

Elundini

LOCAL MUNICIPALITY



MUNICIPALITY

IKAMVA ELIQAQAMBILEYO

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2011

ELUNDINI LOCAL MUNICIPALITY

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ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Elundini Municipality includes the following areas:

Maclear
Mt Fletcher
Ugie

MEMBERS OF THE MAYORAL COMMITTEE

Mayor	NR Lengs	
Speaker	M Bomela	
Councillor	LS Baduza	Portfolio head: Corporate Services
Councillor	DD Mvumvu	Portfolio head: Community Services
Councillor	AM Mqamelo	Portfolio head: Financial Services
Councillor	TJ Lehata	Portfolio head: Technical Services
Councillor	N Nkalitshana	Portfolio head: Strategic Planning and Economic Development

MUNICIPAL MANAGER

K Gashi

CHIEF FINANCIAL OFFICER

SW Goodall

OTHER DIRECTORS

C Qotoyi	Manager: Infrastructure Planning and Development
S Matubatuba	Manager: Corporate Services
L Mqokoyi	Manager: Strategic Planning and Economic Development
L Kokose	Acting Manager: Community and Social Services

REGISTERED OFFICE

No 1 Sellar Street
Maclear
5480

AUDITORS

Office of the Auditor General (Eastern Cape)

PRINCIPLE BANKERS

First National Bank, Maclear
Standard Bank, Maclear

AUDIT COMMITTEE

N Mnconywa	- Chairperson
L Dart	- Member
G Richards	- Member
Q Williams	- Member

ATTORNEYS

McFarlane & Associates	Sodo Inc RM
Wesley Pretorius & Associates	Kirchmanns Inc
Mantyi Attorneys	Fikile Ntayiya & Associates
Jolwana Mgidlana Incorporated	Drake Flemmer & Orsmond
O'Conner Attorneys	Nompilo Sidondi Consulting

ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

RELEVANT LEGISLATION

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

MEMBERS OF THE ELUNDINI LOCAL MUNICIPALITY

Ward 1	F W Ngayeka
Ward 2	T J Pikinini
Ward 3	J M Klaas
Ward 4	K A Mgijima
Ward 5	N Kapatile
Ward 6	C N Mfecane
Ward 7	A T T Tsolo
Ward 8	N L Motema
Ward 9	M Marubelela
Ward 10	M E Tabana
Ward 11	V V Majikijela
Ward 13	V V Hokwana
Ward 14	N G Ntaopane
Ward 15	K W Rabohome
Ward 16	Z L Thwethiso
Ward 17	S Ngxangxa
Proportional	N R Lengs
Proportional	A M Mqamelo
Proportional	M L Naketsana
Proportional	L S Baduza
Proportional	A M Ntaba
Proportional	M Bomela
Proportional	D D Mvumvu
Proportional	E V Zililo
Proportional	N Nkalitshana
Proportional	G M Moni
Proportional	N Q Lebenya
Proportional	M T Heisi
Proportional	T J Lehata
Proportional	M Magqashela
Proportional	M R Moore
Proportional	L Pili
Proportional	T J Koteli
Proportional	M Tsoananyana

ELUNDINI LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 60 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

Municipal Manager

Date

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
NET ASSETS AND LIABILITIES			
Net Assets		100 611 491	50 807 830
Accumulated Surplus		100 611 491	50 807 830
Non-Current Liabilities		9 281 241	12 958 418
Long-term Liabilities	2	203 732	337 442
Employee Benefits	3	3 182 553	2 992 008
Non-Current Provisions	4	5 894 956	9 628 968
Current Liabilities		35 626 470	43 481 176
Consumer Deposits	5	205 814	151 384
Current Employee Benefits	6	6 228 105	4 281 331
Payables from Exchange Transactions	7	11 556 187	14 337 590
Unspent Conditional Government Grants and Receipts	8	15 027 730	20 702 788
Taxes	9	2 482 026	-
Cash and Cash Equivalents	16	-	3 894 051
Current Portion of Long-term Liabilities	2	126 608	114 032
Total Net Assets and Liabilities		145 519 202	107 247 424
ASSETS			
Non-Current Assets		97 716 144	52 239 486
Property, Plant and Equipment	10	94 452 852	52 202 692
Investment Property	11	3 226 571	73
Intangible Assets	12	36 721	36 721
Current Assets		47 803 058	55 007 938
Inventory	13	177 587	145 232
Receivables from Exchange Transactions	14	18 190 954	5 898 483
Receivables from Non-exchange Transactions	15	873 389	1 896 109
Unpaid Conditional Government Grants and Receipts	8	664 562	577 957
Taxes	9	-	2 280 192
Cash and Cash Equivalents	16	27 896 566	44 209 965
Total Assets		145 519 202	107 247 424

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
REVENUE			
Revenue from Non-exchange Transactions		108 801 027	75 477 464
Taxation Revenue		9 774 023	8 720 197
Property Rates	17	9 774 023	8 720 197
Transfer Revenue		98 817 634	66 657 510
Government Grants and Subsidies - Capital	18	41 803 945	20 095 320
Government Grants and Subsidies - Operating	18	56 998 690	46 467 630
Public Contributions and Donations		15 000	94 560
Other Revenue		209 370	99 757
Actuarial Gains		80 868	11 210
Fines		128 502	88 547
Revenue from Exchange Transactions		43 926 883	38 408 973
Service Charges	19	20 946 447	20 223 012
Water Services Authority Contribution	20	9 324 797	6 808 846
Plant Income		1 759 572	-
Rental of Facilities and Equipment		842 578	735 295
Interest Earned - external investments		2 362 053	3 420 150
Interest Earned - outstanding debtors		5 911 484	5 426 880
Licences and Permits		1 423 070	1 020 328
Other Income	21	1 356 882	774 462
Total Revenue		152 727 910	113 886 437
EXPENDITURE			
Employee Related Costs	22	40 902 503	35 197 974
Remuneration of Councillors	23	6 983 480	6 708 393
Debt Impairment	24	8 256 549	24 717 629
Collection Cost		249 381	317 797
Repairs and Maintenance		2 284 436	4 416 781
Finance Charges	25	293 058	661 359
Bulk Purchases	26	11 847 738	8 597 732
Operating Grant Expenditure		6 450 787	3 991 494
Gain or loss on disposal of Property, Plant and Equipment		577 737	25 308
General Expenses	27	25 078 584	12 215 492
Total Expenditure		102 924 253	96 849 959
NET SURPLUS FOR THE YEAR		49 803 657	17 036 478

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Accumulated Surplus R
Balance at 1 JULY 2009	33 534 797
Prior year error restatement - Refer to note 29.12	236 552
Rounding	3
Restated Balance at 1 JULY 2009	33 771 352
Net Surplus for the year	17 036 478
Balance at 30 JUNE 2010	50 807 830
Net Surplus for the year	49 803 657
Rounding	4
Balance at 30 JUNE 2011	100 611 491

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates, Services and Other		34 717 361	4 679 792
Government - operating		54 605 831	50 175 415
Government - capital		38 435 140	17 564 813
Interest		8 273 537	8 847 030
Payments			
Suppliers and employees		(98 303 052)	(59 521 935)
Finance charges		(293 058)	(661 359)
Net Cash from Operating Activities	30	37 435 759	21 083 755
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(46 684 284)	(34 528 692)
Proceeds on Disposal of Property, Plant and Equipment		122 374	-
Purchase of Investment Property		(3 226 498)	-
Net Cash from Investing Activities		(49 788 408)	(34 528 692)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Long-term Liabilities		(121 134)	(99 916)
Increase in Consumer Deposits		54 430	35 665
Rounding		5	-
Net Cash from Financing Activities		(66 699)	(64 251)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(12 419 348)	(13 509 188)
Cash and Cash Equivalents at the beginning of the year		40 315 914	53 825 102
Cash and Cash Equivalents at the end of the year	31	27 896 566	40 315 914
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(12 419 348)	(13 509 188)

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the 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).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

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

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories
GRAP 16 – Investment Property
GRAP 17 – Property, Plant and Equipment
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

1.5. 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. In general, materiality is determined as 1% of total expenditure.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments necessary as the Municipality has no heritage assets.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.7. LEASES

1.7.1 *Municipality as Lessee*

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.7.2 *Municipality as Lessor*

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

1.9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

1.10. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits 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. 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 (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. 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 shall be reversed.

1.11. EMPLOYEE BENEFITS

1.11.1 *Post Retirement Medical Obligations*

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

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.11.2 Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically 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 charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

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

1.11.3 Accrued Leave Pay

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

1.11.4 Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.11.5 Performance bonuses

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

1.11.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity 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 charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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 charged against income 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 ENDED 30 JUNE 2011

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 Initial Recognition

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

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

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

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

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

1.12.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and 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 associated with the asset.

1.12.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for depreciation can be measured.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.12.4 De-recognition

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

1.13. INTANGIBLE ASSETS

1.13.1 Initial Recognition

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

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

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

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

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an 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 was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.13.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3 Amortisation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

1.13.4 De-recognition

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

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

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

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

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

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

The cost of self-constructed investment property is the cost at date of completion.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

1.14.4 De-recognition

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

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-current assets held for sale.

1.16. INVENTORIES

1.16.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

1.16.2 Subsequent Measurement

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

The municipality opted to take advantage of the provision contained in Directive 4 relating to the measurement of inventory.

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.17.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.17.2 Subsequent Measurement

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

1.17.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

1.17.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, 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.

1.17.2.3 Cash and Cash Equivalents

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

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

1.17.3 De-recognition of Financial Instruments

1.17.3.1 Financial Assets

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

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

1.17.3.2 Financial Liabilities

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

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

1.17.4 Offsetting of Financial Instruments

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

1.18. REVENUE

1.18.1 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.

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 proportionate basis as an exchange transaction.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

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

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

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

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

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

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

1.18.2 Revenue from Exchange Transactions

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.18.3 Grants, Transfers and Donations (Non-Exchange 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 raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.19. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

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

1.20. 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21. 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 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. CONTINGENT LIABILITIES

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 entity. 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.

Management judgement is required when recognising and measuring contingent liabilities.

1.24. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Post retirement medical obligations and Long service awards

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

Impairment of Receivables

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

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.18.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.18.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.26. TAXES – VALUE ADDED TAX

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

1.27. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	251 857	292 731
Capitalised Lease Liability - At amortised cost	78 483	158 743
	330 340	451 474
Less: Current Portion transferred to Current Liabilities	(126 608)	114 032
Annuity Loans - At amortised cost	48 125	40 874
Capitalised Lease Liability - At amortised cost	78 483	73 158
Total Long-term Liabilities - At amortised cost using the effective interest rate method	203 732	337 442

Annuity loans at amortised cost is calculated at 17.36% interest rate, with maturity date of 30 June 2015.
Capital lease liabilities at amortised cost is calculated at 10% interest rate, with maturity date of 30 June 2012.

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

	Minimum annuity payments	
Payable within one year	90 022	90 022
Payable within two to five years	270 066	360 088
Payable after five years	-	-
	360 088	450 110
Less: Future finance obligations	(108 231)	(157 379)
Present value of annuity obligations	251 857	292 731

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments	
Payable within one year	82 080	85 740
Payable within two to five years	-	90 847
Payable after five years	-	-
	82 080	176 587
Less: Future finance obligations	(3 597)	(17 844)
Present value of lease obligations	78 483	158 743

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by Property, Plant and Equipment - Note 10

3 EMPLOYEE BENEFITS

Post Retirement Medical Obligation - refer to note 3.1	1 524 177	1 650 415
Long Service Awards - refer to note 3.2	1 658 376	1 341 593
As previously reported		-
Correction of error restatement - Refer to note 29.05		1 341 593
Total Non-current Employee Benefit Liabilities	3 182 553	2 992 008

Post Retirement Medical Obligation

Balance 1 July	1 748 348	1 711 641
Contribution for the year	117 815	127 192
Expenditure for the year	(99 582)	(90 485)
Actuarial Loss/(Gain)	(138 424)	-
Total post retirement benefits 30 June	1 628 157	1 748 348
Less: Transfer of Current Portion - Note 6	(103 980)	(97 933)
Balance 30 June	1 524 177	1 650 415

	2011 R	2010 R
<u>Long Service Awards</u>		
Balance 1 July	1 455 713	1 352 741
Contribution for the year	342 945	326 847

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Expenditure for the year	(113 543)	(212 665)
Actuarial Loss/(Gain)	57 556	(11 210)
Total long service 30 June	1 742 671	1 455 713
Less: Transfer of Current Portion - Note 6	(84 295)	(114 120)
Balance 30 June	1 658 376	1 341 593

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	3 204 061	3 064 382
Contribution for the year	460 760	454 039
Expenditure for the year	(213 125)	(303 150)
Actuarial Loss/(Gain)	(80 868)	(11 210)
Total employee benefits 30 June	3 370 828	3 204 061
Less: Transfer of Current Portion - Note 6	(188 275)	(212 053)
Balance 30 June	3 182 553	2 992 008

3.1 Post Retirement Medical Obligation

	2011 Employees	2010 Employees
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
Continuation members (e.g. Retirees, widows, orphans)	4	4
Total Members	4	4

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

Bonitas;
LA Health

Key actuarial assumptions used:

i) Rate of interest

	2011 %	2010 %
Discount rate	8.39%	9.01%
Health Care Cost Inflation Rate	7.15%	7.93%
Net Effective Discount Rate	1.16%	1.00%

ii) Mortality rates

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

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 628 157	1 748 348
Net liability	1 628 157	1 748 348

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 748 348	1 711 641
Total contribution	18 233	36 707
Current service cost	-	-
Interest Cost	117 815	127 192
Benefits Paid	(99 582)	(90 485)
Actuarial (gains)/losses	(138 424)	-
Present value of fund obligation at the end of the year	1 628 157	1 748 348
Less: Transfer of Current Portion - Note 6	(103 980)	(97 933)
Balance 30 June	1 524 177	1 650 415

Sensitivity Analysis on the Accrued Liability

Assumptions	Current Liability (R)	Change	Interest Cost Change (R)	Change (%)
Year ending 30 June 2011				
Health Care Inflation	1 628 157	1%	1 812 000	11%
Health Care Inflation	1 628 157	-1%	1 470 000	-10%
Post-retirement mortality	1 628 157	- 1 year	1 574 000	-3%

Sensitivity Analysis on the Interest Costs

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Year ending 30 June 2011	Current Interest Cost (R)	Change	Interest Cost Change (R)	Change (R)
Net Discount Rate	117 815	+1%	101 897	-14%
Net Discount Rate	117 815	-1%	138 529	18%

3.2 Long Service Bonuses

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

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	7.62%	8.16%
General Salary Inflation (long-term)	6.23%	6.19%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.31%	1.86%

The amounts recognised in the Statement of Financial Position are as follows:	2011 R	2010 R
Present value of fund obligations	1 742 671	1 455 713
Net liability	1 742 671	1 455 713

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 455 713	1 352 741
Total contribution	229 402	114 182
Current service cost	228 724	233 038
Interest Cost	114 221	93 809
Benefits Paid	(113 543)	(212 665)
Actuarial (gains)/losses	57 556	(11 210)
Present value of fund obligation at the end of the year	1 742 671	1 455 713
Less: Transfer of Current Portion - Note 6	(84 295)	(114 120)
Balance 30 June	1 658 376	1 341 593

Sensitivity Analysis on the Unfunded Accrued Liability

Assumptions	Current Liability (R)	Change	Interest Cost Change (R)	Change (R)
Year ending 30 June 2011				
General Salary Inflation	1 742 671	1%	1 847 000	6%
General Salary Inflation	1 742 671	-1%	1 648 000	-5%
Average retirement inflation	1 742 671	- 2 years	1 604 000	-8%
Average retirement inflation	1 742 671	+ 2 years	1 891 000	9%
Withdrawal rates	1 742 671	- 50%	2 037 000	17%

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2011	228 724	114 221	342 945

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2011					
General Salary Inflation	+1%	241 897	121 608	363 505	6%
General Salary Inflation	-1%	216 840	107 497	324 337	-5%
Average retirement age	-2 years	217 514	105 228	322 742	-6%
Average retirement age	+2 years	242 558	123 695	366 253	7%
Withdrawal Rate	-50%	280 088	135 067	415 155	21%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3.3 Retirement Funds

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. 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 Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement 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 administrator. The fund administrator 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 both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

Contributions paid recognised in the Statement of Financial Performance

-	1 211
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CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance

610 339	580 699
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DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund	601 235	511 091
SAMWU National Provident Fund	2 083 858	1 826 854
	2 685 093	2 337 944

	2011 R	2010 R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	5 894 956	9 628 968
Total Non-current Provision	5 894 956	9 628 968
<u>Landfill Sites</u>		
Balance 1 July	9 628 968	8 850 000
Reduction in provision offset against Property, Plant and Equipment	(3 734 012)	-
Contribution for the year	-	885 000
Expenditure for the year	-	(106 032)
Total provision 30 June	5 894 956	9 628 968
Less: Transfer of Current Portion to Current Provisions - Note 6	-	-
Balance 30 June	5 894 956	9 628 968

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	R 564 164
- Maclear	R 2 649 488
- Ugie	R 2 681 304
	R 5 894 956

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Based on the assessment, the cost of rehabilitation of the Municipalities landfill sites was estimated in 2011 as R5 894 956. The 2010/11 unit prices are therefore approximately R90 per square meter. This may vary considerably when tenders are invited for disclosure.

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

The quantity of waste deposited on the Elundini sites has been given as 785 tonnes per year (i.e. 3 tonnes a day) for Mt Fletcher and 1350 tonnes per year (i.e. 5 tonnes a day) for Maclear. This will classify the two sites as Communal in size. It is assumed the Ugie site has been classified as Communal. No leachate problems have been reported from the Mt Fletcher and Ugie sites, but the classification indicates Maclear has a leachate issue.

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

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

The assumptions were based on the following information that was supplied from Elundini Municipality:

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? 1 500² m (Measured on site)
- Is the site licensed? Yes
- What is the classification of the site? G:C:B-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? 785 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes for monitoring? No
- Is there a monitoring program in place? N/A
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? N/A. Trench System, cover material available from trenching process.

2011
R

2010
R

Maclear Landfill Site:-

- Size of operational landfill area? 12 000 m² (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:B+
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No – There are plans to “Mothball” the site during 2011 and transport waste to Ugie
- If the site is operational, what is the annual tonnage of waste deposited on site? 1350.7 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 requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm
- Status of cover material? Cover material on site, volume unknown

Ugie Landfill Site:-

- Size of landfill area? 12 000 m² (Platform)
- Is the site licensed? Yes
- What is the classification of the site? G:S:C-
- Is the site operational? Yes
- If the site is operational, is there an expected closure date? No
- If the site is operational, what is the annual tonnage of waste deposited on site? N/A
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No, DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

water in the area.

- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? Cover material on site, volume unknown

5 CONSUMER DEPOSITS

Electricity	131 455	115 309
Water	28 636	24 571
Housing Rental	45 723	11 504
Total Consumer Deposits	205 814	151 384

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

6 CURRENT EMPLOYEE BENEFITS

Performance Bonuses	1 929 827	1 198 260
As previously reported		982 562
Corrections of error restatement - Refer to note 29.06		215 698
Bonuses	950 851	857 741
Staff Leave	3 065 225	1 702 253
Other Provisions	93 927	311 024
As previously reported		217 097
Corrections of error restatement - Refer to note 29.02		93 927
Current Portion of Non-Current Employee Benefits	188 275	212 053
Current Portion of Post Retirement Medical Obligation - Note 3	103 980	97 933
Current Portion of Long-Service Provisions - Note 3	84 295	114 120
As previously reported		-
Corrections of error restatement - Refer to note 29.05		114 120
Total Current Employee Benefits	6 228 105	4 281 331

The movement in current employee benefits are reconciled as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Performance Bonuses</u>		
Balance at beginning of year	1 198 260	950 094
Contribution for the year	1 227 573	702 252
Expenditure incurred	(496 006)	(454 086)
Balance at end of year	1 929 827	1 198 260

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

Bonuses

Balance at beginning of year	857 741	-
Contribution for the year	950 851	857 741
Expenditure incurred	(857 741)	-
Balance at end of year	950 851	857 741

Bonuses are being paid to all municipal staff, excluding the Chief Financial Officer. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Staff Leave

Balance at beginning of year	1 702 253	1 781 200
Contribution for the year	1 592 679	-
Expenditure incurred	(229 707)	(78 947)
Balance at end of year	3 065 225	1 702 253

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.

Other Provisions

Balance at beginning of year	311 024	93 927
Contribution to current portion - Task Job Evaluation Provision	-	217 097
Expenditure incurred	(217 097)	-
Balance at end of year	93 927	311 024

Other provisions are non-recurring provisions which consists out of the following at year end:

TASK Job Evaluation Provision

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

Shortfall in annual earnings of Cape Joint Pension Fund

It was reported that the established investment return of the fund for the past financial year was - 0.94%. Local authorities, including the Economic Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	5 963 507	11 404 722
As previously reported		10 851 447
Change in accounting policy restatement - Refer to note 28.01		553 275
Sundry Creditors	1 227	(21 716)
Payments received in advance	1 533 090	849 710
Retentions	3 706 922	1 980 370
As previously reported		-
Correction of error restatement - Refer to note 29.07		1 980 370
Bursary Scheme - payments received from students	43 059	41 397
Sundry Deposits	66 450	65 546
Unknown Receipts	241 932	17 561
Total Payables from Exchange Transactions	11 556 187	14 337 590

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.

Sundry deposits include Hall rentals.

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	15 027 730	20 702 788
National Government Grants	-	10 821 519
Provincial Government Grants	5 404 812	7 430 221
District Municipality Grants	118 696	579 950
Other Grant Providers	9 504 222	1 871 098
Less: Unpaid Grants	(664 562)	(577 957)
National Government Grants	(664 526)	(12 183)
Provincial Government Grants	-	-
District Municipality Grants	-	-
Other Grant Providers	(36)	(565 774)
Total Conditional Grants and Receipts	14 363 168	20 124 831

Reconciliation of total grants and receipts

Balance previously reported	24 107 892
Correction of error restatement - Refer to note 29.04	(1 485 014)
Correction of error restatement - Refer to note 29.04	(1 687 471)
Correction of error restatement - Refer to note 29.04	(565 738)
Correction of error restatement - Refer to note 29.04	(244 838)
Restated balance	20 124 831

See appendix "B" for reconciliation of grants from other spheres of government. 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.

9 TAXES

VAT Payable	(2 472 026)	-
VAT Receivable	-	2 280 192
As previously reported		1 838 783
Correction of error restatement - note 29.08		198 206
Correction of error restatement - note 29.07		243 203
PAYE Payable	(10 000)	-
	(2 482 026)	2 280 192

VAT is payable/receivable on the cash basis.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	73	73
Cost	73	73
Accumulated Depreciation	-	-
Acquisitions	3 226 498	-
Disposals	-	-
Net Carrying amount at 30 June	3 226 571	73
Cost	3 226 571	73
Accumulated Depreciation	-	-

The Municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provision, the Municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012.

Revenue derived from the rental of investment property	842 578	735 295
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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.

	2011 R	2010 R
12 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	36 721	36 721
Cost	36 721	36 721
Accumulated Amortisation	-	-
Acquisitions	-	-
Disposals	-	-
Net Carrying amount at 30 June	36 721	36 721
Cost	36 721	36 721
Accumulated Amortisation	-	-

The Municipality elected to adopt the transitional provisions for GRAP 17, Intangible Assets, as per paragraph 71 of Directive 4. According to the transitional provision, the Municipality is not required to measure Intangible Assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP. Intangible Assets have accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012.

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.

	2011 R	2010 R
13 INVENTORY		
Fuel and oil	166 716	140 387
Consumable Stores	10 316	4 290
Land held for sale	555	555
Water	1	1
Total Inventory	177 587	145 232

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, the following inventories were recognised at provisional and weighted average amounts.

- Fuel and oil: held at a weighted average amount
- Consumable Items: held at a weighted average amount
- Land for Sale: held at a provisional amount
- Water: held at a provisional amount

	2011 R	2010 R
14 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	11 952 929	9 151 091

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

As previously reported		9 035 421
Change in accounting policy restatement - Refer to note 28.01		115 670
Water	12 302 777	11 220 614
As previously reported		4 616 237
Change in accounting policy restatement - Refer to note 28.01		141 829
Correction of error restatement - Refer to note 29.03		6 462 548
Refuse	23 898 894	17 546 267
As previously reported		17 324 482
Change in accounting policy restatement - Refer to note 28.01		221 785
Sewerage	2 844 958	2 853 808
As previously reported		589 131
Change in accounting policy restatement - Refer to note 28.01		36 072
Correction of error restatement - Refer to note 29.03		2 228 605
Other	15 920 746	7 869 442
As previously reported		7 661 533
Change in accounting policy restatement - Refer to note 28.01		98 082
Correction of error restatement - Refer to note 29.10		109 827
Total Receivables from Exchange Transactions	66 920 304	48 641 222
Less: Allowance for Doubtful Debts	(48 729 350)	(42 742 739)
As previously reported		(33 438 149)
Change in accounting policy restatement - Refer to note 28.01		(613 438)
Correction of error restatement - Refer to note 29.03		(8 691 152)
Total Net Receivables from Exchange Transactions	18 190 954	5 898 483

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

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	42 742 739	15 812 066
Allowance for Doubtful Debts on Water and Sanitation Receivables	-	8 691 152
Contribution to provision - note 24	9 579 995	19 499 552
Debt Impairment written off against provision	(3 593 384)	(1 260 031)
Balance at end of year	48 729 350	42 742 739
Electricity	10 029 388	7 602 245
Water	11 145 429	9 603 722
Refuse	21 670 080	15 142 600
Sewerage	2 698 846	2 470 579
Other	3 185 607	7 923 593

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.

Service Receivables	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2011			
Electricity	11 952 929	(10 029 388)	1 923 541
Water	12 302 777	(11 145 429)	1 157 348
Refuse	23 898 894	(21 670 080)	2 228 814
Sewerage	2 844 958	(2 698 846)	146 112
Other	15 920 746	(3 185 607)	12 735 139
Total	66 920 304	(48 729 350)	18 190 954

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2010

Electricity	9 151 091	(7 602 245)	1 548 846
Water	11 220 614	(9 603 722)	1 616 892
Refuse	17 546 267	(15 142 600)	2 403 667
Sewerage	2 853 808	(2 470 579)	383 229
Other	7 869 442	(7 923 593)	(54 151)
Total	48 641 222	(42 742 739)	5 898 483

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

	2011 R	2010 R
Current (0 - 30 days)	636 239	698 735
31 to 60 days	431 015	457 901
61 to 90 days	397 035	404 276
91 to 120 days	384 819	394 863
121 to 150 days	351 716	352 330
>150 days	9 752 105	6 842 986
Total	11 952 929	9 151 091

(Water): Ageing

Current (0 - 30 days)	452 890	1 072 192
31 to 60 days	331 336	389 595
61 to 90 days	366 402	317 888
91 to 120 days	303 047	320 092
121 to 150 days	293 400	335 032
>150 days	10 555 701	8 785 814
Total	12 302 777	11 220 614

(Refuse): Ageing

Current (0 - 30 days)	744 592	683 847
31 to 60 days	695 858	648 670
61 to 90 days	688 306	630 476
91 to 120 days	671 495	622 944
121 to 150 days	665 783	615 395
>150 days	20 432 860	14 344 935
Total	23 898 894	17 546 267

(Sewerage): Ageing

Current (0 - 30 days)	33 545	75 039
31 to 60 days	58 926	54 304
61 to 90 days	21 125	30 960
91 to 120 days	23 031	33 986
121 to 150 days	26 296	39 603
>150 days	2 682 035	2 619 916
Total	2 844 958	2 853 808

(Other): Ageing

Current (0 - 30 days)	11 158 586	66 034
31 to 60 days	251 904	251 381
61 to 90 days	227 551	80 539
91 to 120 days	44 422	3 853 016
121 to 150 days	40 269	33 928
>150 days	4 198 014	3 584 544
Total	15 920 746	7 869 442

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011 R	2010 R
Rates	12 111 406	14 479 417
As previously reported		14 420 511
Change in accounting policy restatement - Refer to note 28.01		184 609
Correction of error restatement - Refer to note 29.09		(125 703)
Other Receivables	53 978	262 716
Irregular Expenditure	-	-
As previously reported		181 804
Correction of error restatement - Refer to note 29.01		(181 804)
Unauthorised Expenditure	-	-
As previously reported		79 308
Correction of error restatement - Refer to note 29.01		(79 308)
Fruitless and Wasteful Expenditure	-	-
As previously reported		491 703

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Correction of error restatement - Refer to note 29.01		(491 703)
RD Cheques	(609)	208 129
Underbanking of Cash	54 587	54 587
Total Receivables from Exchange Transactions	12 165 384	14 742 133
Less: Allowance for Doubtful Debts	(11 291 995)	(12 846 024)
As previously reported		(12 661 415)
Change in accounting policy restatement - Refer to note 28.01		(184 609)
Total Net Receivables from Non-Exchange Transactions	873 389	1 896 109

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

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	12 846 024	7 627 947
Contribution to provision/(reversal of provision) - note 24	(1 323 446)	5 218 077
Debt Impairment written off against provision	(230 583)	-
Balance at end of year	11 291 995	12 846 024
Rates	11 291 995	12 846 024

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2011			
Rates	12 111 406	(11 291 995)	819 411
Other Receivables	53 978	-	53 978
RD Cheques	(609)	-	(609)
Underbanking of Cash	54 587	-	54 587
Total	12 165 384	(11 291 995)	873 389
2010			
Rates	14 479 417	(12 846 024)	1 633 393
Other Receivables	262 716	-	262 716
RD Cheques	208 129	-	208 129
Underbanking of Cash	54 587	-	54 587
Total	14 742 133	(12 846 024)	1 896 109

	2011 R	2010 R
Ageing of Receivables from Non-Exchange Transactions		
(Rates): Ageing		
Current (0 - 30 days)	99 759	108 088
31 to 60 days	320 741	1 229 310
61 to 90 days	279 187	273 863
91 to 120 days	273 797	269 029
121 to 150 days	239 830	266 263
>150 days	10 898 092	12 332 864
Total	12 111 406	14 479 417
(Other Receivables): Ageing		
Current (0 - 30 days)	-	-
31 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
121 to 150 days	-	-
>150 days	53 978	262 716
Total	53 978	262 716

16 CASH AND CASH EQUIVALENTS

Assets

Call Investment Deposits	22 441 664	41 405 898
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ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Primary Bank Account	5 451 051	2 803 019
Cash Floats	3 851	1 048
Total Cash and Cash Equivalents - Assets	27 896 566	44 209 965

Liabilities

Primary Bank Account	-	3 894 051
Total Cash and Cash Equivalents - Liabilities	-	3 894 051

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

Call Investments Deposits to an amount of R15 027 730 are held to fund the Unspent Conditional Grants (2010: R20 702 788).

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772	4 485 484	(3 894 051)
Standard Bank - Acc no 280642407	965 567	2 803 019
	5 451 051	(1 091 032)

First National Bank - Acc no 62159933772

Cash book balance at beginning of year	(3 894 051)	(932 962)
Cash book balance at end of year	5 451 051	(3 894 051)

Bank statement balance at beginning of year	726 052	(3 500 032)
Bank statement balance at end of year	5 385 159	726 052

Standard Bank - Acc no 280642407

Cash book balance at beginning of year	2 803 019	(1 800 344)
Cash book balance at end of year	7 642	2 803 019

Bank statement balance at beginning of year	2 802 769	(1 800 344)
Bank statement balance at end of year	7 642	2 802 769

	2011 R	2010 R
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
Standard Bank - Acc no 388497173001 - Elundini Expan Public Works	246 833	773 893
Standard Bank - Acc no 388492554001 - Elundini Housing	74 386	74 231
Standard Bank - Acc no 388497165001 - Elundini Voting Station	479 336	102 599
Standard Bank - Acc no 388490772001 - European Union Funding	9 463	223 770
Standard Bank - Acc no 388493410002 - FMG	793 367	1 352 191
Standard Bank - Acc no 388492570001 - Housing Pilot	117 890	117 595
Standard Bank - Acc no 388492716001 - Katlehong Planning	2 837	2 833
Standard Bank - Acc no 388492406001 - Leave Reserve	12 317	12 302
Standard Bank - Acc no 388493410001 - LED	39 743	39 677
Standard Bank - Acc no 388494255001 - Library	554 420	552 912
Standard Bank - Acc no 388493003001 - Maclear Greenfields	707 651	844 344
Standard Bank - Acc no 388492325001 - MSIG	237 564	995 328
Standard Bank - Acc no 388494387001 - MSP	1 730 246	1 724 800
Standard Bank - Acc no 388493240003 - Mount Fletcher Youth Centre	108 804	108 697
Standard Bank - Acc no 388490810001 - NER	1 211 072	8 637 117
Standard Bank - Acc no 388492759001 - Revolving Fund	107 062	7 777 190
Standard Bank - Acc no 388493518001 - Tourism	806 403	1 194 279
Standard Bank - Acc no 388492465001 - Town Register	-	247
Standard Bank - Acc no 388492481001 - Training	6 633	6 624
Standard Bank - Acc no 388492651001 - Vehicle Registration	-	1 635
FNB - Acc no 62189194170 - Equitable Share	661 689	4 667 621
FNB - Acc no 62246726197 - Furniture Man Project	1 557 742	2 506 741
FNB - Acc no 62246719176 - Hawkers Stall	1 835 681	1 978 567
FNB - Acc no 62268631259 - Madiba Corridor	480 847	702 725
FNB - Acc no 62189180011 - MIG	19 617	5 536 121
FNB - Acc no 62258379174 - Plant and Machinery	10 000	1 267 065
FNB - Acc no 62268632934 - Ward Functions	255 640	204 794
FNB - Acc no 62314984106 - Community Participation	226 058	-
FNB - Acc no 62284785303 - Internal Road Reserve	2 881 530	-
FNB - Acc no 62284785121 - Working Capital Reserve	7 266 833	-
	22 441 664	41 405 898

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17 PROPERTY RATES

Actual

Rateable Land and Buildings	14 715 181	13 695 263
As previously reported		13 707 763
Change in accounting policy restatement - Refer to note 28.01		113 203
Correction of error restatement - Refer to note 29.09		(125 703)
Less: Rebates	(4 941 158)	(4 975 066)
Total Assessment Rates	9 774 023	8 720 197

Valuations - 1 July 2010

Residential	297 446 200	291 746 300
Special Residential	10 374 800	10 457 300
Business and Government Property used by Local Government	162 597 400	156 448 560
Industrial	102 631 100	102 097 600
Government Property used by Provincial and District Government	269 097 261	268 736 261
Government Property used by National Government	8 798 900	8 798 900
Public Service Infrastructure and Agriculture	2 116 250 502	2 113 840 042
Municipal Owned Property and Churches	232 047 000	264 503 050
Rateable Land and Buildings	3 199 243 163	3 216 628 013

Rebates on Income - Basic Rate:

Residential	0.848c/R	0.800c/R
Special Residential	1.102c/R	1.040c/R
Business and Government Property used by Local Government	1.272c/R	1.200c/R
Industrial	1.696c/R	1.600c/R
Government Property used by Provincial and District Government	1.357c/R	1.280c/R
Government Property used by National Government	1.526c/R	1.440c/R
Public Service Infrastructure and Agriculture	0.212c/R	0.200c/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 plus 2% 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.

18 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

	2011 R	2010 R
Unconditional Grants	50 681 227	40 826 480
Equitable Share	50 021 227	40 826 480
Other Grants	660 000	-

Conditional Grants

Conditional Grants	48 121 407	25 736 470
Municipal Infrastructure Grant (MIG)	17 950 077	15 605 900
Municipal Systems Improvement Grant (MSIG)	737 817	1 504 011
Financial Management Grant (FMG)	1 250 000	985 834
National Electrification Programme Grant (NER)	7 215 968	3 923 682
ECDC	16 637 899	565 738
Other Grants	4 329 645	3 151 305

Total Government Grants and Subsidies

Total Government Grants and Subsidies	98 802 634	66 562 950
Government Grants and Subsidies - Capital	41 803 945	20 095 320
Government Grants and Subsidies - Operating	56 998 690	46 467 630
	98 802 634	66 562 950

The Municipality does not expect any significant changes to the level of grants.

Equitable Share

Opening balance	-	-
Grants received	50 021 227	40 826 480
Conditions met - operating	(50 021 227)	(40 826 480)
Conditions still to be met	-	-

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

Municipal Infrastructure Grant (MIG)

Opening balance	3 605 551	6 646 638
As previously reported		8 131 652
Correction of error restatement - Refer to note 29.04		(1 485 014)
Grants received	13 680 000	12 564 813
Conditions met - capital	(17 950 077)	(15 605 900)
As previously reported		(13 918 429)
Correction of error restatement - Refer to note 29.04		(1 687 471)
Conditions met - operating	-	-

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Conditions still to be met / (unpaid grants for conditions already met)	(664 526)	3 605 551
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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

Municipal Systems Improvement Grant (MSIG)

Opening balance	(12 183)	756 829
Grants received	750 000	735 000
Conditions met - capital	-	-
Conditions met - operating	(737 817)	(1 504 011)
Conditions still to be met / (unpaid grants for conditions already met)	-	(12 182)

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

Financial Management Grant (FMG)

Opening balance	-	(14 166)
Grants received	1 250 000	1 000 000
Conditions met - capital	-	-
Conditions met - operating	(1 250 000)	(985 834)
Conditions still to be met	-	-

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).

	2011 R	2010 R
National Electrification Programme Grant (NER)		
Opening balance	7 215 968	6 139 650
Grants received	-	5 000 000
Conditions met - capital	(7 215 968)	(3 923 682)
Conditions met - operating	-	-
Conditions still to be met	-	7 215 968

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

ECDC

Opening balance	(565 738)	-
Grants received	24 755 140	-
Conditions met - capital	(16 637 899)	(565 738)
As previously reported		-
Correction of error restatement - Refer to note 29.04		(565 738)
Conditions met - operating	-	-
Conditions still to be met / (unpaid grants for conditions already met)	7 551 503	(565 738)

The ECDC Grant is used for the Ugjie / PG Bison development.

Other Grants

Opening balance	9 881 234	5 396 771
Grants received	1 924 604	7 635 768
Conditions met - capital	-	-
Conditions met - operating	(4 329 645)	(3 151 305)
As previously reported		(2 906 467)
Correction of error restatement - Refer to note 29.04		(244 838)
Conditions still to be met	7 476 192	9 881 234

Various grants were received from other spheres of government.

19

SERVICE CHARGES

Electricity	12 237 362	10 960 663
As previously reported		10 889 733
Change in accounting policy restatement - Refer to note 28.01		70 930
Water	6 010 482	6 267 330
As previously reported		6 180 360
Change in accounting policy restatement - Refer to note 28.01		86 970
Refuse Removal	6 524 695	5 270 683
As previously reported		5 134 683
Change in accounting policy restatement - Refer to note 28.01		136 000

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Sewerage and Sanitation	445 854	467 658
As previously reported		445 538
Change in accounting policy restatement - Refer to note 28.01		22 120
	<u>25 218 393</u>	<u>22 966 334</u>
Less: Rebates	(4 271 946)	(2 743 322)
Total Service Charges	<u>20 946 447</u>	<u>20 223 012</u>

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

20 WATER SERVICES AUTHORITY CONTRIBUTION

Joe Gqabi District Municipality - Water and Sewerage functions	<u>9 324 797</u>	<u>6 808 846</u>
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An agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the Municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the Municipality. Prior to that date the Municipality acted as an agent for the Joe Gqabi District Municipality.

21 OTHER INCOME

	2011 R	2010 R
Repayments of Legal Costs	4 213	3 490
Commission Received	105 138	14 129
Insurance Claims Received	16 873	34 065
Tender Document Sales	56 650	96 300
LGSETA Claims Received	74 168	178 140
Cellphone Claims Received	1 921	16 472
Pound Fees	98 784	179 824
Income from Caravan Parks and Chalets	5 970	7 753
Cemetery Fees	14 406	9 581
Building Plan & Inspection	35 305	25 422
Auction Sales	311 394	45 630
Discounts received	85 773	52 473
As previously reported		605 748
Change in accounting policy restatement - Refer to note 28.01		(553 275)
Sundry Income	546 287	111 183
As previously reported		51 039
Change in accounting policy restatement - Refer to note 28.01		60 144
Total Other Income	<u>1 356 882</u>	<u>774 462</u>

22 EMPLOYEE RELATED COSTS

Acting Allowances	361 134	329 003
Bonus	1 937 274	2 105 178
As previously reported		2 317 843
Correction of error restatement - Refer to note 29.05		(212 665)
Bursary Scheme	61 496	54 305
Contribution to Current Employee Benefits - Staff Leave - Note 5	1 592 679	542 971
Contribution to Employee Benefits - Long Service Awards - Note 3	228 255	233 038
As previously reported		-
Correction of error restatement - Refer to note 29.05		233 038
Medical Aid Contributions	2 331 895	1 918 988
Overtime	215 693	-
Pension Fund Contributions	3 276 946	2 919 162
Performance Bonuses	1 227 573	702 252
As previously reported		486 554
Correction of error restatement - Refer to note 29.06		215 698
Salaries and Wages	23 871 049	21 742 465
Skills Development Levy	483 869	296 611
Travel, motor car, telephone, assistance and other allowances	4 060 848	3 810 568
UIF Contributions	229 503	198 089
Workmens Compensation Contributions	1 024 289	345 344
Total Employee Related Costs	<u>40 902 503</u>	<u>35 197 974</u>

KEY MANAGEMENT PERSONNEL

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Remuneration of the Municipal Manager

Annual Remuneration	803 907	823 781
Car and other allowances	122 150	85 000
Performance Bonuses	129 864	125 087
Contributions to UIF, Medical and Pension Funds	1 547	1 542
Total	1 057 468	1 035 410

Remuneration of the Manager Infrastructure Planning and Development

Annual Remuneration	517 022	476 347
Car and other allowances	268 306	252 986
Performance Bonuses	110 163	-
Contributions to UIF, Medical and Pension Funds	1 547	1 542
Total	897 038	730 875

Remuneration of the Manager Corporate Services

	2011	2010
	R	R
Annual Remuneration	467 465	425 441
Car and other allowances	391 937	388 536
Performance Bonuses	120 533	104 167
Contributions to UIF, Medical and Pension Funds	1 547	1 542
Total	981 482	919 686

Remuneration of the Chief Financial Officer

Annual Remuneration	569 301	172 500
Car and other allowances	154 000	48 000
Performance Bonuses	101 478	-
Contributions to UIF, Medical and Pension Funds	1 547	514
Total	826 326	221 014

Remuneration of the Manager Community and Social Services

Annual Remuneration	499 311	460 327
Car and other allowances	356 932	354 686
Performance Bonuses	120 091	106 716
Contributions to UIF, Medical and Pension Funds	1 547	1 497
Total	977 881	923 226

23 REMUNERATION OF COUNCILLORS

Salaries	5 000 049	4 792 810
Travel and other allowances	1 936 488	1 867 666
Pension Fund Contributions	46 943	47 917
Total Councillors' Remuneration	6 983 480	6 708 393

In-kind Benefits

The Mayor, Speaker and five executive committee members are full-time. They are provided with secretarial support and an office at the cost of the Council.

24 DEBT IMPAIRMENT

Receivables from Exchange Transactions - Note 14	9 579 995	19 499 552
As previously reported		18 886 114
Change in accounting policy restatement - Refer to note 28.01		613 438
Receivables from Non-exchange Transactions - Note 15	(1 323 446)	5 218 077
As previously reported		5 033 468
Change in accounting policy restatement - Refer to note 28.01		184 609
Total Contribution to Impairment Provision	8 256 549	24 717 629

25 FINANCE CHARGES

Long-term Liabilities	49 483	55 417
Finance leases	11 539	20 430
Non-Current Employee Benefits	232 036	93 809
As previously reported		-
Correction of error restatement - Refer to note 29.05		93 809
Trade and Other Payables	-	491 703
As previously reported		1 223 653
Change in accounting policy restatement - Refer to note 28.01		(1 223 653)
Correction of error restatement - Refer to note 29.01		491 703
Other finance charges	-	-

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

As previously reported
Change in accounting policy restatement - Refer to note 28.01

798 047
(798 047)

Total Finance Charges

293 058

661 359

26 BULK PURCHASES

**2011
R**

**2010
R**

Electricity

11 847 738

8 597 732

As previously reported

7 374 079

Change in accounting policy restatement - Refer to note 28.01

1 223 653

Total Bulk Purchases

11 847 738

8 597 732

27 GENERAL EXPENSES

Advertising

595 815

273 291

Auditors Remuneration

2 100 038

1 234 867

Bank Charges

172 418

98 956

Cleaning Materials

23 247

13 452

Commission Paid

1 170 199

245 072

Conferences and Seminars

408 761

(13 768)

Consulting, Professional and Legal Fees

4 575 367

1 303 924

Discount Allowed

-

73 087

Entertainment and Catering

706 672

330 073

Eskom - Demand Upgrade

195 199

-

Fraud Prevention Plan

71 474

-

Fuel and Oil

861 799

963 276

Gifts

58 123

5 100

Insurance

471 701

496 724

Lease rentals on operating lease: Office Equipment

222 190

150 364

Licence Fees

208 576

10 257

Magazines, Books and Periodicals

8 143

-

Postage and Courier

28 299

23 152

Printing and Stationery

904 141

465 673

Promotions and Sponsorships

2 988 342

91 849

Protective Clothing

161 004

117 605

Refuse Bags and Containers

105 850

21 656

Security (Guarding of Municipal Property)

657 641

577 055

Service Standard Charter

242 951

-

Small Tools and Equipment

201 446

313 846

Special Programmes

789 257

-

Staff Tea and Coffee

12 128

17 443

Subscriptions and Membership Fees

301 944

467 533

Telephone and fax

1 055 264

1 074 138

Town Planning and Property Valuation Fees

652 039

665 981

As previously reported

-

586 673

Correction of error restatement - Refer to note 29.01

-

79 308

Traffic Department Costs

43 871

77 571

Training

740 698

623 012

Travel and Subsistence

3 692 445

2 404 894

As previously reported

-

2 374 908

Correction of error restatement - Refer to note 29.01

-

29 986

Ward Committees

443 358

-

Other Expenditure

208 184

89 409

Total General Expenses

25 078 584

12 215 492

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

Included in Lease Rentals is an operating lease with Joe Gqabi District Municipality. Effective 1 July 2009 an agreement was entered with Joe Gqabi District Municipality whereby the water and sanitation assets are rented from the District Municipality for a nominal sum of R1 per year. The contract is renewable annually. In terms of the agreement all assets to water and sanitation are capitalised in the records of the water services authority being Joe Gqabi District Municipality. In terms of the trading activity, due to the fact that the Elundini Municipality accrue for all income and expenditure, all accounts receivable will also accrue to the water service provider, being Elundini Municipality. An operating subsidy is also accrued for annually from the District Municipality based on the lease agreement concluded.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2010 R
28	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3	
28.01	Implementation of GRAP 104 - Financial Instruments	
	The early adoption of GRAP 104 - <i>Financial Instruments</i> effected the following items retrospectively:	
	Payables and bulk purchases:	
	Other Income - note 21	553 275
	Payables from Exchange Transactions - note 7	(553 275)
	Bulk Purchases - note 26	1 223 653
	Finance Charges - note 25	(1 223 653)
	Exchange and non-exchange revenue	
	Interest earned - outstanding debtors in the Statement of Financial Performance	489 367
	Property Rates - note 17	(113 203)
	Other Income - note 21	(60 144)
	Service Charges - note 19	
	- Electricity	(70 930)
	- Water	(86 970)
	- Refuse Removal	(136 000)
	- Sewerage and Sanitation	(22 120)
	Gross balance of Receivables:	
	Finance charges - note 25	(798 047)
	Receivables from Non-Exchange Transactions - note 15	184 609
	Receivables from Exchange Transactions - note 14	
	- Electricity	115 670
	- Water	141 829
	- Refuse Removal	221 785
	- Sewerage and Sanitation	36 072
	- Other	98 082
	Allowance for doubtful debts of Receivables:	
	Debt Impairment - note 24	184 609
	Debt Impairment - note 24	613 438
	Receivables from Non-Exchange Transactions - note 15	(184 609)
	Receivables from Exchange Transactions - note 14	(613 438)
29	CORRECTION OF ERROR IN TERMS OF GRAP 3	
29.01	Unauthorised, Irregular and Fruitless and Wasteful Expenditure	
	In the prior year unauthorised, irregular and fruitless and wasteful expenditure were incorrectly classified as Receivables from non-exchange transactions. Unauthorised, irregular and fruitless and wasteful expenditure may only be classified as an asset if the monies are recoverable from an employee or a third party. Accordingly, Receivables from non-exchange transactions were overstated while General Expenses and Finance Charges were understated.	
	Unauthorised Expenditure	
	Refer to Receivables from non-exchange transactions - note 15	(79 308)
	Refer to General Expenses - note 27	79 308
	Fruitless and Wasteful Expenditure	
	Refer to Receivables from non-exchange transactions - note 15	(491 703)
	Refer to Finance charges - note 25	491 703
	Irregular Expenditure	
	Refer to Receivables from non-exchange transactions - note 15	(181 804)
	Refer to Statement of Financial Performance - Operating Grant Expenditure - note 29.11	45 987
	Refer to Statement of Financial Performance - Repairs and Maintenance - note 29.11	105 831
	Refer to General Expenses - note 27	29 986

2010
R

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

29.02 Cape Joint Pension Fund

It was reported that the established investment return of the fund for the 2009 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The Municipality did not provide for this shortfall in the records.

Refer to Current Employee Benefits - note 6	(93 927)
Refer to Accumulated Surplus - 1 July 2009 - note 29.12	93 927

29.03 Water and Sanitation Receivables

In the prior year the water and sanitation receivables were discounted to a zero Rand value. Subsequently it has been restated to fair value as on 30 June 2010 and accordingly the Allowance for Doubtful Debt has been adjusted.

Refer to Receivables from Exchange Transactions - note 14	6 462 548
Refer to Receivables from Exchange Transactions - note 14	2 228 605
Refer to Receivables from Exchange Transactions - note 14	(8 691 153)

29.04 Recognition of Non-Exchange Transactions

The following errors were noted and corrected:

Grant income not recognised where conditions were met - refer to note 8 and 18

Unspent Conditional Government Grants and Receipts

Municipal Infrastructure Grant	1 687 471
ECDC	565 738
Other Grants	244 838

Government Grants and Subsidies

Municipal Infrastructure Grant	(1 687 471)
ECDC	(565 738)
Other Grants	(244 838)

Conditions met prior to 1 July 2009 - refer to note 8 and 18

Municipal Infrastructure Grant - Unspent	1 485 014
Refer to Accumulated Surplus - 1 July 2009 - note 29.12	(1 485 014)

29.05 Long Service Awards

No provision for Long Service Awards were created in the prior year. The effect was as follow:

Refer to Employee Benefits - note 3	(1 341 593)
Refer to Current Employee Benefits - note 6	(114 120)
Refer to Employee Related Costs - note 22	(212 665)
Refer to Employee Related Costs - note 22	233 038
Refer to Finance Charges - note 25	93 809
Refer to Statement of Financial Performance - Actuarial Gains - note 29.11	(11 210)
Refer to Accumulated Surplus - 1 July 2009 - note 29.12	1 352 741

29.06 Performance Bonuses

During the 2009/2010 four additional agreements were entered into with assistant managers. This obligation was not taken into account during the prior year and resulted that the provision for performance bonuses were understated.

Refer to Current Employee Benefits - note 6	(215 698)
Refer to Employee Related Costs - note 22	215 698

**2010
R**

29.07 Retention and Surety Payables

Previously retention fees were recognised when claimed. An adjustment has been brought about to accrue for all retention obligations that exist on all capital projects.

Refer to Payables from Exchange Transaction - note 7	(1 980 370)
Refer to Property, Plant and Equipment - note 10	264 363

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Refer to Property, Plant and Equipment - note 10	213 892
Refer to Property, Plant and Equipment - note 10	1 302 643
Refer to Property, Plant and Equipment - note 10	(43 731)
Refer to Taxes - note - 9	243 203

29.08 Value Added Tax

A VAT audit was commissioned during the course of 2010/2011 to validate all outstanding claims and amounts previously not recognised. Subsequently input VAT previously denied has been restated based on the outcome of the VAT audit.

Refer to Taxes - note - 9	198 206
Refer to Accumulated Surplus - 1 July 2009 - note 29.12	(198 206)

29.09 Property Rates

In the prior year rates were overcharged with regards to certain consumers. Accordingly, Property Rate income and Receivables from Non-Exchange Transactions were overstated.

Property Rates - note 17	125 703
Refer to Receivables from Non-Exchange Transactions - note 15	(125 703)

29.10 Expenditure incurred on behalf of Mhlotho Municipality

In the prior year expenditure was paid on behalf of Mhlotho Municipality. A receivable was never raised for the recovery of these expenditure. Accordingly, Receivables from Exchange Transactions were understated and Repairs and Maintenance were overstated.

Refer to Receivables from Exchange Transactions - note 14	109 827
Refer to Statement of Financial Performance - Repairs and Maintenance - note 29.11	(109 827)

29.11 Statement of Financial Performance

Actuarial Gains	11 210
As previously reported	-
Refer to Long Service Awards - note 29.05	11 210
Operating Grant Expenditure	3 991 494
As previously reported	3 945 507
Refer to Unauthorised, Irregular and Fruitless and Wasteful Expenditure - note 29.01	45 987
Repairs and Maintenance	4 416 780
As previously reported	4 420 776
Refer to Unauthorised, Irregular and Fruitless and Wasteful Expenditure - note 29.01	105 831
Refer to Expenditure incurred on behalf of Mhlotho Municipality - note 29.10	(109 827)

29.12 Accumulated Surplus - 1 July 2009

Cape Joint Pension Fund - note 29.02	(93 927)
Long Service Awards - note 29.05	(1 352 741)
Value Added Tax - note 29.08	198 206
Recognition of Non-Exchange Revenue - note 29.04	1 485 014
	<u><u>236 552</u></u>

	2011 R	2010 R
30 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	49 803 657	17 036 478
Adjustments for:		
(Gain)/Loss on disposal of property, plant and equipment	577 737	25 308
Contribution from/to employee benefits - non-current	460 760	454 039
Contribution from/to employee benefits - non-current - expenditure incurred	(213 125)	(303 150)
Contribution from/to employee benefits - non-current - actuarial gains	(80 868)	(11 210)
Contribution to employee benefits – current	3 771 103	1 777 090
Contribution to employee benefits – current - expenditure incurred	(1 800 551)	(533 033)
Contribution to provisions – current	-	885 000

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Contribution to provisions – current - expenditure incurred	-	(106 032)
Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt	8 256 549	24 717 628
Bad debts written off	(3 823 967)	(1 260 031)
	<hr/>	<hr/>
Operating Surplus/(Deficit) before changes in working capital	56 951 295	42 682 087
Changes in working capital	(19 515 536)	(21 598 331)
	<hr/>	<hr/>
Increase/(Decrease) in Payables from Exchange Transactions	(2 781 403)	10 256 449
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(5 675 058)	1 777 066
Increase/(Decrease) in Taxes	4 762 218	(1 233 917)
(Increase)/Decrease in Inventory	(32 355)	147 476
(Increase)/Decrease in Receivables from exchange transactions	(18 279 082)	(32 287 192)
(Increase)/Decrease in Receivables from non-exchange transactions	2 576 749	(864 135)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(86 605)	-
(Increase)/Decrease in Other Assets	-	605 921
	<hr/>	<hr/>
Cash generated/(absorbed) by operations	37 435 759	21 083 755
	<hr/>	<hr/>

31 CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 16	22 441 664	41 405 898
Cash Floats - Note 16	3 851	1 048
Bank - Note 16	5 451 051	2 803 019
Bank overdraft - Note 16	-	(3 894 051)
	<hr/>	<hr/>
Total cash and cash equivalents	27 896 566	40 315 914
	<hr/>	<hr/>

32 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 31	27 896 566	40 315 914
Less:	15 027 730	20 124 831
Unspent Committed Conditional Grants - Note 8	15 027 730	20 124 831
	<hr/>	<hr/>
Net cash resources available for internal distribution	12 868 836	20 191 083
	<hr/>	<hr/>

33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	330 340	451 474
Used to finance property, plant and equipment - at cost	(330 340)	(451 474)
	<hr/>	<hr/>
Cash invested for repayment of long-term liabilities	-	-
	<hr/>	<hr/>

Annuity loans at amortised cost is calculated at 17.36% interest rate, with maturity date of 20 June 2015.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
35.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	23 617 211	-
Unauthorised expenditure current year - capital	-	96 834
Unauthorised expenditure current year - operating	857 612	23 520 377
Approved by Council or condoned	(23 520 377)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>954 446</u>	<u>23 617 211</u>
Incident	Disciplinary steps/criminal proceedings	
<i>Over expenditure on votes</i>	<i>None</i>	
	2011	2010
35.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	2 078 762	-
Fruitless and wasteful expenditure current year	4 308 244	2 078 762
Condoned or written off by Council	(491 703)	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>5 895 303</u>	<u>2 078 762</u>
Incident	Disciplinary steps/criminal proceedings	
<i>Penalties and Interest</i>	<i>None</i>	
	2011	2010
35.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	181 804	-
Irregular expenditure current year	-	181 804
Condoned or written off by Council	(181 804)	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	<u>-</u>	<u>181 804</u>
Incident	Disciplinary steps/criminal proceedings	
<i>Non-compliance with Supply Chain Management Policy</i>	<i>None</i>	
	2011	2010
35.4 Material Losses		
Electricity distribution losses		
Kwh purchased	19 450 935	19 643 905
Less: Kwh sold	(13 020 214)	(14 465 941)
Kwh losses	6 430 721	5 177 964
% Losses	33.06%	26.36%
Average cost per Kwh unit	0.5746	0.4317
Losses in Rand Value	3 695 402	2 235 467
Less: 10% loss norm	(1 117 745)	(848 080)
Amount of loss considered fruitless expenditure	<u>2 577 658</u>	<u>1 387 386</u>
A loss deduction strategy was developed. A revenue protection plan has been established for 2011/2012 to implement the reduction strategy in line with NERSA requirements to reduce losses within industry norms of 10%.		
Water distribution losses		
Mega litres purified	893 120	910 982
Mega litres lost during distribution	314 868	130 081
Percentage lost during distribution	35.25%	14.28%
Average cost per Mega litre	7.6237	5.1220
Losses in Rand Value	2 400 450	666 281
Less: 10% loss norm	(680 885)	(466 608)
Amount of loss considered fruitless expenditure	<u>1 719 565</u>	<u>199 673</u>
	2011 R	2010 R
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
36.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Council subscriptions	239 262	206 948
Amount paid - current year	(239 262)	(206 948)
Balance unpaid (included in creditors)	-	-

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

Opening balance	228 000	-
Current year audit fees	3 097 889	1 234 866
Amount paid - current year	(3 142 566)	(1 006 866)
Balance unpaid (included in creditors)	183 323	228 000

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

Opening balance	2 280 192	848 069
Amounts received - current year	(12 459 873)	(5 750 097)
Amounts claimed - current year	7 707 655	7 182 220
VAT Receivable/(Payable)	(2 472 026)	2 280 192

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.

36.4 **PAYE, SDL and UIF - [MFMA 125 (1)(b)]**

Opening balance	-	-
Current year payroll deductions and Council Contributions	6 491 879	5 901 487
Amount paid - current year	(6 481 879)	(5 901 487)
Balance unpaid (included in creditors)	10 000	-

36.5 **Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]**

Opening balance	-	-
Current year payroll deductions and Council Contributions	5 581 555	4 697 181
Amount paid - current year	(5 581 555)	(4 697 181)
Balance unpaid (included in creditors)	-	-

36.6 **Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

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

	Outstanding more than 90 days	Outstanding more than 90 days
A M Ntaba	182	-
M Bomela	3 994	-
L S Baduza	6 464	-
G M Moni	-	4 882
T Fokoto	390	7 553
Total Councillor Arrear Consumer Accounts	11 030	12 435

39 **CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Approved and contracted for:	23 650 456	45 054 277
Infrastructure	23 650 456	45 054 277
Total	23 650 456	45 054 277
This expenditure will be financed from:		
Government Grants	23 650 456	45 054 277
	23 650 456	45 054 277

40 **FINANCIAL RISK MANAGEMENT**

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

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

2011
R

2010
R

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2010 - 0.5%) Increase in interest rates	137 206	199 322
0.5% (2010 - 0.5%) Decrease in interest rates	(137 206)	(199 322)

(d) Credit Risk

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

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

All rates and services are payable within 30 days from invoice date. Refer to note 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 for balances included in receivables that were re-negotiated for the period under review.

	2011 %	2011 R	2010 %	2010 R
Balances past due not impaired:				
<u>Non-Exchange Receivables</u>				
Rates	93.02%	719 652	85.31%	1 525 305
Other	6.98%	53 978	14.69%	262 716
	<u>100%</u>	<u>773 630</u>	<u>100%</u>	<u>1 788 020</u>
<u>Exchange Receivables</u>				
Electricity	24.92%	1 287 303	25.74%	850 111
Water	13.64%	704 458	16.49%	544 700
Refuse	28.74%	1 484 221	52.07%	1 719 820
Sewerage	2.18%	112 567	9.33%	308 190
Other	30.52%	1 576 552	-3.64%	(120 185)
	<u>100%</u>	<u>5 165 102</u>	<u>100%</u>	<u>3 302 636</u>

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

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 2% where applicable.

	2011 %	2011 R	2010 %	2010 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
<u>Non-Exchange Receivables</u>				
Rates	100%	11 291 995	100%	12 846 024
<u>Exchange Receivables</u>				
Electricity	20.58%	10 029 388	18%	7 602 245
Water	22.87%	11 145 429	22%	9 603 722
Refuse	44.47%	21 670 080	35%	15 142 600
Sewerage	5.54%	2 698 846	6%	2 470 579
Other	6.54%	3 185 607	19%	7 923 593
	<u>100.00%</u>	<u>48 729 350</u>	<u>100%</u>	<u>42 742 739</u>

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

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

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

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	66 920 304	48 641 222
Receivables from Non-Exchange Transactions	12 165 384	14 742 133
Cash and Cash Equivalents	27 896 566	44 209 965
Unpaid conditional grants and subsidies	664 562	577 957
	<u>107 646 816</u>	<u>108 171 277</u>

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2011				
Long Term liabilities	172 103	270 065	-	442 168
Capital repayments	126 609	203 731	-	330 340
Interest	45 494	66 334	-	111 828
Payables from Exchange Transactions	11 556 187	-	-	11 556 187
Unspent conditional government grants and receipts	14 363 168	-	-	14 363 168
	<u>26 263 561</u>	<u>540 130</u>	<u>-</u>	<u>26 803 691</u>
2010				
Long Term liabilities	181 822	444 875	-	626 697
Capital repayments	121 135	330 339	-	451 474
Interest	60 687	114 536	-	175 223
Payables from Exchange Transactions	14 337 590	-	-	14 337 590
Unspent conditional government grants and receipts	20 702 788	-	-	20 702 788
Cash and Cash Equivalents	3 894 051	-	-	3 894 051
	<u>39 116 251</u>	<u>444 875</u>	<u>-</u>	<u>39 561 126</u>

	2011 R	2010 R
41 FINANCIAL INSTRUMENTS		
Financial instruments of the Municipality are classified as follows:		
The fair value of financial instruments approximates the amortised costs as reflected below.		
41.1 Financial Assets		
Financial Instruments at Amortised Cost		
Receivables from Exchange Transactions	18 190 954	5 898 483
Receivables from Non-exchange Transactions	873 389	1 896 109
Unpaid Conditional Government Grants and Receipts	664 562	577 957
Cash and Cash Equivalents	27 896 566	44 209 965
Total carrying amount of financial assets	<u>47 625 471</u>	<u>52 582 514</u>
41.2 Financial Liability		
Financial Instruments at Amortised Cost		
Long-term Liabilities	203 732	337 442
Payables from Exchange Transactions	11 556 187	14 337 590
Unspent Conditional Grants and Receipts	15 027 730	20 702 788
Current Portion of Long-term Liabilities	126 608	114 032
Total carrying amount of financial liabilities	<u>26 914 257</u>	<u>35 491 852</u>

42 EVENTS AFTER THE REPORTING DATE

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The Municipality has no events after reporting date during the financial year ended 2010/2011.

43 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

44 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

45 CONTINGENT LIABILITY

Council do have the following contingent liabilities at the end of the financial year 2010/2011:

An interdict has been lodged by SJW Civils against the Municipality in relation to the bidding process of Prentjiesberg. Currently a claim to the value of R300 000.00 has been lodged against the Municipality by SJW Civils. The interdict application is still pending before court.

Another interdict has been lodged by SJW Civils against the Municipality in relation to the bidding process of Ntokozweni. Currently a claim to the value of R300 000.00 has been lodged against the Municipality by SJW Civils. The matter was argued and awaits judgment.

A claim has been lodged by Mr. Vukile Matyeni against the Municipality in relation to the reinstatement and back pay of his salary. Currently Mr. Matyeni's salary from the date of dismissal is R150 000.00. The claim is still pending before court.

A claim has also been lodged by P Lehlapa against the Municipality in relation to the reinstatement and back pay of his salary. Currently P Lehlapa's salary from the date of dismissal is R150 000.00. The claim is still pending before court.

A claim has been lodged by Mr. S Songca for the amount of R50 000.00 plus 15.5% interest costs for monies payable in respect of farm damages resulting from veld fires. The claim is still pending before court.

A claim has been lodged by F Ntshintshi against the Municipality in relation to the reinstatement and back pay of his salary. Currently F Ntshintshi salary from the date of dismissal is R150 000.00. The claim is still pending before court.

A claim has been lodged by Pieter Britz for the amount of R140 000.00 for monies payable in respect of a claim arising as a result of a fire that started on Municipal land and caused damage to the plaintiffs property.

There has been a claim lodged by SALA pension fund for the amount of R316 676.30 for monies payable in respect of arrears employer contributions to the fund resulting from a rate increase for the contribution rate payable to the pension fund with effect from 1 July 2003.

There has been a claim lodged by Wesbank against the municipality in relation to the cancellation of a rental agreement for a PABX system. The rental agreement was entered into in 2005, however due to persistent problems with the system, the agreement was cancelled in July 2008 and the assets of the system collected on the 25th February 2009. Currently a claim to the value of R296 224.31 has been lodged against the municipality by Wesbank. This debt has prescribed in July 2011 and as such Council is dealing with the matter to have the debt set aside.

46 RELATED PARTIES

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

46.1 Related Party Transactions

Year ended 30 JUNE 2011	Rates	Service Charges	Other	Outstanding Balances as at
	1 July 10 to 30 June 11	1 July 10 to 30 June 11	1 Jul 10 to 30 Jun 11	30 June 2011
Councillors				
R D M Lehana	3 389	2 678	-	205
C K Mthi	-	2 077	7 352	1 579
N R Lengs	-	2 653	-	53
M A Mqamelo	-	1 327	-	25
T Fokoto	-	2 653	-	894
L S Baduza	-	4 365	18 869	4 873
A M Ntaba	1 823	6 318	-	1 760
M Bomela	3 403	2 678	-	6 058
L L Ndlovu	589	1 071	-	1 757
T J Pikinini	-	1 327	-	9 993
	9 205	27 146	26 222	27 197
Municipal Manager and Section 57 Employees				
K Gashi	-	1 039	16 295	1 418
S R Matubatuba	-	1 414	25 735	3 751
L Mqokoyi	-	5 048	22 793	2 073
	-	7 501	64 823	7 241

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public.

46.2 Related Party Loans

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

46.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

46.4 Other related party transactions

The following purchases were made during the year where Councillors have an interest:

Spouse of Councillor A M Ntaba

	2011 R	2010 R
	129 305	-
	<u>129 305</u>	<u>-</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	
Land and Buildings	9 889 014	5 669 626	(3 840 044)	11 718 596	-	-	-	-	11 718 596
Land	9 735 019	-	(3 840 044)	5 894 975	-	-	-	-	5 894 975
Buildings	153 995	5 669 626	-	5 823 621	-	-	-	-	5 823 621
Infrastructure	16 716 168	36 799 184	-	53 515 352	-	-	-	-	53 515 352
Electricity	3 686 632	19 293 849	-	22 980 481	-	-	-	-	22 980 481
Roads, Pavements, Bridges & Storm Water	13 029 536	17 505 335	-	30 534 871	-	-	-	-	30 534 871
Lease Assets	282 415	-	-	282 415	-	-	-	-	282 415
Office Equipment	282 415	-	-	282 415	-	-	-	-	282 415
Community Assets	3 893 287	1 267 448	-	5 160 734	-	-	-	-	5 160 734
Cemeteries	120 918	-	-	120 918	-	-	-	-	120 918
Civic Building	833 398	-	-	833 398	-	-	-	-	833 398
Community Halls	1 643 583	1 034 297	-	2 677 880	-	-	-	-	2 677 880
Markets	734 458	215 551	-	950 009	-	-	-	-	950 009
Parks & Gardens	400 357	17 600	-	417 957	-	-	-	-	417 957
Public Conveniences & Bathhouses	5	-	-	5	-	-	-	-	5
Recreational Grounds	7	-	-	7	-	-	-	-	7
Town Library	160 558	-	-	160 558	-	-	-	-	160 558
Transport Facilities	3	-	-	3	-	-	-	-	3
Other Assets	21 421 808	2 948 026	(594 079)	23 775 755	-	-	-	-	23 775 755
Furniture & Fittings	1 063 379	299 497	(44 982)	1 317 894	-	-	-	-	1 317 894
Motor Vehicles	2 840 377	1 905 917	-	4 746 294	-	-	-	-	4 746 294
Computer Equipment	1 266 810	570 089	(53 948)	1 782 951	-	-	-	-	1 782 951
Plant and Machinery	16 251 242	172 523	(495 149)	15 928 616	-	-	-	-	15 928 616
	52 202 692	46 684 284	(4 434 123)	94 452 852	-	-	-	-	94 452 852

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

The Municipality elected to adopt the transitional provisions for the implementation of GRAP. According to the transitional provision as per Directive 4, the Municipality is not required to measure Property, Plant and Equipment (PPE) for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP. PPE has accordingly been recognised at provisional amounts. The basis of the provisional amounts used were the previous year's IMFO balances used for Infrastructure assets and R 1 for movable assets where no historical information was available. Landfill sites were valued at fair value. The transitional provision expires on 30 June 2012.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30 JUNE 2010

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings	8 850 033	1 038 981	-	9 889 014	-	-	-	-	9 889 014
Land	8 850 019	885 000	-	9 735 019	-	-	-	-	9 735 019
Buildings	14	153 981	-	153 995	-	-	-	-	153 995
Infrastructure	1 303 143	15 413 025	-	16 716 168	-	-	-	-	16 716 168
Electricity	130	3 686 502	-	3 686 632	-	-	-	-	3 686 632
As previously reported	130	3 422 139	-	3 422 269	-	-	-	-	3 422 269
Correction of error restatement - note 29.07	-	264 363	-	264 363	-	-	-	-	264 363
Roads, Pavements, Bridges & Storm Water	1 303 013	11 726 523	-	13 029 536	-	-	-	-	13 029 536
As previously reported	370	11 770 254	-	11 770 624	-	-	-	-	11 770 624
Correction of error restatement - note 29.07	1 302 643	(43 731)	-	1 258 912	-	-	-	-	1 258 912
Lease Assets	282 415	-	-	282 415	-	-	-	-	282 415
Office Equipment	282 415	-	-	282 415	-	-	-	-	282 415
Community Assets	47	3 893 240	-	3 893 287	-	-	-	-	3 893 287
Cemeteries	7	120 911	-	120 918	-	-	-	-	120 918
Civic Building	9	833 389	-	833 398	-	-	-	-	833 398
Community Halls	6	1 643 577	-	1 643 583	-	-	-	-	1 643 583
As previously reported	6	1 429 685	-	1 429 691	-	-	-	-	1 429 691
Correction of error restatement - note 29.07	-	213 892	-	213 892	-	-	-	-	213 892
Markets	4	734 454	-	734 458	-	-	-	-	734 458
Parks & Gardens	1	400 356	-	400 357	-	-	-	-	400 357
Public Conveniences & Bathhouses	5	-	-	5	-	-	-	-	5
Recreational Grounds	7	-	-	7	-	-	-	-	7
Town Library	5	160 553	-	160 558	-	-	-	-	160 558
Transport Facilities	3	-	-	3	-	-	-	-	3
Other Assets	7 289 468	14 183 446	(51 106)	21 421 808	-	-	-	-	21 421 808
Furniture & Fittings	725 600	338 567	(788)	1 063 379	-	-	-	-	1 063 379
Motor Vehicles	2 344 451	495 926	-	2 840 377	-	-	-	-	2 840 377
Computer Equipment	937 326	368 854	(39 370)	1 266 810	-	-	-	-	1 266 810
Plant and Machinery	3 282 091	12 980 099	(10 948)	16 251 242	-	-	-	-	16 251 242
	17 725 106	34 528 692	(51 106)	52 202 692	-	-	-	-	52 202 692

34 BUDGET COMPARISONS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

34.1 Operational

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	9 774 023	10 294 955	(520 932)	-5.06%	Variance immaterial.
Government Grants and Subsidies	98 802 634	126 688 604	(27 885 969)	-22.01%	Interdict against Prentjiesberg Roads and Stormwater project
Public Contributions and Donations	15 000	-	15 000	0.00%	Given the nature of the item, income could not be budgeted for
Actuarial Gains	80 868	-	80 868	0.00%	Given the nature of the item, income could not be budgeted for
Fines	128 502	74 193	54 309	73.20%	Intensified efforts to collect outstanding fines
Service Charges	20 946 447	17 524 217	3 422 230	19.53%	Revenue enhancement project.
Water Services Authority Contribution	9 324 797	9 324 859	(62)	0.00%	Variance immaterial.
Plant Income	1 759 572	10 000 000	(8 240 428)	-82.40%	Expenses offset as per GRAP requirements.
Rental of Facilities and Equipment	842 578	705 000	137 578	19.51%	Increased occupation rates of investment property.
Interest Earned - external investments	2 362 053	2 500 000	(137 947)	-5.52%	Variance immaterial.
Interest Earned - outstanding debtors	5 911 484	150 000	5 761 484	3840.99%	Insufficiently budgeted for.
Licences and Permits	1 423 070	2 021 379	(598 309)	-29.60%	Provincial licensing incorrectly included revenue and not only commission.
Other Income	1 356 882	23 170 733	(21 813 851)	-94.14%	Finance through retained earnings.
	152 727 910	202 453 940	(49 726 029)	-24.56%	
Expenditure by Nature					
Employee related costs	(40 902 503)	(45 440 872)	4 538 369	-9.99%	Vacant positions not filled.
Remuneration of Councillors	(6 983 480)	(7 365 460)	381 980	-5.19%	Variance immaterial.
Debt Impairment	(8 256 549)	(8 335 002)	78 453	-0.94%	Revenue enhancement programme.
Collection Cost	(249 381)	(270 961)	21 580	-7.96%	Variance immaterial.
Repairs and Maintenance	(2 284 436)	(4 390 609)	2 106 173	-47.97%	Large component on Roads not spent due to persistent bad weather
Finance Charges	(293 058)	(100 605)	(192 453)	191.30%	Actuarial finance charges on Long Service Awards not budgeted for
Bulk Purchases	(11 847 738)	(11 927 308)	79 570	-0.67%	Variance immaterial.
Operating Grant Expenditure	(6 450 787)	(4 045 333)	(2 405 454)	59.46%	Adopt correct accounting policy with regards to retentions
Loss on disposal of PPE	(577 737)	-	(577 737)	0.00%	Given the nature of the item, expense could not be budgeted for
General Expenses	(25 078 584)	(34 275 376)	9 196 792	-26.83%	Increased cost saving measures implemented.
	(102 924 253)	(116 151 526)	13 227 273	-11.39%	
Net surplus for the year	49 803 657	86 302 414	(36 498 756)	-42.29%	
	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Property Rates	8 720 197	9 499 532	(779 335)	-8.20%	Variance immaterial.
Government Grants and Subsidies	66 562 950	91 248 219	(24 685 269)	-27.05%	Internal reserves used to finance capital acquisition. Misclassified as grants
Public Contributions and Donations	94 560	-	94 560	0.00%	Given the nature of the item, income could not be budgeted for
Actuarial Gains	11 210	-	11 210	0.00%	Given the nature of the item, income could not be budgeted for
Fines	88 547	102 000	(13 453)	-13.19%	Variance immaterial.
Service Charges	20 223 012	6 956 340	13 266 672	190.71%	Revenue budget incorrectly discounted to actual collections.
Water Services Authority Contribution	6 808 846	5 290 569	1 518 277	28.70%	Provision for bad debts previously omitted from Service Level Agreement.
Rental of Facilities and Equipment	735 295	633 000	102 295	16.16%	Termination of lease agreements due to non payment
Interest Earned - external investments	3 420 150	1 800 000	1 620 150	90.01%	First time recognition of interest on conditional grants as per MFMA circular 51
Interest Earned - outstanding debtors	5 426 880	-	5 426 880	0.00%	Omission within budget framework.
Licences and Permits	1 020 328	2 435 000	(1 414 672)	-58.10%	Provincial licensing incorrectly included revenue and not only commission.
Other Income	774 462	8 362 296	(7 587 834)	-90.74%	Finance through retained earnings.
	113 886 437	126 326 956	(12 440 519)	-9.85%	
Expenditure by Nature					
Employee related costs	(35 197 974)	(37 932 216)	2 734 242	-7.21%	Variance immaterial.
Remuneration of Councillors	(6 708 393)	(6 607 784)	(100 609)	1.52%	Variance immaterial.
Debt Impairment	(24 717 629)	-	(24 717 629)	0.00%	Given the nature of the item, expense could not be budgeted for
Collection Cost	(317 797)	(306 962)	(10 835)	3.53%	Variance immaterial.
Repairs and Maintenance	(4 416 781)	(4 068 698)	(348 083)	8.56%	Variance immaterial.
Finance Charges	(661 359)	(95 000)	(566 359)	596.17%	Fruitless and Wasteful expenditure incurred.
Bulk Purchases	(8 597 732)	(8 599 910)	2 178	-0.03%	Variance immaterial.
Operating Grant Expenditure	(3 991 494)	(4 569 760)	578 266	-12.65%	Outstanding programmes.
Loss on disposal of PPE	(25 308)	-	(25 308)	0.00%	Given the nature of the item, expense could not be budgeted for
General Expenses	(12 215 492)	(13 564 041)	1 348 549	-9.94%	Variance immaterial.
	(96 849 959)	(75 744 371)	(21 105 588)	27.86%	
Net surplus for the year	17 036 478	50 582 585	(33 546 107)	18.02%	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

34.2 Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2011					
Budget & Treasury	22 968 334	25 002 797	(2 034 463)	-8.14%	Variance immaterial.
Community & Social Services	2 914 038	2 926 104	(12 065)	-0.41%	Variance immaterial.
Electricity	14 577 371	14 881 397	(304 026)	-2.04%	Variance immaterial.
Executive & Council	19 377 686	20 472 367	(1 094 681)	-5.35%	Variance immaterial.
Corporate Services	12 996 967	15 200 590	(2 203 623)	-14.50%	Institutional project still in progress.
Housing	660 819	438 144	222 675	50.82%	Maclear Greenfields - Unspent conditional grant held, instruction from donor to settle obligation towards project
Planning & Development	4 779 824	4 144 887	634 937	15.32%	Institutional projects budgeted as part of CAPEX
Road Transport	8 746 307	15 164 832	(6 418 524)	-42.33%	Offset against income.
Sport & Recreation	3 220 242	3 442 623	(222 381)	-6.46%	Variance immaterial.
Waste Management	5 814 639	7 565 947	(1 751 308)	-23.15%	Vacant positions not filled.
Water	6 868 024	6 911 838	(43 814)	-0.63%	Variance immaterial.
	102 924 252	116 151 526	(13 227 274)	-11.39%	
2010					
Budget & Treasury	36 744 555	13 659 424	23 085 131	169.01%	Provision for allowance for doubtful debts.
Community & Social Services	3 040 640	3 249 171	(208 531)	-6.42%	Variance immaterial.
Electricity	11 497 978	11 277 296	220 682	1.96%	Variance immaterial.
Executive & Council	11 891 199	12 343 960	(452 761)	-3.67%	Variance immaterial.
Corporate Services	11 383 863	11 606 555	(222 692)	-1.92%	Variance immaterial.
Housing	577 561	672 616	(95 055)	-14.13%	Deduction in salary related costs.
Planning & Development	1 574 432	2 697 760	(1 123 328)	-41.64%	Underspending on conditional grant (EPWP).
Road Transport	7 543 180	7 559 042	(15 862)	-0.21%	Variance immaterial.
Sport & Recreation	2 650 675	2 748 335	(97 660)	-3.55%	Variance immaterial.
Waste Management	5 278 428	5 143 172	135 256	2.63%	Variance immaterial.
Water	4 667 448	4 787 040	(119 592)	-2.50%	Variance immaterial.
	96 849 959	75 744 371	21 225 180	28.02%	

34.3 Capital Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2011					
Budget & Treasury	4 151 873	5 050 798	(898 925)	-17.80%	Outstanding projects.
Community & Social Services	17 719	240 000	(222 281)	-92.62%	Non-implication of projects - Maclear Pound.
Electricity	19 254 860	28 790 968	(9 536 108)	-33.12%	Outstanding claims on Ugie master plan.
Executive & Council	6 623 181	7 800 000	(1 176 819)	-15.09%	Outstanding claims on Municipal Buildings.
Corporate Services	335 033	1 010 000	(674 967)	-66.83%	Master systems plan not completed.
Housing	-	854 312	(854 312)	-100.00%	Project deferred to next year.
Planning & Development	1 132 545	6 684 336	(5 551 791)	-83.06%	Hawkers Stalls, Madiba Corridor not commenced. Furniture Manufacturing in progress
Road Transport	17 505 335	34 600 111	(17 094 776)	-49.41%	Prentjiesberg road and stormwater project subject to legal intervention
Sport & Recreation	890 235	1 015 889	(125 654)	-12.37%	Budget related savings from projects.
Waste Management	-	250 000	(250 000)	-100.00%	Capitalisation of tractors and trailers deferred to next financial year
	49 910 781	86 296 414	(36 385 633)	-42.16%	
2010					
Budget & Treasury	295 621	3 430 427	(3 134 806)	-91.38%	Steinhof land acquisition not completed.
Community & Social Services	796 820	699 986	96 834	13.83%	Accrue for retentions previously omitted.
Electricity	3 706 189	6 200 000	(2 493 811)	-40.22%	Delays in appointment of contractor relating to NER projects
Executive & Council	742 247	2 102 000	(1 359 753)	-64.69%	Contract implementation delays due to spiraling cost estimate
Corporate Services	899 852	1 850 000	(950 148)	-51.36%	Project delayed due to spiraling cost estimates.
Planning & Development	1 541 570	2 554 452	(1 012 882)	-39.65%	Delays with development of Hawkercor Policy. Project savings on tourism project.
Road Transport	25 997 497	32 743 289	(6 745 792)	-20.60%	Technical setbacks with borrow pit licensing and usage.
Waste Management	548 896	984 448	(435 552)	-44.24%	Implementation of SLA with WSA.
	34 528 692	50 564 602	(16 035 910)	-31.71%	

**APPENDIX A - Unaudited
ELUNDINI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
ANNUITY LOANS							
DBSA loan	17.36%	9004857	30/06/2015	292 731	-	40 874	251 857
Total Annuity Loans				292 731	-	40 874	251 857
LEASE LIABILITY							
Copier MP 7500	10.00%	L7963000247	01/02/2012	37 111	-	22 037	15 074
Copier MP 9000	10.00%	L5580100042	01/09/2012	121 633	-	58 224	63 409
Total Lease Liabilities				158 744	-	80 261	78 483
TOTAL EXTERNAL LOANS				451 475	-	121 135	330 340

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

Grant Description	Balance	Correction	Restated	Contributions	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2010	of error	balance 1 JULY 2010	during the year	Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	30 JUNE 2011	30 JUNE 2011 (Creditor)	30 JUNE 2011 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
7140/5403 - MSP	1 637 912	-	1 637 912	-	-	-	1 637 912	1 637 912	-
7140/5405 - EPWP	667 675	-	667 675	-	391 226	-	276 449	276 449	-
7140/5411 - HAWKERS STALLS	1 905 000	-	1 905 000	110 000	170 076	-	1 844 924	1 844 924	-
7140/5416 - VOTER STATION	-	1 109	1 109	900 000	601 213	-	299 896	299 896	-
7140/5422 - TOWN REGISTER	(36)	-	(36)	-	-	-	(36)	-	(36)
7140/5426 - ELUNDINI HOUSING	71 732	-	71 732	-	-	-	71 732	71 732	-
7140/5429 - KATLEHONG HOUSING	2 791	-	2 791	-	-	-	2 791	2 791	-
7140/5430 - HOUSING PILOT	112 508	-	112 508	-	-	-	112 508	112 508	-
7140/5432 - LIBRARY FUND	276 015	(168 187)	107 828	-	-	-	107 828	107 828	-
7140/5443 - TOURISM	592 357	-	592 357	-	49 601	-	542 756	542 756	-
7140/5445 - MT FLETCHER YOUTH	99 950	-	99 950	-	99 950	-	-	-	-
7140/5446 - LED OPEN	38 726	-	38 726	-	-	-	38 726	38 726	-
7140/5447 - MACLEAR GREENFIELD	805 811	-	805 811	-	154 027	-	651 784	651 784	-
7140/5449 - LEAVE RESERVE	12 118	-	12 118	-	-	-	12 118	12 118	-
7140/5450 - EUROPEAN UNION	217 168	-	217 168	130 301	347 467	-	2	2	-
7140/5451 - HIV/AIDS	54 000	-	54 000	-	54 000	-	-	-	-
7140/5454 - IDP PROCESS	50 000	-	50 000	-	50 000	-	-	-	-
7140/5455 - MADIBA CORRIDOR	700 000	-	700 000	-	-	-	700 000	700 000	-
7140/5457 - DEDEA BOTTLING WATER	-	-	-	500 000	498 750	-	1 250	1 250	-
7140/5461 - WARD FUNCTIONS	204 000	-	204 000	-	161 804	-	42 196	42 196	-
7140/5463 - COMMUNITY PARTICIPATION	226 000	-	226 000	50 000	199 500	-	76 500	76 500	-
7140/5470 - FURNITURE MANUFACTURING	2 452 345	(77 760)	2 374 585	-	1 317 729	-	1 056 856	1 056 856	-
7140/5476 - ECDC	-	(565 738)	(565 738)	24 755 140	-	16 637 899	7 551 503	7 551 503	-
7140/5477 - ELUNDINI WOMEN HOSPITALITY	-	-	-	234 303	234 303	-	-	-	-
7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT	6 778 036	(3 172 485)	3 605 551	13 680 000	-	17 950 077	(664 526)	-	(664 526)
7140/5402 - NER	7 215 968	-	7 215 968	-	-	7 215 968	-	-	-
7140/5404 - FINANCIAL MANAGEMENT GRANT	-	-	-	1 250 000	1 250 000	-	-	-	-
7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT	(12 183)	-	(12 183)	750 000	737 817	-	-	-	-
Total	24 107 892	(3 983 061)	20 124 831	42 359 744	6 317 463	41 803 944	14 363 168	15 027 730	(664 562)