904 192
Cash flows						
Net cash from (used) operating	79 028 787	(39 596 243)	39 432 544	80 012 827	40 580 283	83 882 531
Net cash from (used) investing	(86 897 000)	(4 874 012)	(91 771 012)	(61 951 722)	29 819 290	(66 281 675)
Net cash from (used) financing	-	-	-	(206 995)	(206 995)	(198 575)
Net Cash Movement for the year	(7 868 213)	(44 470 255)	(52 338 468)	17 854 110	70 192 578	17 402 281
Cash/cash equivalents at beginning of year	115 778 752	22 020 000	137 798 752	59 270 802	(78 527 950)	41 868 521
Cash/cash equivalents at the year end	107 910 539	(22 450 255)	85 460 284	77 124 912	(8 335 372)	59 270 802

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
REVENUE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	-	-	-	-	-	(2 476)
Finance and administration	190 546 121	7 565 987	198 112 108	172 382 561	(25 729 547)	168 820 210
Community and public safety						
Community and social services	3 111 580	-	3 111 580	2 614 079	(497 501)	3 027 602
Sport and recreation	20 277	-	20 277	-	(20 277)	-
Public safety	2 574 755	-	2 574 755	3 547 024	972 269	2 609 065
Economic and environmental services						
Planning and development	2 040 326	500 000	2 540 326	61 759	(2 478 567)	84 297
Road transport	81 284 806	1 708 771	82 993 577	68 237 500	(14 756 077)	70 275 919
Trading services						
Energy sources	59 558 578	181 745	59 740 323	59 743 987	3 664	55 065 577
Waste management	5 774 915	-	5 774 915	4 345 270	(1 429 645)	3 370 052
Total Revenue - Standard	344 911 358	9 956 503	354 867 861	310 932 180	(43 935 681)	303 250 247
EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	46 240 949	3 300 364	49 541 313	45 761 887	(3 779 426)	38 021 185
Finance and administration	94 232 603	2 789 196	97 021 799	78 709 487	(18 312 312)	65 621 722
Community and public safety						
Community and social services	5 949 320	(280 000)	5 669 320	5 095 494	(573 826)	5 640 163
Sport and recreation	7 134 695	304 999	7 439 694	8 267 086	827 392	6 530 402
Public safety	11 137 708	1 069 316	12 207 024	8 547 651	(3 659 373)	7 561 180
Economic and environmental services						
Planning and development	14 170 667	(279 487)	13 891 180	11 720 406	(2 170 774)	11 813 402
Road transport	61 480 056	(138 419)	61 341 637	51 576 869	(9 764 768)	29 477 193
Trading services						
Energy sources	74 498 082	287 745	74 785 827	60 457 259	(14 328 568)	65 540 418
Waste management	18 981 729	(400 000)	18 581 729	19 106 795	525 066	14 956 151
Total Expenditure - Standard	333 825 809	6 653 714	340 479 523	289 242 933	(51 236 590)	245 161 815
Surplus/(Deficit) for the year	11 085 549	3 302 789	14 388 338	21 689 247	7 300 909	58 088 432

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)						
REVENUE						
Vote 1 - Executive & Council	-	-	-	-	-	(2 476)
Vote 2 - Budget and Treasury	190 546 121	7 565 987	198 112 108	172 255 743	(25 856 365)	168 459 965
Vote 3 - Corporate admin	-	-	-	126 818	126 818	360 245
Vote 4 - Community Services	11 481 668	-	11 481 668	10 506 373	(975 295)	9 006 720
Vote 5 - Strategic Planning Development	129 976	500 000	629 976	61 759	(568 217)	84 297
Vote 6 - Infrastructure Planning & Development	142 753 593	1 890 657	144 644 250	127 981 487	(16 662 763)	125 341 496
Total Revenue by Vote	344 911 358	9 956 644	354 868 002	310 932 180	(43 935 822)	303 250 247
EXPENDITURE						
Vote 1 - Executive & Council	46 240 949	3 300 364	49 541 313	45 761 887	(3 779 426)	38 021 185
Vote 2 - Budget and Treasury	56 262 415	2 789 200	59 051 615	57 223 276	(1 828 339)	39 082 938
Vote 3 - Corporate admin	37 970 188	(4)	37 970 184	21 486 211	(16 483 973)	26 538 784
Vote 4 - Community Services	44 385 768	(1 670 317)	42 715 451	41 017 026	(1 698 425)	34 687 896
Vote 5 - Strategic Planning Development	11 132 456	2 758 724	13 891 180	6 904 817	(6 986 363)	7 123 838
Vote 6 - Infrastructure Planning & Development	137 834 033	(524 253)	137 309 780	116 849 716	(20 460 064)	99 707 175
Total Expenditure by Vote	333 825 809	6 653 714	340 479 523	289 242 933	(51 236 590)	245 161 815
Surplus/(Deficit) for the year	11 085 549	3 302 930	14 388 479	21 689 247	7 300 768	58 088 432

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
REVENUE AND EXPENDITURE						
REVENUE BY SOURCE						
Property rates	28 254 605	-	28 254 605	23 203 124	(5 051 481)	18 408 425
Service charges - electricity revenue	25 983 014	2 786 564	28 769 578	29 137 325	367 747	23 990 868
Service charges - refuse revenue	2 925 870	2 349 045	5 274 915	4 145 270	(1 129 645)	2 871 213
Rental of facilities and equipment	9 047 504	-	9 047 504	8 234 698	(812 806)	7 497 800
Interest earned - external investments	2 441 000	-	2 441 000	5 515 291	3 074 291	4 786 831
Interest earned - outstanding debtors	1 300 843	-	1 300 843	1 970 411	669 568	1 893 181
Fines, penalties and forfeits	384 778	(158 915)	225 863	1 166 204	940 341	1 095 308
Licences and permits	2 630 775	(28 787)	2 601 988	2 796 071	194 083	2 336 685
Transfers and subsidies - Operating	173 745 000	2 274 082	176 019 082	173 495 665	(2 523 417)	170 545 204
Other revenue	29 977 290	1 024 741	31 002 031	1 287 371	(29 714 660)	1 406 281
Gain on disposal of PPE	425 749	-	425 749	-	(425 749)	121 490
Total Revenue (excl capital transfers)	277 116 428	8 246 730	285 363 158	250 951 430	(34 411 728)	234 953 286
EXPENDITURE BY TYPE						
Employee related costs	98 540 000	637 276	99 177 276	98 972 059	(205 217)	83 685 220
Remuneration of councillors	12 398 000	203 783	12 601 783	12 027 751	(574 032)	11 542 381
Debt impairment	7 810 991	-	7 810 991	10 084 909	2 273 918	(5 654 966)
Depreciation and asset impairment	48 897 811	-	48 897 811	35 520 766	(13 377 045)	31 518 567
Finance charges	53 200	-	53 200	1 489 181	1 435 981	1 259 623
Bulk purchases	26 599 079	-	26 599 079	20 820 704	(5 778 375)	20 017 802
Other Materials	3 188 310	(864 267)	2 324 043	962 569	(1 361 474)	491 800
Contracted Services	82 705 333	5 713 816	88 419 149	69 241 105	(19 178 044)	57 467 733
Transfers and grants	-	-	-	2 428 156	2 428 156	2 130 126
Other expenditure	53 633 131	963 638	54 596 769	36 436 723	(18 160 046)	42 703 529
Loss on disposal of PPE	-	-	-	1 259 009	1 259 009	-
Total Expenditure	333 825 855	6 654 246	340 480 101	289 242 933	(51 237 168)	245 161 816
Surplus/(Deficit)	(56 709 427)	1 592 484	(55 116 943)	(38 291 504)	16 825 439	(10 208 530)
Transfers and subsidies - Capital (monetary)	67 795 000	1 709 662	69 504 662	59 980 750	(9 523 912)	68 296 961
Transfers and subsidies - Capital (in-kind)	-	-	-	-	-	-
Surplus/(Deficit) for the year	11 085 573	3 302 146	14 387 719	21 689 247	7 301 528	58 088 431

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
CAPITAL EXPENDITURE						
CAPITAL EXPENDITURE (MUNICIPAL VOTE)						
Multi-year expenditure						
Vote 1 - Executive & Council	-	-	-	-	-	-
Vote 2 - Budget & Treasury	-	-	-	-	-	-
Vote 3 - Corporate services	-	-	-	-	-	-
Vote 4 - Community Services	-	-	-	-	-	-
Vote 5 - Strategic Planning & Development	-	-	-	-	-	-
Vote 6 - Infrastructure Development & Planning	-	-	-	-	-	-
Total Multi-year expenditure	-	-	-	-	-	-
Single-year expenditure						
Vote 1 - Executive & Council	95 760	-	95 760	586 726	490 966	2 154
Vote 2 - Budget & Treasury	2 830 240	-	2 830 240	1 510 014	(1 320 226)	671 002
Vote 3 - Corporate services	2 189 767	-	2 189 767	279 628	(1 910 139)	121 654
Vote 4 - Community Services	2 376 710	-	2 376 710	1 729 998	(646 712)	1 773 932
Vote 5 - Strategic Planning & Development	1 600 000	606 000	2 206 000	780 043	(1 425 957)	14 140
Vote 6 - Infrastructure Development & Planning	77 804 850	4 267 238	82 072 088	57 267 776	(24 804 312)	64 321 310
Total Single-year expenditure	86 897 327	4 873 238	91 770 565	62 154 185	(29 616 380)	66 904 192
Total Capital Expenditure by Vote	86 897 327	4 873 238	91 770 565	62 154 185	(29 616 380)	66 904 192
CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)						
Governance and administration						
Executive and council	95 760	-	95 760	586 726	490 966	2 154
Finance and administration	5 020 007	-	5 020 007	1 789 642	(3 230 365)	792 656
Community and public safety						
Community and social services	146 710	-	146 710	155 471	8 761	101 166
Sport and recreation	400 000	(384 000)	16 000	-	(16 000)	840 698
Public safety	900 000	-	900 000	789 379	(110 621)	832 067
Economic and environmental services						
Planning and development	1 600 000	606 000	2 206 000	802 471	(1 403 529)	86 534
Road transport	74 610 224	3 301 838	77 912 062	56 577 052	(21 335 010)	61 594 549
Trading services						
Energy sources	3 194 626	965 400	4 160 026	668 296	(3 491 730)	2 654 368
Waste management	930 000	384 000	1 314 000	785 148	(528 852)	-
Total Capital Expenditure - Standard	86 897 327	4 873 238	91 770 565	62 154 185	(29 616 380)	66 904 192

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
CAPITAL EXPENDITURE (CONTINUED)						
FUNDING SOURCES						
National Government	38 207 000	1 709 662	39 916 662	32 861 116	(7 055 546)	26 218 101
Provincial Government	29 588 000	-	29 588 000	22 521 577	(7 066 423)	25 056 541
District Municipality	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-
Transfers recognised - capital	67 795 000	1 709 662	69 504 662	55 382 692	(14 121 970)	51 274 641
Public contributions & donations	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-
Internally generated funds	19 102 000	3 163 350	22 265 350	6 771 493	(15 493 857)	15 629 551
Total Capital Funding	86 897 000	4 873 012	91 770 012	62 154 185	(29 615 827)	66 904 192

ELUNDINI LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2019

	ORIGINAL BUDGET 2019 R	BUDGET ADJUSTMENTS 2019 R	FINAL BUDGET 2019 R	ACTUAL OUTCOME 2019 R	BUDGET VARIANCE 2019 R	RESTATED OUTCOME 2018 R
CASH FLOWS						
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts						
Property rates, penalties & collection charges	16 606 000	-	16 606 000	27 461 017	10 855 017	15 438 911
Service charges	23 126 800	-	23 126 800	27 672 620	4 545 820	28 254 390
Other revenue	33 765 778	-	33 765 778	27 112 755	(6 653 023)	17 878 976
Government - operating	173 745 000	681 745	174 426 745	171 427 000	(2 999 745)	166 954 575
Government - capital	67 795 000	3 620 012	71 415 012	64 786 076	(6 628 936)	68 296 961
Interest	3 680 488	-	3 680 488	5 515 291	1 834 803	4 786 831
Payments						
Suppliers and employees	(239 637 079)	(43 898 000)	(283 535 079)	(241 482 527)	42 052 552	(215 467 408)
Finance charges	(53 200)	-	(53 200)	(51 249)	1 951	(130 579)
Transfers and grants	-	-	-	(2 428 156)	(2 428 156)	(2 130 126)
NET CASH FROM OPERATING ACTIVITIES	79 028 787	(39 596 243)	39 432 544	80 012 827	40 580 283	83 882 531
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipts						
Proceeds on disposal of PPE	-	-	-	-	-	622 518
Payments						
Capital assets	(86 897 000)	(4 874 012)	(91 771 012)	(61 951 722)	29 819 290	(66 904 192)
NET CASH USED IN INVESTING ACTIVITIES	(86 897 000)	(4 874 012)	(91 771 012)	(61 951 722)	29 819 290	(66 281 675)
CASH FLOWS FROM FINANCING ACTIVITIES						
Receipts						
Borrowing long term/refinancing	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	715	715	(16 683)
Payments						
Repayment of borrowing	-	-	-	(207 710)	(207 710)	(181 892)
NET CASH FROM FINANCING ACTIVITIES	-	-	-	(206 995)	(206 995)	(198 575)
NET INCREASE/ (DECREASE) IN CASH HELD	(7 868 213)	(44 470 255)	(52 338 468)	17 854 110	70 192 578	17 402 281
Cash/cash equivalents at the year begin:	115 778 752	22 020 000	137 798 752	59 270 802	(78 527 950)	41 868 521
Cash/cash equivalents at the year end:	107 910 539	(22 450 255)	85 460 284	77 124 912	(8 335 372)	59 270 802