

Elundini

LOCAL MUNICIPALITY



MUNICIPALITY

IKAMVA ELIQAQAMBILEYO

FINANCIAL STATEMENTS

30 JUNE 2014

ELUNDINI LOCAL MUNICIPALITY

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ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Elundini Municipality includes the following areas:

Maclear
Mt Fletcher
Ugie
Parts of Tsolo and Qumbu

MEMBERS OF THE MAYORAL COMMITTEE

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

MUNICIPAL MANAGER

K Gashi

ACTING CHIEF FINANCIAL OFFICER

J Malinga

OTHER DIRECTORS

XW Mntonintshi	Manager: Infrastructure Planning and Development
S Matubatuba	Manager: Corporate Services
NC Eddie	Manager: Strategic Planning and Economic Development
AM Ntaba	Manager: Community and Social Services

Section 79 Chairpersons

JM Klaas	Members Interest and Ethics Committee
LB Magqashela	Municipal Public Accounts Committee
CN Mfecane	Mandate Committee
N Nkalitshana	Remuneration Committee
B Nqodi	Unauthorised, Irregular, Fruitless & Wastefull expenditure Committee

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	Van der Walt Attorneys
Mantyi Attorneys	Fikile Ntayiya & Associates
Jolwana Mgidlana Incorporated	Nompilo Sidondi Consulting
O'Conner Attorneys	

ELUNDINI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

REGULATORY FRAMEWORK

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

MEMBERS OF THE ELUNDINI LOCAL MUNICIPALITY

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

ELUNDINI LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

Municipal Manager

Date

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R	2013 R
NET ASSETS AND LIABILITIES			
Net Assets		335 169 198	344 328 125
Accumulated Surplus		335 169 198	344 328 125
Non-Current Liabilities		9 301 663	9 321 244
Long-term Liabilities	2	68 594	343 302
Employee Benefits	3	3 716 121	3 485 400
Non-Current Provisions	4	5 516 949	5 492 543
Current Liabilities		48 440 109	38 438 381
Consumer Deposits	5	344 192	233 511
Current Employee Benefits	6	8 048 128	6 530 323
Payables from Exchange Transactions	7	24 229 504	19 747 684
Unspent Conditional Government Grants and Receipts	8	15 543 576	11 679 274
Current Portion of Long-term Liabilities	2	274 709	247 589
Total Net Assets and Liabilities		392 910 970	392 087 750
ASSETS			
Non-Current Assets		346 791 398	342 933 090
Property, Plant and Equipment	10	308 011 842	304 685 536
Investment Property	11	38 432 384	38 148 136
Intangible Assets	12	347 172	99 418
Current Assets		46 119 572	49 154 660
Inventory	13	7 286 532	7 531 712
Receivables from Exchange Transactions	14	4 210 823	11 737 198
Receivables from Non-exchange Transactions	15	5 015 622	3 171 853
Unpaid Conditional Government Grants and Receipts	8	607 666	1 165 685
Taxes	9	4 766 322	3 587 664
Cash and Cash Equivalents	16	24 232 607	21 960 547
Total Assets		392 910 970	392 087 750

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	Restated 2013 R
REVENUE			
Revenue from Non-exchange Transactions		138 279 822	126 375 869
Taxation Revenue		13 353 637	14 126 128
Property Rates	17	13 353 637	14 126 128
Transfer Revenue		124 332 103	111 980 887
Government Grants and Subsidies - Capital	18	28 184 458	30 363 179
Government Grants and Subsidies - Operating	18	96 147 645	81 617 708
Other Revenue		594 083	268 854
Actuarial Gains	19	-	205 050
Fines	20	588 667	63 804
Reversal of Impairment	32	5 416	-
Revenue from Exchange Transactions		28 641 948	28 979 065
Service Charges	21	19 074 169	18 335 328
Plant Income	22	-	-
Rental of Facilities and Equipment	23	1 120 643	1 023 089
Interest Earned - external investments		1 591 740	1 833 624
Interest Earned - outstanding debtors		1 787 401	2 827 490
Licences and Permits	24	2 188 274	2 009 772
Agency Services	25	1 448 997	1 217 607
Other Income	26	1 017 723	1 398 211
Gain on disposal of Property, Plant and Equipment	27	413 001	333 944
Total Revenue		166 921 770	155 354 935
EXPENDITURE			
Employee Related Costs	28	57 616 608	48 673 026
Remuneration of Councillors	29	9 482 713	8 429 575
Debt Impairment	30	7 314 823	14 101 250
Depreciation and Amortisation	31	31 093 214	29 211 564
Impairments	32	-	1 482 468
Actuarial Losses	19	95 449	-
Collection Cost		902 148	1 071 842
Stock Adjustments		86 386	315 713
Repairs and Maintenance	33	8 131 496	6 477 949
Finance Charges	34	621 077	797 512
Bulk Purchases	35	14 809 383	14 722 367
Contracted Services	36	2 261 311	-
Grants and Subsidies Paid	37	263 158	350 000
Operating Grant Expenditure	38	4 628 730	4 436 983
General Expenses	39	38 573 586	39 833 121
Loss on disposal of Land Held for Sale	40	36 711	70 554
Loss on disposal of Investment Property	41	163 904	152 772
Total Expenditure		176 080 697	170 126 695
NET DEFICIT FOR THE YEAR FROM CONTINUED OPERATIONS		(9 158 927)	(14 771 760)
Discontinued Operations	42	-	(869 136)
NET DEFICIT FOR THE YEAR		(9 158 927)	(15 640 896)

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus R
Balance at 1 July 2012	369 009 726
Prior period adjustments - note 43.01	(9 040 705)
Restated Balance at 1 July 2012	359 969 021
Net Deficit for the year	(15 640 896)
Balance at 30 June 2013	344 328 125
Net Deficit for the year	(9 158 927)
Balance at 30 June 2014	335 169 198

ELUNDINI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	Restated 2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates, Services and Other		35 986 651	24 210 400
Government		128 754 425	111 614 053
Interest		3 379 141	4 661 114
Payments			
Suppliers and employees		(129 256 487)	(123 855 870)
Finance charges		(530 747)	(268 928)
Net Cash from Operating Activities	44	38 332 982	16 360 768
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(35 414 122)	(36 184 491)
Purchase of Investment Property	11	(1 046 526)	-
Purchase of Intangible Assets	12	(278 281)	-
Proceeds on Disposal of Property, Plant and Equipment	27	376 317	-
Proceeds on Disposal of Investment Property	41	438 596	348 038
Net Cash from Investing Activities		(35 924 016)	(35 836 453)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) of Long-term Liabilities		(247 588)	387 160
Increase in Consumer Deposits		110 682	29 046
Net Cash from Financing Activities		(136 906)	416 206
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2 272 060	(19 059 479)
Cash and Cash Equivalents at the beginning of the year		21 960 547	41 020 026
Cash and Cash Equivalents at the end of the year	45	24 232 607	21 960 547

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2014

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	66 355 000	19 746 000	86 101 000	46 119 572	(39 981 428)
Total non-current assets	348 334 000	19 502 248	367 836 248	346 791 398	(21 044 850)
Total current liabilities	(49 980 000)	5 451 291	(44 528 709)	(48 440 109)	(3 911 400)
Total non-current liabilities	(8 001 053)	(1 234 159)	(9 235 212)	(9 301 663)	(66 451)
TOTAL NET ASSETS	356 707 947	43 465 380	400 173 327	335 169 198	(65 004 129)
STATEMENT OF FINANCIAL PERFORMANCE					
Revenue					
Property Rates	14 373 535	(1 025 090)	13 348 445	13 353 637	5 192
Government Grants and Subsidies - Capital	37 848 000	(2 395 489)	35 452 511	28 184 458	(7 268 053)
Government Grants and Subsidies - Operating	93 690 488	360 084	94 050 572	96 147 645	2 097 073
Fines	65 042	4 616	69 658	588 667	519 009
Reversal of Impairment	-	-	-	5 416	5 416
Service Charges	19 309 882	(541 245)	18 768 637	19 074 169	305 532
Rental of Facilities and Equipment	11 273 737	1 518 220	12 791 957	1 120 643	(11 671 314)
Interest Earned - external investments	1 848 213	(258 625)	1 589 588	1 591 740	2 152
Interest Earned - outstanding debtors	3 574 546	(1 884 546)	1 690 000	1 787 401	97 401
Licences and Permits	2 133 201	-	2 133 201	2 188 274	55 073
Agency Services	1 396 556	-	1 396 556	1 448 997	52 441
Other Income	10 737 902	36 499 720	47 237 622	1 017 723	(46 219 899)
Gain on Disposal of Property, Plant and Equipment	-	-	-	413 001	413 001
Total Revenue	196 251 102	32 277 645	228 528 747	166 921 770	(61 606 977)
Expenditure					
Employee Related Costs	55 959 253	377 037	56 336 290	57 616 608	1 280 318
Remuneration of Councillors	9 200 365	255 546	9 455 911	9 482 713	26 802
Debt Impairment	6 208 215	3 860 355	10 068 570	7 314 823	(2 753 747)
Depreciation and Amortisation	9 560 394	22 213 143	31 773 537	31 093 214	(680 323)
Actuarial Losses	-	-	-	95 449	95 449
Collection Cost	-	873 746	873 746	902 148	28 402
Stock Adjustments	-	-	-	86 386	86 386
Repairs and Maintenance	8 220 256	1 583 326	9 803 582	8 131 496	(1 672 086)
Finance Charges	188 479	611 521	800 000	621 077	(178 923)
Bulk Purchases	17 155 800	(2 155 800)	15 000 000	14 809 383	(190 617)
Contracted Services	2 000 000	237 012	2 237 012	2 261 311	24 299
Grants and Subsidies Paid	300 000	-	300 000	263 158	(36 842)
Operating Grant Expenditure	2 940 000	641 640	3 581 640	4 628 730	1 047 090
General Expenses	43 846 673	52 934	43 899 607	38 573 586	(5 326 021)
Loss on disposal of Land Held for Sale	-	-	-	36 711	36 711
Loss on disposal of Investment Property	-	-	-	163 904	163 904
Total Expenditure	155 579 435	28 550 460	184 129 895	176 080 697	(8 049 198)
Net Surplus for the year	40 671 667	3 727 185	44 398 852	(9 158 927)	(53 557 779)
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	36 432 000	(62 002 019)	(25 570 019)	38 332 982	63 903 001
Net Cash Flow from Investing Activities	(40 672 000)	(3 727 000)	(44 399 000)	(35 924 016)	8 474 984
Net Cash Flow from Financing Activities	(69 000)	(230 233)	(299 233)	(136 906)	162 327
Net increase/(decrease) in cash and cash equivalents	(4 309 000)	(65 959 252)	(70 268 252)	2 272 060	72 540 312
OPERATING EXPENDITURE BY VOTE					
Executive Council	26 819 085	1 559 122	28 378 207	28 462 854	84 647
Budget & Treasury	31 800 513	(692 452)	31 108 061	33 246 256	2 138 195
Corporate Services	23 192 725	(3 403 413)	19 789 312	17 961 237	(1 828 075)
Community Services	20 400 536	3 288 375	23 688 911	26 134 945	2 446 034
Strategic Planning & Development	8 672 062	594 332	9 266 394	8 488 012	(778 382)
Technical services	44 694 514	27 204 496	71 899 010	61 787 389	(10 111 621)
Total Expenditure by vote	155 579 435	28 550 460	184 129 895	176 080 693	(8 049 202)
CAPITAL EXPENDITURE BY VOTE					
Executive Council	490 000	1 160 684	1 650 684	1 482 175	(168 509)
Budget & Treasury	100 000	770 000	870 000	1 285 924	415 924
Corporate Services	1 100 000	(365 880)	734 120	839 278	105 158
Community Services	475 000	1 474 000	1 949 000	1 347 629	(601 371)
Strategic Planning & Development	4 500 000	342 469	4 842 469	2 652 421	(2 190 048)
Technical Services	34 006 667	345 606	34 352 273	28 829 363	(5 522 910)
Total Capital Expenditure	40 671 667	3 726 879	44 398 546	36 436 790	(7 961 756)

Refer to note 59.01 for explanations of material variances between the original and final budget.

Refer to note 59.02 for explanations of material variances between actual amounts and the final budget.

Refer to note 59.03 for reconciliation between final budget amounts and final approved budget.

Material variances are considered to be any variances greater than R1.7 million.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
2 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	79 497	146 783
Capitalised Lease Liability - At amortised cost	263 806	444 108
	<u>343 303</u>	<u>590 891</u>
Less: Current Portion transferred to Current Liabilities	(274 709)	(247 589)
Annuity Loans - At amortised cost	79 497	67 286
Capitalised Lease Liability - At amortised cost	195 212	180 303
Total Long-term Liabilities - At amortised cost using the effective interest rate method	<u>68 594</u>	<u>343 302</u>

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

Minimum annuity payments

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	90 022	90 022
Payable within two to five years	-	90 022
Payable after five years	-	-
	<u>90 022</u>	<u>180 044</u>
Less: Future finance obligations	(10 525)	(33 261)
Present value of annuity obligations	<u>79 497</u>	<u>146 783</u>

Annuity loans are unsecured.

Minimum lease payments

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	209 211	209 211
Payable within two to five years	69 737	278 947
Payable after five years	-	-
	<u>278 947</u>	<u>488 158</u>
Less: Future finance obligations	(15 141)	(44 050)
Present value of lease obligations	<u>263 806</u>	<u>444 108</u>

Leases are secured by Property, Plant and Equipment - note 10.

	2014 R	2013 R
3 EMPLOYEE BENEFITS		
Post Retirement Medical Obligation - note 3.1	1 770 505	1 753 563
Long Service Awards - note 3.2	1 945 616	1 731 837
Total Non-current Employee Benefit Liabilities - Continued Operations	<u>3 716 121</u>	<u>3 485 400</u>
<u>Post Retirement Medical Obligation</u>		
Balance 1 July	1 877 451	1 777 306
Contribution for the year	141 028	124 301
Expenditure for the year	(137 854)	(104 622)
Actuarial Loss	2 008	80 466
Total post retirement benefits 30 June	<u>1 882 633</u>	<u>1 877 451</u>
Less: Transfer of Current Portion - note 6	(112 128)	(123 888)
Balance 30 June	<u>1 770 505</u>	<u>1 753 563</u>
<u>Long Service Awards</u>		
Balance 1 July	1 866 498	2 249 029
Contribution for the year	424 597	540 922
Expenditure for the year	(98 931)	(247 868)
Actuarial Loss/(Gain)	93 441	(285 516)
Transferred to Discontinued Operations - note 42	-	(390 069)
Total long service 30 June	<u>2 285 606</u>	<u>1 866 498</u>
Less: Transfer of Current Portion - note 6	(339 990)	(134 661)
Balance 30 June	<u>1 945 616</u>	<u>1 731 837</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
TOTAL NON-CURRENT EMPLOYEE BENEFITS		
Balance 1 July	3 743 949	4 026 335
Contribution for the year	565 625	665 223
Expenditure for the year	(236 784)	(352 490)
Actuarial Loss/(Gain)	95 449	(205 050)
Transferred to Discontinued Operations - note 42	-	(390 069)
Total employee benefits 30 June	4 168 239	3 743 949
Less: Transfer of Current Portion - note 6	(452 118)	(258 549)
Balance 30 June	3 716 121	3 485 400

	2014 Employees	2013 Employees
3.1 Post Retirement Medical Obligation		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	-	-
In-service (employee) non-members	-	-
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:	2014 %	2013 %
i) Rate of interest		
Discount rate	8.51%	7.76%
Health Care Cost Inflation Rate	7.80%	7.06%
Net Effective Discount Rate	0.66%	0.66%

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

ii) Mortality rates

The PA 90 ultimate table.

The liability in respect of past service recognised in the Statement of Financial Position is as follows:	Continuation Members R	Present value of fund obligations R
30 June 2014	1 882 633	1 882 633
30 June 2013	1 877 451	1 877 451
30 June 2013	1 777 306	1 777 306
30 June 2011	1 628 157	1 628 157
30 June 2010	1 748 348	1 748 348

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

Experience adjustments were calculated as follows:	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2014	6 000	-
30 June 2013	77 000	-
30 June 2013	(34 000)	-
30 June 2011	(108 000)	-
30 June 2010	-	-

The Municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

	2014 R	2013 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 877 451	1 777 306
Total contribution	3 174	19 679
Interest Cost	141 028	124 301
Benefits Paid	(137 854)	(104 622)
Actuarial Loss	2 008	80 466
Present value of fund obligation at the end of the year	1 882 633	1 877 451
Less: Transfer of Current Portion - Note 6	(112 128)	(123 888)
Balance 30 June	1 770 505	1 753 563

The liability is unfunded.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity Analysis on the Accrued Liability

Year ending 30 June 2014	Current Liability (R)	Change	Liability Change (R)	Change (%)
Health Care Inflation	1 882 633	1%	2 078 000	9%
Health Care Inflation	1 882 633	-1%	1 749 000	-8%
Discount Rate	1 882 633	1%	1 751 000	-8%
Discount Rate	1 882 633	-1%	2 078 000	9%
Post-retirement mortality	1 882 633	- 1 year	1 968 000	4%

Sensitivity Analysis on the Interest Costs

Year ending 30 June 2014	Current Interest Cost (R)	Change	Interest Cost Change (R)	Change (R)
Health Care Inflation	141 028	+1%	157 200	11%
Health Care Inflation	141 028	-1%	127 200	-10%
Post-retirement mortality	141 028	- 1 year	146 500	4%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 214 employees (2013 - 199 employees), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

i) Rate of interest

	2014 %	2013 %
Discount rate	7.87%	7.28%
General Salary Inflation (long-term)	7.08%	6.83%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.74%	0.42%

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

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

	Present value of fund obligations R
30 June 2014	2 285 606
30 June 2013	1 866 498
30 June 2013	2 249 029
30 June 2011	1 742 671
30 June 2010	1 455 713

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

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2014	181 908	-
30 June 2013	(352 275)	-
30 June 2013	68 809	-
30 June 2011	-	-
30 June 2010	-	-

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

Reconciliation of present value of fund obligation:

	2014 R	2013 R
Present value of fund obligation at the beginning of the year	1 866 498	2 249 029
Total contribution	325 666	293 054
Current service cost	293 479	416 787
Interest Cost	131 118	124 135
Benefits Paid	(98 931)	(247 868)
Actuarial Loss/(Gain)	93 441	(285 516)
Transferred to Discontinued Operations - note 42	-	(390 069)
Present value of fund obligation at the end of the year	2 285 606	1 866 498
Less: Transfer of Current Portion - Note 6	(339 990)	(134 661)
Balance 30 June	1 945 616	1 731 837

The liability is unfunded.

Sensitivity Analysis on the Unfunded Accrued Liability

Year ending 30 June 2014	Current Liability (R)	Change	Liability Change (R)	Change (R)
General Salary Inflation	2 285 606	1%	2 433 000	6%
General Salary Inflation	2 285 606	-1%	2 153 000	-6%
Discount Rate	2 285 606	1%	2 147 000	-6%
Discount Rate	2 285 606	-1%	2 443 000	7%
Average retirement inflation	2 285 606	- 2 years	2 096 000	-8%
Average retirement inflation	2 285 606	+ 2 years	2 503 000	9%
Withdrawal rates	2 285 606	- 50%	2 787 000	22%

Sensitivity Analysis on the Current-service and Interest Costs

Year ending 30 June 2014	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
General Salary Inflation	+1%	316 800	140 400	457 200	8%
General Salary Inflation	-1%	272 800	122 700	395 500	-7%
Average retirement age	-2 years	275 100	118 100	393 200	-7%
Average retirement age	+2 years	313 800	144 400	458 200	8%
Withdrawal Rate	-50%	404 400	162 400	566 800	33%

3.3 Retirement Funds

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

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

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

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

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 2013 revealed that the fund is in a sound financial position with a funding level of 99.7% (30 June 2012 - 99.4%).

Contributions paid recognised in the Statement of Financial Performance	-	85 496
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2014	2013
R	R

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 2013 revealed that the fund was in a sound financial position with a funding level of 100.2% (30 June 2012 - 99.9%).

Contributions paid recognised in the Statement of Financial Performance	1 490 468	848 148
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DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance		
SALA Pension Fund	673 927	563 450
SAMWU National Provident Fund	2 673 752	2 351 088
National Fund Municipal Managers	71 834	48 000
	3 419 513	2 962 538

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	5 516 949	5 492 543
Total Non-current Provision	5 516 949	5 492 543

Landfill Sites

Balance 1 July	5 492 543	6 189 704
Contribution for the year	258 601	280 148
Disposal of Liability	(234 195)	(977 309)
Balance 30 June	5 516 949	5 492 543

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	411 027	423 929
- Maclear	2 552 961	2 534 307
- Ugie	2 552 961	2 534 307
	5 516 949	5 492 543

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

2014
R

2013
R

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? 1 500 m² (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.

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? Site is now a transfer station
- If the site is operational, is there an expected closure date? No – There are plans to “Mothball” the site in the future and transport waste to Ugie
- If the site is operational, what is the annual tonnage of waste deposited on site? 1800 tons
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? Previous occurrences of medical waste took place, EHP from District Municipality assist us by monitoring the site
- Are there any existing boreholes or monitoring? Yes
- Is there a monitoring program in place? No. DWA take samples periodically. We have requested the District municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? Spring on adjacent farm
- Status of cover material? Cover material on site, volume unknown

Ugie Landfill Site:-

- Size of landfill area? 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? Estimate 120000 tons per year from vehicle counts
- If the site is not operational what was the date the site was last operated? N/A
- Is there any hazardous waste on site? There have been small amounts deposited in the past, EHP from District Municipality assist us by monitoring the site.
- Are there any existing boreholes for monitoring? Yes
- Is there a monitoring program in place? No. DWAF take samples periodically. We have request the District Municipality to assist with a monitoring program as they currently take samples of potable water in the area.
- Are there any physical/geographical features that should be taken into consideration? No
- Status of cover material? Cover material on site, volume unknown

5

CONSUMER DEPOSITS

Electricity	280 295	179 631
Housing Rental	63 897	53 880
Total Consumer Deposits - Continued Operations	344 192	233 511

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
6 CURRENT EMPLOYEE BENEFITS		
Provision for Performance Bonuses	2 448 659	1 811 666
Bonuses Accrued	1 365 344	1 155 586
Provision for Staff Leave	3 782 007	3 304 522
Other Provisions	-	-
Current Portion of Non-Current Employee Benefits	452 118	258 549
Current Portion of Post Retirement Medical Obligation - note 3	112 128	123 888
Current Portion of Long-Service Provisions - note 3	339 990	134 661
Total Current Employee Benefits - Continued Operations	8 048 128	6 530 323

The movement in current employee benefits are reconciled as follows:

Provision for Performance Bonuses

Balance at beginning of year	1 811 666	2 113 374
Contribution for the year	1 278 158	902 262
Expenditure incurred	(641 165)	(1 084 508)
Transferred to Discontinued Operations - note 42	-	(119 462)
Balance at end of year	2 448 659	1 811 666

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

Bonuses Accrued

Balance at beginning of year	1 155 586	1 186 589
Contribution for the year	2 730 236	2 243 503
Expenditure incurred	(2 520 479)	(2 159 901)
Transferred to Discontinued Operations - note 42	-	(114 605)
Balance at end of year	1 365 344	1 155 586

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

Provision for Staff Leave

Balance at beginning of year	3 304 522	3 028 036
Contribution for the year	717 663	1 258 609
Expenditure incurred	(240 178)	(542 121)
Transferred to Discontinued Operations - note 42	-	(440 002)
Balance at end of year	3 782 007	3 304 522

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	-	2 031 404
Expenditure incurred - Task Job Evaluation Provision	-	(1 937 477)
Expenditure incurred - Shortfall in annual earnings of Cape Joint Pension Fund	-	(93 927)
Balance at end of year	-	-

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

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.

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.

	2014 R	2013 R
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	18 729 639	14 664 702
Sundry Creditors	56 002	54 210
Payments received in advance	2 135 013	851 021
Retentions	3 079 406	4 041 919
Bursary Scheme - payments received from students	23 259	5 271
Sundry Deposits	148 404	95 649
Unknown Receipts	57 781	34 912
Total Payables from Exchange Transactions - Continued Operations	24 229 504	19 747 684
As previously reported		19 924 799
Correction of error restatement - note 43.02		(177 115)
Restated balance		19 747 684

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

Deposits amounting to R560 555 (2013 - R560 555) serve as security for Payables. The remainder of the Payables are unsecured.

The Municipalities did not default on any of their payments.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	15 543 576	11 679 274
National Government Grants	5 680 953	1 405 708
Provincial Government Grants	5 506 467	5 895 490
District Municipality Grants	110 880	118 696
Other Grant Providers	4 245 276	4 259 380
Less: Unpaid Grants	(607 666)	(1 165 685)
Provincial Government Grants	(607 630)	(1 165 649)
Other Grant Providers	(36)	(36)
Total Conditional Grants and Receipts	14 935 910	10 513 588
As previously reported		10 656 738
Correction of error restatement - note 43.03		(143 150)
Restated balance		<u>10 513 588</u>

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

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

9 TAXES

VAT Receivable	3 363 848	2 793 065
VAT Input in suspense	2 552 791	1 541 644
VAT Output in suspense - net	(1 150 317)	(747 045)
VAT Output in suspense	(1 958 307)	(5 022 367)
Less: VAT on Provision for Debt Impairment	807 990	4 275 322
Total Taxes	4 766 322	3 587 664
As previously reported		3 705 020
Correction of error restatement - note 43.02		25 794
Correction of error restatement - note 43.03		(143 150)
Restated balance		<u>3 587 664</u>

VAT is payable/receivable on the cash basis.

Reconciliation of VAT on Provision for Debt Impairment

Balance at beginning of year	4 275 322	3 661 695
Debt Impairment for current year - note 30	(3 467 332)	1 202 444
Transferred to Discontinued Operations	-	(588 817)
Balance at end of year	807 990	4 275 322

10

	2014 R	2013 R
11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	38 148 136	38 034 087
Cost	38 923 298	38 646 798
As previously reported		28 394 798
Correction of error restatement - note 43.04		9 486 000
Correction of error restatement - note 43.05		766 000
Accumulated Depreciation	(775 162)	(612 711)
As previously reported		(300 630)
Correction of error restatement - note 43.04		(291 640)
Correction of error restatement - note 43.05		(20 441)
Acquisition	1 046 526	-
Depreciation	(159 778)	(155 015)
As previously reported		(77 048)
Correction of error restatement - note 43.04		(72 860)
Correction of error restatement - note 43.05		(5 107)
Transfers from Property, Plant and Equipment	-	769 874
Cost	-	779 000
Accumulated Depreciation	-	(9 126)
Disposals	(602 500)	(500 810)
Cost	(602 500)	(502 500)
Accumulated Depreciation	-	1 690
Net Carrying amount at 30 June	38 432 384	38 148 136
Cost	39 367 324	38 923 298
Accumulated Depreciation	(934 940)	(775 162)
Revenue derived from the rental of investment property	1 118 354	1 017 789

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.

12

INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	99 418	127 375
Cost	139 783	139 783
Accumulated Amortisation	(40 365)	(12 408)
Acquisitions	278 281	-
Amortisation	(30 527)	(27 957)
Net Carrying amount at 30 June	347 172	99 418
Cost	418 064	139 783
Accumulated Amortisation	(70 892)	(40 365)

No intangible asset were assessed having an indefinite useful life.
There are no internally generated intangible assets at reporting date.
There are no intangible assets whose title is restricted.
There are no intangible assets pledged as security for liabilities
There are no contractual commitments for the acquisition of intangible assets.

13

INVENTORY

Consumable Stores	419 532	597 212
Land held for sale	6 867 000	6 934 500
Total Inventory - Continued Operations	7 286 532	7 531 712
As previously reported		7 844 712
Correction of error restatement - note 43.04		(142 000)
Correction of error restatement - note 43.05		(171 000)
Restated balance		7 531 712
Inventory recognised as an expense during the year	1 010 910	3 282 249
Consumable stores materials losses/(gains) identified during stock counts	86 386	315 713

No inventory assets were pledged as security for liabilities.

14

RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014 R	2013 R
Electricity	2 886 757	7 380 765
Refuse	3 632 001	7 176 098
Other	5 050 565	31 993 671
Irrecoverable debts	832 615	21 111 077
Arrangements	1 059 426	1 245 405
Eastern Cape Development Corporation (ECDC)	145 091	3 408 938
Joe Gqabi District Municipality	1 474 221	5 041 910
House Rentals	992 772	619 216
Sundry	546 440	567 125
Total Receivables from Exchange Transactions	11 569 323	46 550 534
Less: Allowance for Doubtful Debts	(7 358 500)	(34 813 336)
Total Net Receivables from Exchange Transactions - Continued Operations	4 210 823	11 737 198

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	34 813 336	29 804 471
Contribution to provision	1 583 755	11 745 060
Debt Impairment written off against provision	(29 038 591)	(1 953 732)

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Transferred to Discontinued Operations	-	(4 782 463)
Balance at end of year	7 358 500	34 813 336
Electricity	2 187 065	6 034 918
Refuse	2 751 677	6 085 976
Other	2 419 757	22 692 443

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
2014			
Electricity	2 886 757	(2 187 065)	699 692
Refuse	3 632 001	(2 751 677)	880 324
Other	5 050 565	(2 419 757)	2 630 808
Total	11 569 323	(7 358 500)	4 210 823
2013			
Electricity	7 380 765	(6 034 918)	1 345 847
Refuse	7 176 098	(6 085 976)	1 090 122
Other	31 993 671	(22 692 443)	9 301 228
Total	46 550 534	(34 813 337)	11 737 197

Ageing of Receivables from Exchange Transactions

<u>Electricity</u>		
Current (0 - 30 days)	385 243	654 285
31 to 60 days	317 431	224 340
61 to 90 days	179 153	158 079
91 to 120 days	121 717	111 836
121 to 150 days	106 262	125 150
>150 days	1 776 951	6 107 076
Total	2 886 757	7 380 765

<u>Refuse</u>		
Current (0 - 30 days)	210 821	324 138
31 to 60 days	160 405	46 952
61 to 90 days	145 007	34 994
91 to 120 days	140 483	29 757
121 to 150 days	133 535	25 433
>150 days	2 841 749	6 714 824
Total	3 632 001	7 176 098

<u>Other</u>		
Current (0 - 30 days)	94 494	1 616 266
31 to 60 days	80 147	51 724
61 to 90 days	348 152	51 230
91 to 120 days	75 200	42 316
121 to 150 days	514 923	1 178 579
>150 days	3 937 651	29 053 556
Total	5 050 565	31 993 671

15 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	18 063 752	15 808 746
Traffic Fines	486 800	-
Other Receivables	637 331	615 142
Underbanking of Cash	45 308	54 587
Deposits	560 555	560 555
Sundry Debtors	31 468	-
Total Receivables from Non-Exchange Transactions	19 187 883	16 423 888
Less: Allowance for Doubtful Debts	(14 172 261)	(13 252 035)
Total Net Receivables from Non-Exchange Transactions	5 015 622	3 171 853

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

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

Reconciliation of Allowance for doubtful debts

Balance at beginning of year	13 252 035	10 261 870
Contribution to provision - note 30	2 263 737	3 558 634
Debt Impairment written off against provision	(1 343 510)	(568 470)
Balance at end of year	14 172 261	13 252 035
Rates	13 685 461	13 252 035
Traffic Fines	486 800	-

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2014			
Rates	18 063 752	(13 685 461)	4 378 291
Traffic Fines	486 800	(486 800)	-
Other Receivables	637 331	-	637 331
Total	19 187 883	(14 172 261)	5 015 622
2013			
Rates	15 808 746	(13 252 035)	2 556 711
Other Receivables	615 142	-	615 142

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Total	16 423 888	(13 252 035)	3 171 853
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Ageing of Receivables from Non-Exchange Transactions

<u>Rates</u>			
Current (0 - 30 days)		37 933	42 295
31 to 60 days		188 997	225 430
61 to 90 days		167 994	204 710
91 to 120 days		146 517	188 595
121 to 150 days		140 084	176 913
>150 days		17 382 227	14 970 804
Total		18 063 752	15 808 746

	2014	2013
	R	R
16 CASH AND CASH EQUIVALENTS		
<u>Assets</u>		
Call Investment Deposits	23 182 407	21 669 775
Current Accounts	1 048 990	288 397
Cash Floats	1 210	2 375
Total Cash and Cash Equivalents - Assets	24 232 607	21 960 547

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 165 221 are held to fund the Unspent Conditional Grants (2013: R11 679 273).

The Municipality has the following bank accounts:

Current Accounts

First National Bank - Acc no 62159933772 (Primary bank account)	906 959	(2 235 106)
First National Bank - Acc no 62312151848 (Petty Cash Account)	(25)	3 511
Standard Bank - Acc no 280642407 (Revenue Account)	142 056	2 519 992
	1 048 990	288 397

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

Cash book balance at beginning of year	(2 235 106)	352 405
Cash book balance at end of year	906 959	(2 235 106)
Bank statement balance at beginning of year	2 204 139	352 489
Bank statement balance at end of year	1 309 913	2 204 139

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

Cash book balance at beginning of year	3 511	2 013
Cash book balance at end of year	(25)	3 511
Bank statement balance at beginning of year	3 511	2 013
Bank statement balance at end of year	(25)	3 511

Standard Bank - Acc no 280642407 (Revenue Account)

Cash book balance at beginning of year	2 519 992	2 940 182
Cash book balance at end of year	142 056	2 519 992
Bank statement balance at beginning of year	2 453 063	2 940 182
Bank statement balance at end of year	142 056	2 453 063

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Standard Bank - Acc no 388497173001	- Elundini Expanded Public Works	23 709	762 593
Standard Bank - Acc no 388492554001	- Elundini Housing	73 329	72 089
Standard Bank - Acc no 388497165001	- Elundini Voting Station	308 107	301 769
Standard Bank - Acc no 388493410002	- FMG	514 945	452 197
Standard Bank - Acc no 388492570001	- Housing Pilot	115 588	113 209
Standard Bank - Acc no 388492716001	- Katlehong Planning	2 825	2 798
Standard Bank - Acc no 388492406001	- Leave Reserve	12 265	12 148
Standard Bank - Acc no 388493410001	- LED	159 658	156 425
Standard Bank - Acc no 388494255001	- Library	111 466	108 500
Standard Bank - Acc no 388493003001	- Maclear Greenfields	77 024	670 312
Standard Bank - Acc no 388492325001	- MSIG	328 405	441 027
Standard Bank - Acc no 388494387001	- MSP	1 695 409	1 651 231
Standard Bank - Acc no 388490810001	- NER	1 330 199	260 579
Standard Bank - Acc no 388492759001	- Revolving Fund	322	322
Standard Bank - Acc no 388493518001	- Tourism	579 609	566 543
FNB - Acc no 62189194170	- Equitable Share	1 893	11 778
FNB - Acc no 62246726197	- Furniture Management Project	247 283	1 028 912
FNB - Acc no 62246719176	- Hawkers Stalls	2 264 728	2 482 415
FNB - Acc no 62189180011	- MIG	12 769 904	5 506 295
FNB - Acc no 62268632934	- Ward Functions	43 482	42 498
FNB - Acc no 62314984106	- Community Participation	78 343	68
FNB - Acc no 62284785303	- Internal Road Reserve	15 379	15 227
FNB - Acc no 62284785121	- Working Capital Reserve	10 000	4 561 028
FNB - Acc no 62411792353	- Public Works	1 600 257	1 994 088
FNB - Acc no 62378875226	- Mayoral Investment Account	465 299	455 724
FNB - Acc no 62467970052	- Business Survey	352 979	-
		23 182 407	21 669 775

	2014	2013
	R	R
17 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	15 519 301	16 314 404
Less: Rebates	(2 165 664)	(2 188 276)
Total Assessment Rates	13 353 637	14 126 128

Valuations - August 2013 (2013 - July 2010)

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Residential	582 144 000	296 217 900
Special Residential	33 669 179	10 374 800
Business and Government Property used by Local Government	608 824 500	170 045 500
Industrial	184 237 000	102 220 600
Government Property used by Provincial and District Government	44 498 500	270 943 261
Government Property used by National Government	24 175 500	8 798 900
Public Service Infrastructure and Agriculture	3 394 377 591	1 998 801 434
Municipal Owned Property and Churches	548 706 276	356 755 068
Rateable Land and Buildings	5 420 632 546	3 214 157 463

Rebates on Income - Basic Rate:

Residential	0.543c/R	0.951c/R
Special Residential	0.706c/R	1.238c/R
Business and Government Property used by Local Government	0.810c/R	1.428c/R
Industrial	1.082c/R	1.903c/R
Government Property used by Provincial and District Government	0.860c/R	1.523c/R
Government Property used by National Government	0.968c/R	1.712c/R
Public Service Infrastructure and Agriculture	0.135c/R	0.237c/R
Municipal Owned Property and Churches	0.000c/R	0.000c/R

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

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

18 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	84 626 000	73 466 000
Equitable Share	84 626 000	73 466 000
Other Grants	-	-
Conditional Grants	39 706 103	38 514 887
Municipal Infrastructure Grant (MIG)	27 164 489	26 455 558
Municipal Systems Improvement Grant (MSIG)	890 000	800 000
Financial Management Grant (FMG)	1 550 000	1 500 000
Public Works	2 657 456	442 308
National Electrification Programme Grant (NER)	2 608 266	1 073 073
ECDC	14 104	4 494 969
Other Grants	4 821 789	3 748 980
Total Government Grants and Subsidies	124 332 103	111 980 887
Government Grants and Subsidies - Capital	28 184 458	30 363 179
Government Grants and Subsidies - Operating	96 147 645	81 617 708
	124 332 103	111 980 887
As previously reported		111 837 737
Correction of error restatement - note 43.03		143 150
Restated balance		111 980 887

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

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Equitable Share	84 626 000	73 466 000
Executive Council	7 816	-
Budget & Treasury	2 440 000	2 300 000
Community Services	1 293 706	1 507 167
Strategic Planning & Development	2 122 267	488 812
Technical services	33 842 314	34 218 908
Total Grants	124 332 103	111 980 887

	2014 R	2013 R
18.1 Equitable Share		
Opening balance	-	-
Grants received	84 626 000	73 466 000
Conditions met - operating	(84 626 000)	(73 466 000)
Conditions met - capital	-	-
Closing balance	-	-

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

18.2 Municipal Infrastructure Grant (MIG)		
Opening balance	797 442	-
Grants received	32 048 000	27 253 000
Conditions met - operating	(1 602 400)	(1 676 464)
Conditions met - capital	(25 562 088)	(24 779 094)
Closing balance	5 680 953	797 442

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

18.3 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	-
Grants received	890 000	800 000
Conditions met - operating	(890 000)	(800 000)
Conditions met - capital	-	-
Closing balance	-	-

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

18.4 Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1 550 000	1 500 000
Conditions met - operating	(1 550 000)	(1 500 000)
Conditions met - capital	-	-
Closing balance	-	-

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

18.5 National Electrification Programme Grant (NER)

Opening balance	608 266	681 339
Grants received	2 000 000	1 000 000
Conditions met - operating	-	(325 475)
Conditions met - capital	(2 608 266)	(747 599)
Closing balance	-	608 266

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

18.6 Public Works

Opening balance	1 551 780	-
Grants received	3 990 975	1 994 088
Conditions met - operating	(2 657 456)	(442 308)
Conditions met - capital	-	-
Closing balance	2 885 298	1 551 780

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

18.7 ECDC

Opening balance	2 259 721	2 906 725
Grants received	-	3 847 965
Conditions met - operating	-	-
Conditions met - capital	(14 104)	(4 494 969)
Closing balance	2 245 618	2 259 721

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

	2014 R	2013 R
18.8 Other Grants		
Opening balance	5 296 379	7 292 359
Grants received	3 649 450	1 753 000
Conditions met - operating	(4 821 789)	(3 407 462)
Conditions met - capital	-	(341 518)
Closing balance	4 124 040	5 296 379

Various grants were received from other spheres of government.

18.9 Total Grants

Opening balance	10 513 588	10 880 423
Grants received	128 754 425	111 614 053
Conditions met - Operating	(96 147 645)	(81 617 708)
Conditions met - Capital	(28 184 458)	(30 363 179)
Closing balance	14 935 910	10 513 588

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	15 543 576	11 679 274
Unpaid Conditional Government Grants and Receipts	(607 666)	(1 165 685)
	14 935 910	10 513 588

19 ACTUARIAL GAINS/(LOSSES)

Post Retirement Medical Obligation - note 3	(2 008)	(80 466)
Long Service Awards - to note 3	(93 441)	285 516
Total Actuarial Gains/(Losses)	(95 449)	205 050

20 FINES

Traffic Fines	548 150	45 650
Other Fines	40 517	18 154
Total Fines	588 667	63 804

Due to the prospective application of the revised IGRAP 1, the Municipality raised a receivable as well as an impairment charge on unpaid fines in the current year. This also resulted in a significant increase in fines revenue recognised in the Statement of Financial Performance when compared to the comparative year.

21 SERVICE CHARGES

Electricity	18 572 616	16 108 570
Refuse Removal	3 983 780	3 694 738

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Less: Rebates	22 556 396	19 803 308
	(3 482 227)	(1 467 980)
Total Service Charges	19 074 169	18 335 328

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.

22 PLANT INCOME

Earnings prior to expenditure	3 556 838	1 756 412
Less: Employee Related Costs - note 28	(902 470)	(684 228)
Less: Depreciation and Amortisation - note 31	(982 811)	(429 639)
Less: Repairs and Maintenance - note 33	-	(99 614)
Less: General Expenses - note 39	(1 661 557)	(532 930)
Total Plant Income	-	-

Plant Income is associated with roads construction for MIG projects.

	2014 R	2013 R
23 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of Buildings, Halls and Facilities	1 118 354	1 017 789
Rental of Equipment	2 289	5 300
Total Rental of Facilities and Equipment	1 120 643	1 023 089

24 LICENCES AND PERMITS

Driving Licences	370 820	423 912
Learner Driving Licences	358 251	345 591
Number Plates	14 800	11 212
Public Drivers Permits	228 739	209 223
Registrations	1 215 664	1 019 834
Total Licences and Permits	2 188 274	2 009 772

25 AGENCY SERVICES

Water and Sanitation Agency Function	1 448 997	1 217 607
Total Agency Services	1 448 997	1 217 607

The agency service relates to the water and sanitation function conducted on behalf of the Joe Gqabi District Municipality. The agency service includes a fixed fee for the administration of accounts as well as a 15% fee on all collections made.

26 OTHER INCOME

Commission Received	58 593	59 663
Insurance Claims Received	100 417	610 163
Tender Document Sales	213 528	91 350
LGSETA Claims Received	46 291	43 586
Pound Fees	156 733	95 590
Cemetery Fees	20 777	21 323
Building Plan & Inspection	85 903	67 273
Auction Sales	137 381	25 000
Discounts received	72 667	15 066
Sundry Income	125 433	369 197
Total Other Income	1 017 723	1 398 211

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Proceeds	376 317	-
Disposal of Liability (Provision for Rehabilitation of Landfill sites) - note 4	234 195	977 309
	610 512	977 309
Carrying value of Property, Plant and Equipment disposed	(197 511)	(643 365)
Total Gain on Disposal of Property, Plant and Equipment	413 001	333 944

28 EMPLOYEE RELATED COSTS

Bursary Scheme	23 900	47 432
Contribution to Current Employee Benefits - Bonuses Accrued - note 6	2 730 237	2 243 503
Contribution to Current Employee Benefits - Staff Leave - note 6	713 213	1 258 609
Contribution to Current Employee Benefits - Performance Bonuses - note 6	1 278 158	902 262
Contribution to Employee Benefits - Long Service Awards - note 3	293 479	416 787
Medical Aid Contributions	2 867 567	2 393 425
Overtime	1 830 116	926 725
Pension Fund Contributions	4 913 806	3 733 124
Salaries and Wages	36 307 953	30 695 590
Skills Development Levy	484 949	465 422
Travel, motor car, telephone, assistance and other allowances	6 680 591	5 309 664
UIF Contributions	338 970	276 210
Workmens Compensation Contributions	56 139	698 501
Total Employee Related Costs	58 519 078	49 367 254
Less: Employee Related Costs associated with Plant Income - note 22	(902 470)	(694 228)
Total Employee Related Costs	57 616 608	48 673 026

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MANAGEMENT PERSONNEL

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract.

REMUNERATION OF MANAGEMENT PERSONNEL

Municipal Manager - K Gashi

Remuneration	846 170	838 800
Car and other allowances	243 043	175 274
Performance Bonuses	78 943	115 938
Contributions to UIF, Medical and Pension Funds	107 991	87 058
Leave days paid	-	94 123
Total	1 276 147	1 311 193

Manager Infrastructure Planning and Development - X Mntonintshi (appointed 01/10/2012)

Remuneration	614 706	431 599
Car and other allowances	335 944	239 247
Performance Bonuses	37 331	-
Contributions to UIF, Medical and Pension Funds	11 193	1 392
Total	999 174	672 238

Manager Corporate Services - SR Matubatuba

Remuneration	706 665	518 761
Car and other allowances	415 130	442 135
Performance Bonuses	70 960	113 399
Contributions to UIF, Medical and Pension Funds	13 173	1 856
Leave days paid	-	90 719
Total	1 205 929	1 166 869

Chief Financial Officer - SW Goodall (resigned 30/06/2014)

Remuneration	571 363	612 384
Car and other allowances	386 271	299 100
Performance Bonuses	105 053	104 667
Contributions to UIF, Medical and Pension Funds	130 738	60 306
Leave days paid	89 337	-
Total	1 292 761	1 076 457

Manager Strategic Planning and Economic Development - L Mqokoyi (resigned 26/04/2012)

Remuneration	-	-
Car and other allowances	-	-
Performance Bonuses	-	39 363
Contributions to UIF, Medical and Pension Funds	-	-
Total	-	39 363

Manager Strategic Planning and Economic Development - NC Eddie (appointed 01/10/2012)

Remuneration	569 501	402 712
Car and other allowances	395 519	285 202
Performance Bonuses	37 331	-
Contributions to UIF, Medical and Pension Funds	11 390	1 392
Total	1 013 741	689 306

Manager Community Services - M Ntaba

Remuneration	617 497	576 266
Car and other allowances	324 548	312 336
Performance Bonuses	-	6 542
Contributions to UIF, Medical and Pension Funds	10 729	1 856
Total	952 773	897 000

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
29 REMUNERATION OF COUNCILLORS		
Mayor - NR Yelani-Lengs	708 822	669 021
Speaker - M Bomela	572 405	539 911
Part-time Members of the Executive Committee (5 members)	1 578 264	1 397 211
Part-time Section 79 Chairpersons (4 members)	1 157 645	711 041
Part-time Councillors (23 Councillors)	5 465 577	5 112 391
Total Remuneration of Councillors	9 482 713	8 429 575
<i>In-kind Benefits</i>		
The Mayor and Speaker are full-time. They are provided with secretarial support and an office at the cost of the Council.		
30 DEBT IMPAIRMENT		
Receivables from Exchange Transactions - note 14	1 583 755	11 745 060
Receivables from Non-exchange Transactions - note 15	2 263 737	3 558 634
Total Contribution to Impairment Provision	3 847 491	15 303 694
(Less)/Add: Portion Relating to VAT - note 9	3 467 332	(1 202 444)
Total Debt Impairment	7 314 823	14 101 250
31 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	31 895 720	29 458 231
Investment Property	159 778	155 015
Intangible Assets	30 527	27 957
Total Depreciation and Amortisation	32 086 025	29 641 203
Less: Depreciation and Amortisation associated with Plant Income - note 22	(992 811)	(429 639)
Total Depreciation and Amortisation	31 093 214	29 211 564
As previously reported		29 863 261
Correction of error restatement - note 43.04		(729 664)
Correction of error restatement - note 43.04		72 860
Correction of error restatement - note 43.05		5 107
Restated balance		29 211 564
32 IMPAIRMENTS / (REVERSAL OF IMPAIRMENTS)		
Property, Plant and Equipment	(5 416)	1 482 468
Total Impairments	(5 416)	1 482 468

The reversal of impairment of 2013/2014 relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.

Impairment for 2012/2013 amounting to R16 968 relate to the capitalised restoration costs. The impairment was caused by the change in the discount rate which is linked to the prime rate.

Impairment for 2012/2013 amounting to R1 465 500 relate to land. This land was previously ear-marked for development, but subsequently this development has been abandoned. Accordingly the market value of the property value decreased.

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
33 REPAIRS AND MAINTENANCE		
Infrastructure	5 983 431	3 267 453
Land and Buildings	684 621	2 068 123
Other Assets	1 463 444	1 241 987
Total Repairs and Maintenance	8 131 496	6 577 563
Less: Repairs and Maintenance associated with Plant Income - note 22	-	(99 614)
Total Repairs and Maintenance	8 131 496	6 477 949
As previously reported		5 241 235
Correction of error restatement - note 43.04		1 236 714
Restated balance		<u>6 477 949</u>
34 FINANCE CHARGES		
Long-term Liabilities	22 736	33 074
Finance leases	28 908	26 989
Non-Current Employee Benefits	272 146	248 436
Non-Current Provisions - Rehabilitation of Landfill Sites	258 601	280 148
Interest charged by Creditors	38 686	208 865
Total Finance Charges	621 077	797 512
35 BULK PURCHASES		
Electricity	14 809 383	14 722 367
Total Bulk Purchases	14 809 383	14 722 367
36 CONTRACTED SERVICES		
Solid Waste	2 261 311	-
Total Contracted Services	2 261 311	-
37 GRANTS AND SUBSIDIES PAID		
Joe Gqabi Economic Development Agency	263 158	350 000
Total Grants and Subsidies	263 158	350 000
38 OPERATING GRANT EXPENDITURE		
Executive Council	-	-
Budget & Treasury	2 520 834	2 125 495
Community Services	711 640	1 165 649
Strategic Planning & Development	1 396 256	441 764
Technical Services	-	704 075
Total Grant Expenditure	4 628 730	4 436 983
As previously reported		4 293 833
Correction of error restatement - note 43.03		143 150
Restated balance		<u>4 436 983</u>

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
39 GENERAL EXPENSES		
Advertising	435 658	462 166
Auditors Remuneration	2 034 976	2 264 516
Bank Charges	106 545	214 100
Cleaning Materials	54 996	67 482
Commission Paid	562 322	520 806
Conferences and Seminars	378 170	406 641
Consulting, Professional and Legal Fees	5 084 508	7 796 159
Entertainment and Catering	956 424	827 427
Fraud Prevention Plan	38 500	38 500
Fuel and Oil	3 066 285	2 604 999
Gifts	126 476	198 753
Insurance	959 300	782 064
Job Evaluation	20 055	86 800
Lease rentals	538 606	531 320
Licence Fees	301 513	585 105
Postage and Courier	38 634	36 084
Printing and Stationery	796 883	584 450
Promotions and Sponsorships	922 067	1 598 481
Protective Clothing	452 724	175 090
Public Participation	1 327 086	206 044
Refuse Bags and Containers	399 805	262 332
Security	857 562	896 396
Service Standard Charter	-	232 728
Small Tools and Equipment	983 410	375 817
Special Programmes	4 176 486	4 206 367
Subscriptions and Membership Fees	918 157	875 222
Telephone and fax	2 058 508	2 039 216
Town Planning and Property Valuation Fees	722 423	1 672 044
Traffic Department Costs	123 005	120 436
Training	1 698 599	1 264 791
Travel and Subsistence	6 707 052	6 101 175
Ward Committees	1 758 883	597 517
Other Expenditure	1 639 525	1 735 023
Total General Expenses	40 235 143	40 366 051
Less: General Expenses associated with Plant Income - note 22	(1 661 557)	(532 930)
Total General Expenses	38 573 586	39 833 121
As previously reported		39 742 994
Correction of error restatement - note 43.02		90 129
Restated balance		39 833 123
40 LOSS ON DISPOSAL OF LAND HELD FOR SALE		
Proceeds	30 789	44 946
Cost of land held for sale sold	(67 500)	(115 500)
Total Loss on Disposal of Land Held for Sale	(36 711)	(70 554)
41 LOSS ON DISPOSAL OF INVESTMENT PROPERTY		
Proceeds	438 596	348 038
Carrying value of Investment Property Sold	(602 500)	(500 810)
Total Loss on Disposal of Investment Property	(163 904)	(152 772)
42 DISCONTINUED OPERATIONS		
The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Joe Gqabi District Municipality. The Water Service Authority resolved to resume full accountability for these functions as from 1 July 2012.		
The effect of Discontinued Operations on the Statement of Financial Performance is as follows:		
Transfer of Assets and Liabilities		
Employee Benefits	-	(390 069)
Current Employee Benefits	-	(674 069)
Taxes	-	(200 183)
Inventory	-	512 927
Receivables from Exchange Transactions - Water and Sanitation - net value	-	1 620 530
Net Deficit for the year	-	869 136

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43	CORRECTION OF ERROR IN TERMS OF GRAP 3	
43.01	Accumulated Surplus - 1 July 2012	
	Payables from Exchange Transactions - note 43.02	293 038
	Property, Plant and Equipment - note 43.04	(9 908 302)
	Investment Property - note 43.05	745 559
	Inventory - note 43.06	(171 000)
	Total	<u>(9 040 705)</u>
43.02	Payables from Exchange Transactions	
	Included in Payables from Exchange Transactions was an amount of R387 151 which relates to the TASK backpay accrual. This accrual was raised on 30 June 2012, and was paid during 2012/13. Also included in the accrual was TASK backpay relating to the water and sanitation staff. The water and sanitation staff was transferred to Joe Gqabi District Municipality on 1 July 2012. Joe Gqabi District Municipality did not implement the TASK backpay and therefore, the accrual relating to the water and sanitation staff should never have been raised. Accordingly, Payables from Exchange Transactions was overstated, while Accumulated Surplus was understated.	
	Payables amounting to R239 440 were not raised for the prior years. Accordingly, Payables from Exchange Transactions, General Expenses and Taxes were understated while Accumulated Surplus was overstated.	
	Refer to Payables from Exchange Transactions - note 7	177 115
	Refer to Taxes - note 9	25 794
	Refer to General Expenses - note 39	90 129
	Refer to Accumulated Surplus - 1 July 2012 - note 43.01	(283 038)
43.03	Unspent Conditional Government Grants and Receipts	
	In the prior year, Input VAT was claimed on a housing project. As no Input VAT is claimable on a housing project, the Operating Grant Expenditure was understated and Taxes was overstated with an amount of R143 150. Accordingly, Unspent Conditional Grants and Receipts was overstated and Government Grants was understated with the same amount.	
	Refer to Unspent Conditional Grants and Receipts - note 8	143 150
	Refer to Taxes - note 9	(143 150)
	Refer to Government Grants and Subsidies - note 18	(143 150)
	Refer to Operating Grant Expenditure - note 38	143 150
43.04	Property, Plant and Equipment	
	Included in the fixed asset register were assets with a book value of R6 830 211 which are the property of Escom. These transformers were removed from the asset register. Accordingly, Property, Plant and Equipment, Depreciation and Amortisation and Accumulated Surplus were overstated.	
	In the current year it was noted that a bill of quantity (BOQ) relating to an internal Municipal project was incorrect. The BOQ indicated that 700 cubic metre of concrete was used for a project, where in fact insignificant amount of concrete was used. In addition, it was also noted that wearing courses on several gravel roads were replaced, but the old wearing courses were never removed from the asset register. The total book value that was removed amounted to R1 027 182. Accordingly, Property, Plant and Equipment, Depreciation and Amortisation and Accumulated Surplus were overstated.	
	Included in last year's Property, Plant and Equipment register, was Investment Property with a book value of R9 121 500. Accordingly, Property, Plant and Equipment was overstated while Investment Property was understated.	
	During the current year it was noted that Repairs and Maintenance amounting to R1 999 366 was incorrectly capitalised. Property, Plant and Equipment was overstated by the previously mentioned amount while Repairs and Maintenance was understated by R1 236 713 and Accumulated Surplus was overstated by R762 653.	
	Included in work in progress was temporary power supply to residence, until the Municipality could supply electricity. This expenditure which amount to R631 450 does not meet the definition of an asset. Accordingly, Property, Plant and Equipment was overstated, while Accumulated Surplus was understated.	
	Included in Inventory were properties amounting to R142 000 that met the definition of Property, Plant and Equipment. Accordingly, Inventory was overstated, while Property, Plant and Equipment was understated.	
	Refer to Property, Plant and Equipment (Cost - Opening Balance) - note 10	(20 845 346)
	Refer to Property, Plant and Equipment (Cost - Additions) - note 10	(1 236 715)
	Refer to Property, Plant and Equipment (Accumulated Depreciation - Opening Balance) - note 10	1 884 685
	Refer to Property, Plant and Equipment (Accumulated Depreciation - Depreciation Charge) - note 10	729 664
	Refer to Depreciation and Amortisation - note 31	(729 664)
	Refer to Investment Property (Cost - Opening Balance) - note 11	9 486 000
	Refer to Investment Property (Accumulated Depreciation - Opening Balance) - note 11	(291 640)
	Refer to Investment Property (Accumulated Depreciation - Depreciation Charge) - note 11	(72 860)
	Refer to Inventory - note 13	(142 000)
	Refer to Depreciation and Amortisation - note 31	72 860
	Refer to Repairs and Maintenance - note 33	1 236 714
	Refer to Accumulated Surplus - 1 July 2012 - note 43.01	9 908 302
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ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

43.05 Investment Property

In the current year it was noted that investment property with a book value of R140 492 was not included in the asset register. The reason for not being included in the asset register is due to the fact that the property is not registered at the Deeds Office in the name of the Municipality. The reason for not being registered is due to the fact that the previous owner passed away prior to the registration and that the Municipality is awaiting for the estate to be finalised. It was also noted that another property was also not registered at the Deeds Office. The reason being was that this property was a sub-division which has not been registered in time. Accordingly, Investment Property, Depreciation and Amortisation and Accumulated Surplus was understated.

Refer to Investment Property (Cost - Opening Balance) - note 11	766 000
Refer to Investment Property (Accumulated Depreciation - Opening Balance) - note 11	(20 441)
Refer to Investment Property (Accumulated Depreciation - Depreciation Charge) - note 11	(5 107)
Refer to Depreciation and Amortisation - note 31	5 107
Refer to Accumulated Surplus - 1 July 2012 - note 43.01	(745 559)

43.06 Inventory

Included in the inventory register were property amounting to R171 000 that appeared on the Deeds Register. Upon further inspection, it was noted that these properties were subsequently sub-divided and transferred to new owners. Accordingly both Inventory and Accumulated Surplus were overstated.

Refer to Accumulated Surplus - 1 July 2012 - note 43.01	171 000
Refer to Inventory - note 13	(171 000)

43.07 Capital Commitments

It was noted that Capital Commitments were understated by R10 847 309. The understatement was due to contracts already awarded during 2012/13, but the capital expenditure was only incurred during 2013/14.

Refer to Capital Commitments - note 51	10 847 309
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	2014 R	2013 R
44 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Deficit for the year	(9 158 927)	(15 640 896)
Adjustments for:		
(Gain)/Loss on disposal of Property, Plant and Equipment	(413 001)	(333 944)
(Gain)/Loss on disposal of Investment Property	163 904	152 772
Contribution from/to employee benefits - non-current	565 625	665 223
Contribution from/to employee benefits - non-current - expenditure incurred	(236 784)	(352 490)
Contribution from/to employee benefits - non-current - loss/(actuarial gains)	95 449	(205 050)
Contribution to employee benefits - current	4 726 058	4 404 374
Contribution to employee benefits - current - expenditure incurred	(3 401 822)	(5 817 934)
Contribution to provisions - non-current	258 601	280 148
Contribution of provisions - Allowance for Doubtful Debt	7 314 823	14 101 250
Bad debts written off	(30 382 101)	(2 522 202)
Grants Received	128 754 425	111 614 053
Grant Expenditure	(124 332 103)	(111 980 887)
Depreciation and Amortisation	32 086 025	29 641 203
Impairments	(5 416)	1 482 468
Discontinued Operations - Assets and Liabilities Transferred	-	869 136
Operating Surplus before changes in working capital	6 034 756	26 357 223
Changes in working capital - Restated for prior year	32 298 226	(9 996 455)
Increase in Payables from Exchange Transactions	4 481 820	1 255 180
Increase in Taxes	(4 645 990)	(7 477 306)
Decrease in Inventory	245 180	394 753
(Increase)/Decrease in Receivables from exchange transactions	34 981 211	(2 632 065)
(Increase) in Receivables from non-exchange transactions	(2 763 995)	(1 537 016)
Cash generated by operations	38 332 982	16 360 768
45 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 16	23 182 407	21 669 775
Bank - Note 16	1 048 990	288 397
Cash Floats - Note 16	1 210	2 375
Total cash and cash equivalents	24 232 607	21 960 547
	2014 R	2013 R

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

46 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 45	24 232 607	21 960 547
Less:	(15 543 576)	(10 513 588)
Unspent Committed Conditional Grants - note 8	(15 543 576)	(10 513 588)
Net cash resources available for internal distribution	8 689 031	11 446 959

47 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - note 2	343 303	590 891
Used to finance property, plant and equipment - at cost	(343 303)	(590 891)
Cash invested for repayment of long-term liabilities	-	-

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

48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

48.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	68 142 893	36 599 042
Unauthorised expenditure current year - capital	511 082	394 901
Unauthorised expenditure current year - operating	4 668 877	31 148 950
Approved by Council or condoned	(68 142 893)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	5 179 958	68 142 893

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	Actual R	Final Budget R	Variance R	Unauthorised Expenditure R
Operating Expenditure by Vote				
Executive Council	28 462 854	28 378 207	84 647	84 647
Budget & Treasury	33 246 256	31 108 061	2 138 195	2 138 195
Corporate Services	17 961 237	19 789 312	(1 828 075)	-
Community Services	26 134 945	23 688 911	2 446 034	2 446 034
Strategic Planning & Development	8 488 012	9 266 394	(778 382)	-
Technical services	61 787 389	71 899 010	(10 111 621)	-
Total Expenditure	176 080 693	184 129 895	(8 049 202)	4 668 877
Capital Expenditure by Vote				
Executive Council	1 482 175	1 650 000	(167 825)	-
Budget & Treasury	1 285 924	870 000	415 924	415 924
Corporate Services	839 278	744 120	95 158	95 158
Community Services	1 347 629	1 948 781	(601 152)	-
Strategic Planning & Development	2 652 421	4 833 500	(2 181 079)	-
Technical services	28 829 363	34 352 451	(5 523 088)	-
Total Expenditure	36 436 790	44 398 852	(7 962 062)	511 082

48.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	1 018 164	735 271
Fruitless and wasteful expenditure - current year	90 207	282 893
Fruitless and wasteful expenditure - prior year	-	-
Condoned or written off by Council	(1 080 608)	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	27 763	1 018 164

Incident	Disciplinary steps/criminal proceedings		
Interest charged by creditors	Disciplinary steps have been taken.	40 030	282 893
Workmen's Compensation penalty for late submission	None yet.	39 207	-
Employees were on leave without prior approval. No unpaid leave was deducted from their salaries.	Disciplinary steps have been taken and employees have been dismissed.	10 970	-
		90 207	282 893

2014 R 2013 R

48.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	1 330 773	686 693
Irregular expenditure current year	41 249	644 080
Written off by Council	(1 372 022)	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	1 330 773

Incident	Disciplinary steps/criminal proceedings
Non-compliance with Supply Chain Management Policy	None

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

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

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

49 MATERIAL LOSSES

Electricity distribution losses

Kwh purchased	18 283 864	19 316 961
Less: Kwh sold	(15 663 511)	(13 727 878)
Kwh losses	2 620 353	5 589 083
% Losses	14.33%	28.93%
Average cost per Kwh unit	0.8300	0.6931
Losses in Rand Value	2 174 893	3 873 793

50 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

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

Council subscriptions	1 252 792	672 810
Amount paid - current year	(1 252 792)	(672 810)
Balance unpaid (included in creditors)	-	-

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

Opening balance	140 761	48 166
Current year audit fees	3 225 242	3 197 087
Amount paid - current year	(3 279 531)	(3 104 492)
Balance unpaid (included in creditors)	86 471	140 761

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

Opening balance	2 793 065	(4 786 730)
Amounts received - current year	(8 379 060)	(7 377 318)
Amounts claimed - current year	8 949 843	14 957 113
VAT Receivable	3 363 848	2 793 065

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.

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

Opening balance	-	-
Current year payroll deductions and Council Contributions	9 812 578	9 355 552
Amount paid - current year	(9 812 578)	(9 355 552)
Balance unpaid (included in creditors)	-	-

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

Opening balance	-	-
Current year payroll deductions and Council Contributions	12 115 999	10 175 263
Amount paid - current year	(11 196 066)	(10 175 263)
Balance unpaid (included in creditors)	919 934	-

2014	2013
R	R

50.6 Other non-compliance (MFMA 125(2)(e))

Deviations from, and ratifications of minor breaches of the Procurement Processes due to Sole Providers, Specialised Services, Emergencies and Variation Orders:

All the deviations were ratified by the Municipal Manager and reported to Council.

Section 36(1)(a)(i) - Emergencies	4 963 478	1 008 466
Section 36(1)(a)(ii) - Single provider	3 369 770	601 094
Section 36(1)(a)(iii) - Specialised services	6 883 038	2 162 325
Section 36(1)(a)(iv) - Acquisition of animals for zoo's	-	-
Section 36(1)(a)(v) - Impractical to follow official procurement process	2 457 295	1 335 622
17 673 580	5 107 508	

Municipal Manager Office	2 808 260	1 070 614
Budget and Treasury Office	2 679 417	206 087
Infrastructure Planning and Development	6 583 485	1 924 529
Corporate Services	1 418 080	276 078
Strategic Planning and Development	502 367	1 376 697
Community Services	3 481 971	253 503
17 673 580	5 107 508	

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

	Outstanding more than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts for more than 90 days as at 30 June:		
S L Baduza	7 512	2 585
Total Councillor Arrear Consumer Accounts as on 30 June	7 512	2 585

51 **CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Infrastructure	27 639 770	14 705 544
Approved and contracted for	27 261 387	14 705 544
Tender awarded but contract not yet signed	378 383	-
Total	27 639 770	14 705 544

As previously reported		3 858 235
Correction of error restatement - note 43.07		10 847 309
Restated balance		<u>14 705 544</u>

This expenditure will be financed from:

Government Grants	25 278 441	9 720 856
Own funding	2 361 329	4 984 688
	27 639 770	14 705 544

52	FINANCIAL RISK MANAGEMENT	2014 R	2013 R						
	<p>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.</p> <p>(a) Foreign Exchange Currency Risk The Municipality does not engage in foreign currency transactions.</p> <p>(b) Price risk The Municipality is not exposed to price risk.</p> <p>(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.</p> <p>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.</p> <p>The Municipality did not hedge against any interest rate risks during the current year.</p> <p>The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follow:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">0.5% (2013 - 0.5%) Increase in interest rates</td> <td style="width: 10%; text-align: right;">184 348</td> <td style="width: 10%; text-align: right;">167 295</td> </tr> <tr> <td>0.5% (2013 - 0.5%) Decrease in interest rates</td> <td style="text-align: right;">(184 348)</td> <td style="text-align: right;">(167 295)</td> </tr> </table>	0.5% (2013 - 0.5%) Increase in interest rates	184 348	167 295	0.5% (2013 - 0.5%) Decrease in interest rates	(184 348)	(167 295)		
0.5% (2013 - 0.5%) Increase in interest rates	184 348	167 295							
0.5% (2013 - 0.5%) Decrease in interest rates	(184 348)	(167 295)							

(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.

	2014 %	2014 R	2014 %	2013 R
Balances past due not impaired:				
Non-Exchange Receivables				
Rates	100%	3 853 558	100%	2 514 417
	100%	3 853 558	100%	2 514 417
Exchange Receivables				
Electricity	8.93%	314 448	7.56%	691 563
Refuse	19.02%	669 503	8.38%	765 985
Other	72.05%	2 536 314	84.06%	7 684 962
	100%	3 520 265	100%	9 142 509

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 where applicable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
<p>The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.</p>		
<p>The banks utilised by the Municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.</p>		
<p>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.</p>		
<p>Receivables are individually evaluated annually at Statement of Financial Position date for impairment and discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p>		
<p>Financial assets exposed to credit risk at year end are as follows:</p>		
Receivables from Exchange Transactions	4 210 823	11 737 198
Receivables from Non-Exchange Transactions	5 015 622	3 171 853
Cash and Cash Equivalents	24 232 607	21 960 547
Unpaid conditional grants and subsidies	607 666	1 165 685
	<u>34 066 718</u>	<u>38 035 284</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
2014				
Long Term liabilities - Annuity Loans	90 022	-	-	90 022
Capital repayments	79 497	-	-	79 497
Interest	10 525	-	-	10 525
Long Term liabilities - Finance Lease Liability	209 211	69 737	-	278 947
Capital repayments	195 212	68 594	-	263 806
Interest	13 999	1 143	-	15 142
Provision for Landfill Sites	-	-	9 402 377	9 402 377
Capital repayments	-	-	5 516 948	5 516 948
Interest	-	-	3 885 429	3 885 429
Payables from Exchange Transactions	22 094 491	-	-	22 094 491
Unspent conditional government grants and receipts	14 935 910	-	-	14 935 910
	<u>37 120 423</u>	<u>-</u>	<u>9 402 377</u>	<u>46 522 800</u>
2013				
Long Term liabilities - Annuity Loans	90 022	90 002	-	180 044
Capital repayments	67 286	79 497	-	146 783
Interest	22 756	10 505	-	33 261
Long Term liabilities - Finance Lease Liability	209 211	278 947	-	488 158
Capital repayments	180 303	263 806	-	444 108
Interest	28 908	15 142	-	44 050
Provision for Landfill Sites	-	-	9 283 741	9 283 741
Capital repayments	-	-	5 492 542	5 492 542
Interest	-	-	3 791 199	3 791 199
Payables from Exchange Transactions	18 896 663	-	-	18 896 663
Unspent conditional government grants and receipts	11 679 274	-	-	11 679 274
	<u>30 875 169</u>	<u>368 949</u>	<u>9 283 741</u>	<u>40 527 860</u>

	2014	2013
	R	R
53 FINANCIAL INSTRUMENTS		
<p>In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:</p>		
53.1 Financial Assets		
Financial Instruments at Amortised Cost		
Receivables from Exchange Transactions	4 210 823	11 737 198
Receivables from Non-exchange Transactions	5 015 622	3 171 853
Unpaid Conditional Government Grants and Receipts	607 666	1 165 685
Cash and Cash Equivalents	24 232 607	21 960 547
Total carrying amount of financial assets	<u>34 066 718</u>	<u>38 035 284</u>
53.2 Financial Liability		
Financial Instruments at Amortised Cost		
Long-term Liabilities	68 594	343 302
Payables from Exchange Transactions	24 229 504	19 747 684
Unspent Conditional Grants and Receipts	15 543 576	11 679 274
Current Portion of Long-term Liabilities	274 709	247 589
Total carrying amount of financial liabilities	<u>40 116 383</u>	<u>32 017 849</u>

54 EVENTS AFTER THE REPORTING DATE

The Municipality has no events after reporting date during the financial year ended 2013/2014.

55 IN-KIND DONATIONS AND ASSISTANCE

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

56 PRIVATE PUBLIC PARTNERSHIPS

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

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

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

Year	Amount payable
2013/14	2 394 000
2014/15	2 537 640
2015/16	4 793 136
2016/17	5 080 728
2017/18	5 385 566
2018/19	5 708 715
2019/20	6 051 221
2020/21	6 414 297
2021/22	6 679 164
2022/23	7 207 122

Refer to note 36 for expenditure incurred during the current financial year.

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

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

2014
R

2013
R

57 CONTINGENT LIABILITIES

Council do have the following contingent liabilities at the end of the financial year 2013/2014:

There is an employee benefits dispute relating to housing allowances and benefits payable under these terms. The amount in question R40 000. This matter is still on arbitration level. Legal fees are estimated at R50 000 if this matter were to go to court.

A labour related dispute was declared. The SALGBC has found in favour of the applicant and as such has instructed the Council to appoint the applicant to the position of Community Services Manager, effective June 2013. The salary backpay in owed to the applicant is R644 628. The Municipality has solicited legal advice in the matter and has now considered appealing the outcome. The estimated legal costs for appealing this matter is estimated at R350 000.

A labour dispute was declared relating to unpaid employee benefits amounting to R663 417. This matter is currently pending litigation and legal costs are estimated at R200 000.

A labour related dispute was declared regarding a 2.5% notch increase not effected. The dispute is currently pending at SALGBC. Legal costs are estimated at R50 000.

Employees were dismissed for various counts of gross misconduct and fruitless and wasteful expenditure. A dispute has been lodged in terms of unfair dismissal and therefore reinstatement. The employees backpay claim is estimated at R560 000. This matter is still on arbitration level. Legal fees are estimated at R250 000 if this matter were to go to court.

A company was contracted to do road repairs in Maclear, but failed to do work to satisfaction of Municipality. The Municipality rightfully retained a certain percentage of the retention fee amounting to an estimate of R350 000. The plaintiff is suing the Municipality for the retention fees. The Municipality has defended the action. The Municipality is now awaiting the attorneys of the Municipality to give a response to the claim (Plea). Legal fees are estimated at R100 000.

The Municipality has been sued by two separate plaintiffs for fire that allegedly originated from communal property registered in the name of the Municipality, which spread to the plaintiffs' properties causing damages of R100 000 respectively. Estimated legal fees to defend this case is estimated at R40 000.

58 RELATED PARTIES

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

58.1 Related Party Loans

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

58.2 Compensation of management personnel

The compensation of management personnel is set out in note 28 and 29 to the financial statements.

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

The Municipal Manager serves on the board of directors of JoGEDA. Transactions as disclosed in note 37 are therefor considered to be related party transactions. There were no other transactions with JoGEDA and no outstanding balances at year-end.

58.4 Other related party transactions

The following purchases were made during the year Key Management Personnel and Officials have an interest:

Ganta Trading Enterprise (Spouse of Director A M Ntaba)	94 225	93 275
Mysa Implementation Agents CC (Brother of Manager Corporate Services: S Matubatuba)	-	137 701
Nosisanda Trading Enterprise (Niece of official Z Thuli)	34 280	4 910
Nobongoza Trading Enterprise (Spouse of official T Klaas)	28 925	3 120
Chumza Trading (Spouse of Mr Tshidiso Mora - Public Amenities Supervisor)	-	24 125
Imbokodo Women Trading (Mother of official Tshaka)	13 975	-
Siphesihle Trading (Daughter of official Sahlulo)	33 921	-
Zilwa Contractors CC (Spouse of official Sahlulo)	467 108	-
	<u>672 434</u>	<u>263 131</u>

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

59.01 ORIGINAL BUDGET vs FINAL BUDGET

Statement of Financial Position

Current Assets were increased to take into account the land held for sale included under Inventory which was not included in the original budget. Cash and Cash Equivalents were increased to take into account surplus cash.

Non-current Assets were increased to take into account the Property, Plant and Equipment balance as per 2012/13 audit outcome.

Current Liabilities were decreased to take into account the 2012/13 audit outcome.

Statement of Financial Performance - Revenue

Government Grants and Subsidies (Capital) was reduced to taken into effect the INEP grant contribution which was reduced from R5.8 million to R2 million.

Interest Earned (Outstanding Debtors) were decreased in order to be more in line with the 2012/13 audit outcome.

Other Income include reserve funding for internal projects.

Statement of Financial Performance - Expenditure

Debt Impairment was increased in order to be in line with the debtors collection rate.

Bulk Purchases was decreased to be in line with the audit outcome of 2012/13.

Depreciation and Amortisation was increased to be in line with the audit outcome of 2012/13.

Cash Flow Statement

Cash from Operating Activities were decreased to take into account reserve funding for internal projects.

Cash from Investing Activities were increased to take into account reserve funding for internal projects.

Operating Expenditure per Vote

Corporate Services was decreased due to a misallocation in the original budget whereby Employee Related Costs of Community Services were budgeted under Corporate Services.

Community Services was increased due to a misallocation in the original budget whereby Employee Related Costs were budgeted under Corporate Services.

Technical Services was increased to take into account depreciation and amortisation which was insufficiently budgeted for in the approved budget.

59.02 ACTUAL AMOUNTS vs FINAL BUDGET

Statement of Financial Position

Current Assets were less than budgeted for as the final budget overstated Receivables and Cash and Cash Equivalents.

Non-current Assets were less than budgeted for as not all capital projects were executed during the year.

Current Liabilities were more than budgeted for due to a tenant making renovations to the building and a subsequent creditor was created. The tenant is now paying less than market value, whereby the difference between market value and what is being paid, is set off against the creditor.

Statement of Financial Performance - Revenue

Grants and Subsidies (Capital) was less than budgeted for due to the underspending of the Municipal Infrastructure Grant (MIG).

Grants and Subsidies (Operating) was less than budgeted for due to underspending of Public Works.

Rental of Facilities and Equipment was less than budgeted for due to a misallocation of Plant Income revenue included in Rental of Facilities and Equipment.

Other Income include reserve funding for internal projects.

Statement of Financial Performance - Expenditure

Debt Impairment was less than budgeted for due to a increased collection rate.

Repairs and Maintenance was less than budgeted for due to the underspending of Public Works.

General Expenses was less than budgeted for due to savings on various expenditure items.

Cash Flow Statement

Cash from Operating Activities was more than budgeted for as the cash flow statement in the adjustment budget contain errors.

Cash from Investing Activities was less than budgeted for as not all capital projects were implemented during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Operating Expenditure per Vote

Budget & Treasury was overspent due to insufficient budget for depreciation.

Corporate Services was less than budgeted for due to various savings, which include among other telephone and advertising costs.

Community Services overspent on their budget due to the implementation of IGRAP 1, where all fines issued were to be raised as income and subsequently impaired based on collection rate.

Technical Services was underspent due depreciation and amortisation being less than budgeted for. In addition, repairs and maintenance was also less than budgeted for due to the underspending of Public Works.

Capital Expenditure per Vote

Strategic Planning & Development was underspent due to the Craft Centre Project which was not fully implemented during the year under review.

Technical Services was underspent due to Municipal Infrastructure Grant (MIG) not fully spent during the year.

59.03 RECONCILIATION BETWEEN BUDGETS DISCLOSED AND APPROVED BUDGETS	Revenue R	Expenditure R
Original Budget		
Budget approved by Council as per A schedules	201 099 225	160 427 681
Rebates and indigent support budgeted as expenditure and not netted off against Revenue	(4 848 636)	(4 848 636)
Other immaterial/rounding variances	513	390
Total as per Statement of Comparison of Budget and Actual Amounts	196 251 102	155 579 435
Adjustment Budget		
Budget approved by Council as per B schedules	232 217 988	187 819 130
Rebates and indigent support budgeted as expenditure and not netted off against Revenue	(3 689 276)	(3 689 276)
Other immaterial/rounding variances	35	41
Total as per Statement of Comparison of Budget and Actual Amounts	228 528 747	184 129 895

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Transfers to Investment		Closing Balance	Opening Balance	Depreciation Charge	Transfers to Impairment		Closing Balance			
			Property	Disposals				Property	Charge / (Reversal)		Disposals		
R	R	R	R	R	R	R	R	R	R	R	R		
Land and Buildings	44 062 547	6 552 334	-	(157 088)	-	50 457 792	3 787 433	371 297	-	(5 416)	-	4 153 314	46 304 478
Land	11 714 000	-	-	(30 871)	-	11 683 129	-	-	-	-	-	-	11 683 129
Buildings	22 274 074	-	-	-	6 982 013	29 256 086	2 091 574	225 786	-	-	-	2 317 360	26 938 727
Capitalised Restoration Costs	3 434 303	-	-	(126 217)	-	3 308 086	1 695 859	145 510	-	(5 416)	-	1 835 954	1 472 132
Work in Progress	6 640 170	6 552 334	-	-	(6 982 013)	6 210 491	-	-	-	-	-	-	6 210 491
Infrastructure	362 072 610	24 720 465	-	(41 603)	-	386 751 472	119 602 848	25 527 216	-	-	(7 321)	145 122 743	241 628 730
Electricity	56 295 926	-	-	(41 603)	3 188 381	59 442 705	5 282 774	1 499 471	-	-	(7 321)	6 774 924	52 667 781
Roads, Pavements, Bridges & Storm Water	274 860 475	-	-	-	30 976 617	305 837 093	114 320 074	24 027 745	-	-	-	138 347 819	167 489 274
Work in Progress	30 916 209	24 720 465	-	-	(34 164 998)	21 471 675	-	-	-	-	-	-	21 471 675
Lease Assets	839 008	-	-	-	-	839 008	405 788	225 876	-	-	-	631 664	207 344
Office Equipment	839 008	-	-	-	-	839 008	405 788	225 876	-	-	-	631 664	207 344
Other Assets	35 700 783	4 141 323	-	(6 145)	-	39 835 961	14 193 344	5 771 331	-	-	(3)	19 964 671	19 871 290
Furniture & Fittings	3 339 972	857 308	-	(6 145)	-	4 191 134	1 560 115	529 900	-	-	(3)	2 090 011	2 101 123
Motor Vehicles	16 400 404	1 649 294	-	-	-	18 049 698	5 498 237	2 814 709	-	-	-	8 312 947	9 736 751
Computer Equipment	2 540 747	837 895	-	-	-	3 378 642	1 108 011	606 973	-	-	-	1 714 984	1 663 659
Plant and Machinery	13 419 660	692 222	-	-	-	14 111 882	6 026 981	1 819 749	-	-	-	7 846 730	6 265 152
Security	-	104 605	-	-	-	104 605	-	-	-	-	-	-	104 605
	442 674 948	35 414 122	-	(204 836)	-	477 884 234	137 989 412	31 895 720	-	(5 416)	(7 325)	169 872 392	308 011 842

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

Reconciliation of accumulated impairment included in accumulated depreciation:

- Opening balance	1 556 804
- Impairment charge for the year	(5 416)
- Closing balance	1 551 388
- Capitalised Restoration Costs	85 888
- Land	1 465 500

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

	2014	2015	2016
Effect on Accumulated Surplus - Decrease/(Increase) in depreciation	(59 590)	(59 590)	(59 590)
Increase/(Decrease) in Accumulated Depreciation: PPE	59 590	59 590	59 590

ELUNDINI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Transfers to Investment Property	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Transfers to Investment Property	Impairment Charge / (Reversal)	Disposals	Closing Balance	
	R	R		R	R	R	R	R		R	R	R	
Land and Buildings	37 743 335	7 659 580	(779 000)	(561 369)	-	44 062 547	1 914 738	399 354	(9 126)	1 482 468	-	3 787 433	40 275 114
Land	12 265 000	-	(551 000)	-	-	11 714 000	-	-	-	-	-	-	11 714 000
Buildings	20 397 561	-	(228 000)	-	2 104 513	22 274 074	430 368	204 832	(9 126)	1 465 500	-	2 091 574	20 182 500
Capitalised Restoration Costs	3 995 672	-	-	(561 369)	-	3 434 303	1 484 370	194 521	-	16 968	-	1 695 859	1 738 444
Work in Progress	1 085 102	7 659 580	-	-	(2 104 513)	6 640 170	-	-	-	-	-	-	6 640 170
Infrastructure	338 912 978	23 159 632	-	-	-	362 072 610	95 729 956	23 872 892	-	-	-	119 602 848	242 469 762
Electricity	56 295 926	-	-	-	-	56 295 926	3 807 420	1 475 353	-	-	-	5 282 774	51 013 153
Roads, Pavements, Bridges & Storm Water	267 255 951	-	-	-	7 604 525	274 860 475	91 922 536	22 397 538	-	-	-	114 320 074	160 540 401
Work in progress	15 361 101	23 159 632	-	-	(7 604 525)	30 916 209	-	-	-	-	-	-	30 916 209
Lease Assets	282 415	556 593	-	-	-	839 008	225 776	180 012	-	-	-	405 788	433 220
Office Equipment	282 415	556 593	-	-	-	839 008	225 776	180 012	-	-	-	405 788	433 220
Other Assets	31 226 588	4 808 686	-	(334 490)	-	35 700 783	9 439 863	5 005 975	-	-	(252 494)	14 193 344	21 507 439
Furniture & Fittings	2 944 397	482 703	-	(87 128)	-	3 339 972	1 161 486	454 893	-	-	(56 264)	1 560 115	1 779 857
Motor Vehicles	13 078 076	3 322 328	-	-	-	16 400 404	3 062 639	2 435 598	-	-	-	5 498 237	10 902 167
Computer Equipment	2 129 716	631 088	-	(220 057)	-	2 540 747	903 426	393 584	-	-	(189 000)	1 108 011	1 432 736
Plant and Machinery	13 074 398	372 567	-	(27 305)	-	13 419 660	4 312 312	1 721 899	-	-	(7 230)	6 026 981	7 392 679
	408 165 316	36 184 491	(779 000)	(895 859)	-	442 674 948	107 310 333	29 458 231	(9 126)	1 482 468	(252 494)	137 989 412	304 685 536
As previously reported	429 010 662	37 421 206	(779 000)	(895 859)	-	464 757 009	109 195 018	30 187 896	(9 126)	1 482 468	(252 494)	140 603 761	324 153 248
Correction of error restatement - note 43.04	(20 845 346)	(1 236 715)	-	-	-	(22 082 061)	(1 884 685)	(729 664)	-	-	-	(2 614 349)	(19 467 712)
Restated balance	408 165 316	36 184 491	(779 000)	(895 859)	-	442 674 948	107 310 333	29 458 231	(9 126)	1 482 468	(252 494)	137 989 412	304 685 536

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

Reconciliation of accumulated impairment included in accumulated depreciation:

- Opening balance	74 336
- Impairment charge for the year	1 482 468
- Closing balance	1 556 804
- Capitalised Restoration Costs	91 304
- Buildings	1 465 500

**APPENDIX A - Unaudited
ELUNDINI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Loan Number	Maturity date	Balance at 30 June 2013	Received during the period	Redeemed during the period	Balance at 30 June 2014
ANNUITY LOANS							
DBSA loan	17.36%	9004857	30/06/2015	146 783	-	(67 286)	79 497
Total Annuity Loans				146 783	-	(67 286)	79 497
LEASE LIABILITIES							
Kyocera Taskalfa 8000i	7.97%	ELM-4/031/2011-2012	31/08/2015	128 128	-	(84 471)	76 110
Kyocera Taskalfa 6550i	7.97%	ELM-4/031/2011-2012	31/08/2015	165 220	-	(108 924)	98 143
Kyocera Taskalfa 4500i	7.97%	ELM-4/031/2011-2012	31/08/2015	65 553	-	(43 217)	38 940
Kyocera Taskalfa 3500i	7.97%	ELM-4/031/2011-2012	31/08/2015	38 331	-	(25 271)	22 769
Kyocera Ecosys FS-3140MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	8 954	-	(5 903)	5 319
Kyocera Ecosys FS-6525MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	18 961	-	(12 500)	11 263
Kyocera Ecosys FS-6525MFP+	7.97%	ELM-4/031/2011-2012	31/08/2015	18 961	-	(12 500)	11 263
Total Lease Liabilities				444 108	-	(292 787)	263 806
TOTAL EXTERNAL LOANS				590 891	-	(360 073)	343 303

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

	Balance 1 July 2013 R	Correction of error Restatement R	Restated Balance 1 July 2013 R	Contributions during the year R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2014 R	Unspent 30 June 2014 (Creditor) R	Unpaid 30 June 2014 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
0201/1201 - EQUITABLE SHARE	-	-	-	84 626 000	(84 626 000)	-	-	-	-
7140/5401 - MUNICIPAL INFRASTRUCTURE GRANT	797 442	-	797 442	32 048 000	(1 602 400)	(25 562 088)	5 680 953	5 680 953	-
7140/5402 - NER	608 266	-	608 266	2 000 000	-	(2 608 266)	-	-	-
7140/5404 - FINANCIAL MANAGEMENT GRANT	-	-	-	1 550 000	(1 550 000)	-	-	-	-
7140/5407 - MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-	-	-	890 000	(890 000)	-	-	-	-
7140/5405 - EPWP	-	-	-	1 398 000	(1 398 000)	-	-	-	-
Total National Government Grants	1 405 708	-	1 405 708	122 512 000	(90 066 400)	(28 170 354)	5 680 953	5 680 953	-
<u>Provincial Government Grants</u>									
7140/5411 - HAWKERS STALLS	1 753 924	-	1 753 924	-	(1 012 129)	-	741 795	741 795	-
7140/5426 - ELUNDINI HOUSING	71 732	-	71 732	-	-	-	71 732	71 732	-
7140/5430 - HOUSING PILOT	112 508	-	112 508	-	-	-	112 508	112 508	-
7140/5432 - LIBRARY FUND	107 828	-	107 828	656 000	(562 121)	-	201 707	201 707	-
7140/5434 - BUSINESS SURVEY	-	-	-	350 000	(275 982)	-	74 018	74 018	-
7140/5443 - TOURISM	562 756	-	562 756	-	-	-	562 756	562 756	-
7140/5446 - LED OPEN	155 403	-	155 403	-	-	-	155 403	155 403	-
7140/5447 - MACLEAR GREENFIELD	651 784	-	651 784	-	(651 784)	-	-	-	-
7140/5455 - MADIBA CORRIDOR	700 000	-	700 000	-	-	-	700 000	700 000	-
7140/5457 - DEDEA BOTTLING WATER	1 250	-	1 250	-	-	-	1 250	1 250	-
7140/5470 - FURNITURE MANUFACTURING	226 526	-	226 526	-	(226 526)	-	-	-	-
7140/5433 - PUBLIC WORKS	1 551 780	-	1 551 780	3 990 975	(2 657 456)	-	2 885 298	2 885 298	-
7140/5466 - DEPARTMENT OF HOUSING	(1 022 499)	(143 150)	(1 165 649)	1 245 450	(79 801)	-	-	-	-
7140/5478 - ETHEMBENI HOUSING	-	-	-	-	(607 630)	-	(607 630)	-	(607 630)
Total Provincial Grants	4 872 991	(143 150)	4 729 841	6 242 425	(6 073 429)	-	4 898 837	5 506 467	(607 630)
<u>District Municipality Grants</u>									
7140/5461 - WARD FUNCTIONS	42 196	-	42 196	-	-	-	42 196	42 196	-
7140/5463 - COMMUNITY PARTICIPATION	76 500	-	76 500	-	(7 816)	-	68 684	68 684	-
Total District Municipality Grants	118 696	-	118 696	-	(7 816)	-	110 880	110 880	-
<u>Other Grant Providers</u>									
7140/5403 - MSP	1 637 912	-	1 637 912	-	-	-	1 637 912	1 637 912	-
7140/5416 - VOTER STATION	299 896	-	299 896	-	-	-	299 896	299 896	-
7140/5422 - TOWN REGISTER	(36)	-	(36)	-	-	-	(36)	-	(36)
7140/5429 - KATLEHONG HOUSING	2 791	-	2 791	-	-	-	2 791	2 791	-
7140/5449 - LEAVE RESERVE	12 118	-	12 118	-	-	-	12 118	12 118	-
7140/5476 - ECDC	2 259 721	-	2 259 721	-	-	(14 104)	2 245 618	2 245 618	-
7140/5465 - SOCIAL DEVELOPMENT PROGRAMME	46 941	-	46 941	-	-	-	46 941	46 941	-
Total Other Grant Providers	4 259 344	-	4 259 344	-	-	(14 104)	4 245 240	4 245 276	(36)
TOTAL	10 656 738	(143 150)	10 513 588	128 754 425	(96 147 645)	(28 184 458)	14 935 910	15 543 576	(607 666)