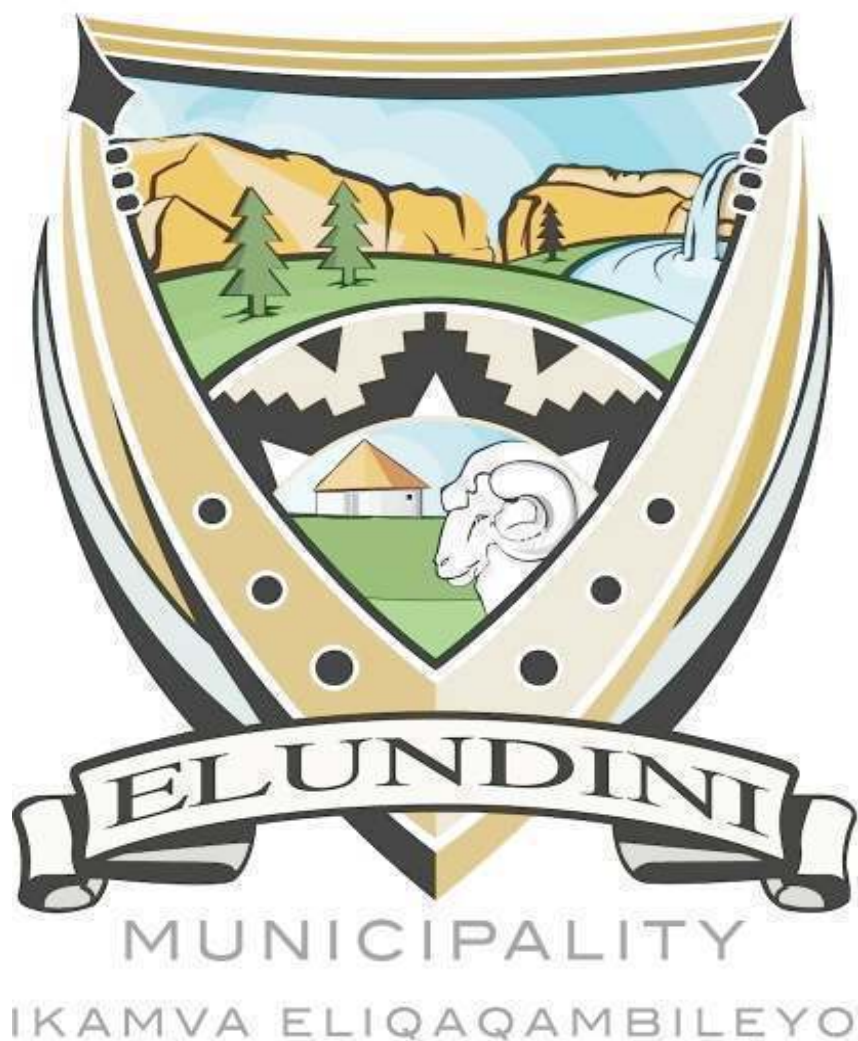


Elundini

LOCAL MUNICIPALITY



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 Mgjijima	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 & Wasteful 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 Mgijima
Ward 5	B Nqodi
Ward 6	C N Mfecane
Ward 7	G Sotsu
Ward 8	N L Motema
Ward 9	M Marubelela
Ward 10	M E Tabana
Ward 11	V V Majikijela
Ward 12	N Q Lebenya
Ward 13	S N Mdlazi
Ward 14	N G Ntaopane
Ward 15	K W Rabohome
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 72 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

29/8/2014

Date

ELUNDINI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R	2013 R
NET ASSETS AND LIABILITIES			
Net Assets		336 242 020	344 473 329
Accumulated Surplus		336 242 020	344 473 329
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		47 344 440	38 467 786
Consumer Deposits	5	344 192	233 511
Current Employee Benefits	6	8 048 128	6 530 323
Payables from Exchange Transactions	7	23 133 835	19 777 089
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		392 888 123	392 262 360
ASSETS			
Non-Current Assets		346 607 654	342 791 090
Property, Plant and Equipment	10	307 828 098	304 543 535
Investment Property	11	38 432 384	38 148 136
Intangible Assets	12	347 172	99 418
Current Assets		46 280 469	49 471 271
Inventory	13	7 599 532	7 844 712
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	4 614 219	3 591 275
Cash and Cash Equivalents	16	24 232 607	21 960 547
Total Assets		392 888 123	392 262 360

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		28 682 371	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	453 424	333 944
Total Revenue		166 962 193	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	30 873 240	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	8 195 944	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	37 841 918	39 845 741
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		175 193 502	170 139 315
NET DEFICIT FOR THE YEAR FROM CONTINUED OPERATIONS		(8 231 309)	(14 784 380)
Discontinued Operations	42	-	(869 136)
NET DEFICIT FOR THE YEAR		(8 231 309)	(15 653 516)

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	(8 882 880)
Restated Balance at 1 July 2012	360 126 846
Net Deficit for the year	(15 653 516)
Balance at 30 June 2013	344 473 329
Net Deficit for the year	(8 231 309)
Balance at 30 June 2014	336 242 020

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		36 142 365	24 206 789
Government		128 754 425	111 614 053
Interest		3 379 141	4 661 114
Payments			
Suppliers and employees		(129 714 341)	(123 852 261)
Finance charges		(530 747)	(268 928)
Net Cash from Operating Activities	44	38 030 842	16 360 767
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(35 111 980)	(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		(35 621 874)	(35 836 453)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) of Long-term Liabilities		(247 588)	387 160
Increase in Consumer Deposits		110 680	29 047
Net Cash from Financing Activities		(136 908)	416 207
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	46 280 469	(39 820 531)
Total non-current assets	348 334 000	19 502 248	367 836 248	346 607 654	(21 228 594)
Total current liabilities	(49 980 000)	5 451 291	(44 528 709)	(47 344 440)	(2 815 731)
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	336 242 020	(63 931 307)
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	
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	-	-	-	453 424	453 424
Total Revenue	196 251 102	32 277 645	228 528 747	166 962 193	(61 571 969)
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	30 873 240	(900 297)
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	8 195 944	(1 607 638)
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	37 841 918	(6 057 689)
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	175 193 502	(8 936 393)
Net Surplus for the year	40 671 667	3 727 185	44 398 852	(8 231 309)	(52 635 577)
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	36 432 000	(62 002 019)	(25 570 019)	38 030 842	63 600 861
Net Cash Flow from Investing Activities	(40 672 000)	(3 727 000)	(44 399 000)	(35 621 874)	8 777 126
Net Cash Flow from Financing Activities	(69 000)	(230 233)	(299 233)	(136 908)	162 325
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	28 051 166	(327 041)
Budget & Treasury	31 800 513	(692 452)	31 108 061	32 920 249	1 812 188
Corporate Services	23 192 725	(3 403 413)	19 789 312	17 815 024	(1 974 288)
Community Services	20 400 536	3 288 375	23 688 911	26 125 645	2 436 734
Strategic Planning & Development	8 672 062	594 332	9 266 394	8 473 102	(793 292)
Technical services	44 694 514	27 204 496	71 899 010	61 808 315	(10 090 695)
Total Expenditure by vote	155 579 435	28 550 460	184 129 895	175 193 500	(8 936 395)
CAPITAL EXPENDITURE BY VOTE					
Executive Council	490 000	1 160 000	1 650 000	1 482 175	(167 825)
Budget & Treasury	100 000	770 000	870 000	1 285 924	415 924
Corporate Services	1 100 000	(355 880)	744 120	839 278	95 158
Community Services	475 000	1 473 781	1 948 781	1 347 629	(601 152)
Strategic Planning & Development	4 500 000	333 500	4 833 500	2 652 421	(2 181 079)
Technical Services	34 006 667	1 485 784	35 492 451	28 829 363	(6 663 088)
Total Capital Expenditure	40 671 667	4 867 185	45 538 852	36 436 790	(9 102 062)

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

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

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

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

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

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

1.2. PRESENTATION CURRENCY

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

ELUNDINI LOCAL MUNICIPALITY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

1.6 AMENDED DISCLOSURE POLICY

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

1.7. MATERIALITY

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

1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

ELUNDINI LOCAL MUNICIPALITY

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

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

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

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the financial statements.</p>	1 April 2015

ELUNDINI LOCAL MUNICIPALITY

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

<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality’s financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 32 (Original – Aug 2013)</p>	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality’s current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future. GRAP 106 establishes guidelines for the entity which receives assets and liabilities associated with the transfer of function. Although a transfer of function took place in the current year, the principles of GRAP 106 were not used to account for the transfer of function.</p>	<p>1 April 2015</p>

ELUNDINI LOCAL MUNICIPALITY

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

<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 108 (Original – Sept 2013)</p>	<p>Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>IGRAP 11</p>	<p>Consolidation - Special Purpose Entities (SPE) The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<p>Unknown</p>
<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<p>Unknown</p>
<p>IGRAP 17</p>	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	<p>Unknown</p>

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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.10. LEASES

1.10.1 Municipality as Lessee

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

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

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

1.10.2 Municipality as Lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

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1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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

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

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

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

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

1.14. EMPLOYEE BENEFITS

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

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

1.14.1 Post Retirement Medical Obligations

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

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

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

1.14.2 Long Service Awards

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

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

1.14.3 Provision for Staff Leave

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

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

1.14.4 Staff Bonuses Accrued

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

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

1.14.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrue. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

1.14.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

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

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

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1.15.3 Depreciation and Impairment

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

	<u>Years</u>
<u>Land and Buildings</u>	
Buildings	20 - 100
Capitalised Restoration Costs	20
<u>Infrastructure</u>	
Electricity	6 - 50
Roads, Pavements, Bridges & Storm Water	5 -120
<u>Leased Assets</u>	
Office Equipment	3 - 7
<u>Other Assets</u>	
Furniture & Fittings	5 - 15
Motor Vehicles	5 - 11
Computer Equipment	3 - 5
Plant and Machinery	7 – 10
Security	5

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

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

1.15.4 De-recognition

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

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

1.16. INTANGIBLE ASSETS

1.16.1 *Initial Recognition*

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.16.2 *Subsequent Measurement – Cost Model*

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

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

1.16.3 Amortisation and Impairment

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

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

1.16.4 De-recognition

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

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

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

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

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

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

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

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1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Depreciation and Impairment – Cost Model

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

<u>Investment Property</u>	<u>Years</u>
Buildings	100

1.17.4 De-recognition

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

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.18 BORROWING COSTS

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

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1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 *Cash-generating assets*

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

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

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

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

- (b) Internal sources of information
 - Evidence is available of obsolescence or physical damage of an asset.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
 - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

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

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

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

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

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

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

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

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

1.20.2 Subsequent Measurement

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

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

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

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

ELUNDINI LOCAL MUNICIPALITY

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

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2 Subsequent Measurement

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

1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

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

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

ELUNDINI LOCAL MUNICIPALITY

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

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

1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3 Cash and Cash Equivalents

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

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

1.21.3 **De-recognition of Financial Instruments**

1.21.3.1 Financial Assets

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

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

1.21.3.2 Financial Liabilities

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

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

1.21.4 **Offsetting of Financial Instruments**

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

1.22. REVENUE

1.22.1 **Revenue from Non-Exchange Transactions**

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

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

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

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

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

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

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

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

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

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.22.2 Revenue from Exchange Transactions

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

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

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

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

ELUNDINI LOCAL MUNICIPALITY

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

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

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

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

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

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

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

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

1.23. RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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

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

ELUNDINI LOCAL MUNICIPALITY

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

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

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

Management personnel include:

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

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

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

1.24. UNAUTHORISED EXPENDITURE

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

ELUNDINI LOCAL MUNICIPALITY

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

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

ELUNDINI LOCAL MUNICIPALITY

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

1.28.1 Post retirement medical obligations and Long service awards

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

1.28.2 Impairment of Receivables

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

1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

ELUNDINI LOCAL MUNICIPALITY

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

1.28.5 Investment Property

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

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.6 Provisions and Contingent Liabilities

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

1.28.7 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

ELUNDINI LOCAL MUNICIPALITY

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

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.9 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.28.10 Provision for Staff leave

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

1.28.11 Provision for Performance bonuses

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

1.28.12 Componentisation of Infrastructure assets

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

1.29. TAXES – VALUE ADDED TAX

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

ELUNDINI LOCAL MUNICIPALITY

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

1.30. CAPITAL COMMITMENTS

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

1.31. EVENTS AFTER REPORTING DATE

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

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

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

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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
	343 303	590 891
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	68 594	343 302

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

The obligations under annuity loans are scheduled below

Minimum annuity payments

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

Annuity loans are unsecured

The obligations under finance leases are scheduled below

Minimum lease payments

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	-	-
	278 947	488 158
Less: Future finance obligations	(15 141)	(44 050)
Present value of lease obligations	263 806	444 108

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

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	3 716 121	3 485 400
<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	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
<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	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

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
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

	2014 %	2013 %
Key actuarial assumptions used:		
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.

	Continuation Members R	Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:		
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.

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
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

ELUNDINI LOCAL MUNICIPALITY

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

	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

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:	2014 %	2013 %
i) Rate of interest		
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

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
Reconciliation of present value of fund obligation:		
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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ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
<u>CAPE RETIREMENT FUND</u>		
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

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.

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

ELUNDINI LOCAL MUNICIPALITY

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

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.

ELUNDINI LOCAL MUNICIPALITY

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

6	CURRENT EMPLOYEE BENEFITS	2014 R	2013 R
	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 Benefit:	452 118	258 549
	Current Portion of Post Retirement Medical Obligation - note 5	112 128	123 888
	Current Portion of Long-Service Provisions - note 5	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 Fun	-	(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 Func

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.

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
7 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	17 633 970	14 694 107
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	23 133 835	19 777 089
As previously reported		19 924 799
Correction of error restatement - note 43.02		(147 710)
Restated balance		<u>19 777 089</u>

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

	2014 R	2013 R
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

	2014 R	2013 R
9 TAXES		
VAT Receivable	3 363 848	2 793 065
VAT Input in suspense	2 400 688	1 545 255
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	4 614 219	3 591 275
As previously reported		3 705 020
Correction of error restatement - note 43.02		29 405
Correction of error restatement - note 43.03		(143 150)
Restated balance		<u>3 591 275</u>

VAT is payable/receivable on the cash basis

	2014 R	2013 R
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

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	43 920 547	6 552 334	-	(157 088)	-	50 315 792	3 787 433	371 297	-	(5 416)	-	4 153 314	46 162 478
Land	11 572 000	-	-	(30 871)	-	11 541 129	-	-	-	-	-	-	11 541 129
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	24 418 323	-	-	-	386 490 933	119 602 848	25 524 058	-	-	-	145 126 906	241 364 027
Electricity	56 129 516	-	-	-	3 188 381	59 317 897	5 255 039	1 490 766	-	-	-	6 745 805	52 572 092
Roads, Pavements, Bridges & Storm Water	275 026 885	-	-	-	30 976 617	306 003 503	114 347 809	24 033 292	-	-	-	138 381 101	167 622 401
Work in Progress	30 916 209	24 418 323	-	-	(34 164 998)	21 169 533	-	-	-	-	-	-	21 169 533
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	-	-	-	39 842 106	14 193 344	5 554 514	-	-	-	19 747 858	20 094 248
Furniture & Fittings	3 339 972	857 308	-	-	-	4 197 279	1 560 115	481 801	-	-	-	2 041 916	2 155 364
Motor Vehicles	16 400 404	1 649 294	-	-	-	18 049 698	5 498 237	2 831 404	-	-	-	8 329 642	9 720 056
Computer Equipment	2 540 747	837 895	-	-	-	3 378 642	1 108 011	466 874	-	-	-	1 574 885	1 803 757
Plant and Machinery	13 419 660	692 222	-	-	-	14 111 882	6 026 981	1 773 174	-	-	-	7 800 155	6 311 727
Security	-	104 605	-	-	-	104 605	-	1 261	-	-	-	1 261	103 344
	442 532 947	35 111 980	-	(157 088)	-	477 487 839	137 989 412	31 675 745	-	(5 416)	-	169 659 742	307 828 098

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

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	37 601 335	7 659 580	(779 000)	(561 369)	-	43 920 547	1 914 738	399 354	(9 126)	1 482 468	-	3 787 433	40 133 114
Land	12 123 000	-	(551 000)	-	-	11 572 000	-	-	-	-	-	-	11 572 000
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	56 129 516	-	-	-	-	56 129 516	3 785 232	1 469 806	-	-	-	5 255 039	50 874 477
Roads, Pavements, Bridges & Storm Water	267 422 361	-	-	-	7 604 525	275 026 885	91 944 724	22 403 085	-	-	-	114 347 809	160 679 076
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
	408 023 315	36 184 491	(779 000)	(895 859)	-	442 532 947	107 310 333	29 458 231	(9 126)	1 482 468	(252 494)	137 989 412	304 543 535
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	(20 987 347)	(1 236 715)	-	-	-	(22 224 061)	(1 884 685)	(729 664)	-	-	-	(2 614 349)	(19 609 712)
Restated balance	408 023 315	36 184 491	(779 000)	(895 859)	-	442 532 947	107 310 333	29 458 231	(9 126)	1 482 468	(252 494)	137 989 412	304 543 535

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

ELUNDINI LOCAL MUNICIPALITY

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

	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.

	2014 R	2013 R
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

	2014 R	2013 R
13 INVENTORY		
Consumable Stores	419 532	597 212
Land held for sale	7 180 000	7 247 500
Total Inventory - Continued Operations	7 599 532	7 844 712
Inventory recognised as an expense during the year	1 010 910	3 282 249
Consumable stores materials losses/(gains) identified during stock count	86 386	315 713

No inventory assets were pledged as security for liabilities

ELUNDINI LOCAL MUNICIPALITY

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

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)
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

Electricity

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

Refuse

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

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
Other		
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 3C	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
Total	16 423 888	(13 252 035)	3 171 853

Ageing of Receivables from Non-Exchange Transactions

Rates		
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

ELUNDINI LOCAL MUNICIPALITY

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

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CASH AND CASH EQUIVALENTS

Assets

	2014 R	2013 R
Call Investment Deposits	23 182 407	21 669 775
Primary Bank Account	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	906 959	(2 235 106)
First National Bank - Acc no 62312151848 (Petty Cash Account)	(25)	3 511
Standard Bank - Acc no 280642407	142 056	2 519 992
	1 048 990	288 397

First National Bank - Acc no 62159933772

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

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

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
17		
PROPERTY RATES		
Actual		
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)		
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 - Capita	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

ELUNDINI LOCAL MUNICIPALITY

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

	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	<u>-</u>	<u>-</u>

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

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	<u>5 680 953</u>	<u>797 442</u>

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

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	<u>-</u>	<u>-</u>

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

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	<u>-</u>	<u>-</u>

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

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	<u>-</u>	<u>608 266</u>

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	<u>2 885 298</u>	<u>1 551 780</u>

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	<u>2 245 618</u>	<u>2 259 721</u>

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

ELUNDINI LOCAL MUNICIPALITY

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

	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	<u>4 124 040</u>	<u>5 296 379</u>
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	<u>14 935 910</u>	<u>10 513 588</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	15 543 576	11 679 274
Unpaid Conditional Government Grants and Receipts	(607 666)	(1 165 685)
	<u>14 935 910</u>	<u>10 513 588</u>
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)	<u>(95 449)</u>	<u>205 050</u>
20 FINES		
Traffic Fines	548 150	45 650
Other Fines	40 517	18 154
Total Fines	<u>588 667</u>	<u>63 804</u>
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
	<u>22 556 396</u>	<u>19 803 308</u>
Less: Rebates	(3 482 227)	(1 467 980)
Total Service Charges	<u>19 074 169</u>	<u>18 335 328</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission		
22 PLANT INCOME		
Earnings prior to expenditure	3 556 838	1 756 412
Less: Employee Related Costs - note 28	(902 470)	(694 228)
Less: Depreciation and Amortisation - note 31	(992 811)	(429 639)
Less: Repairs and Maintenance - note 32	-	(99 614)
Less: General Expenses - note 39	(1 661 557)	(532 930)
Total Plant Income	<u>-</u>	<u>-</u>
Plant Income is associated with roads construction for MIG projects		

ELUNDINI LOCAL MUNICIPALITY

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

	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
<p>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.</p>		
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 & Inspector	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
27 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Proceeds	376 317	-
Disposal of Liability (Provision for Rehabilitation of Landfill sites) - note 2	234 195	977 309
	610 512	977 309
Carrying value of Property, Plant and Equipment disposed	(157 088)	(643 365)
Total Gain on Disposal of Property, Plant and Equipment	453 424	333 944
28 EMPLOYEE RELATED COSTS		
Bursary Scheme	23 900	47 432
Contribution to Current Employee Benefits - Bonuses Accrued - note 2	2 730 237	2 243 503
Contribution to Current Employee Benefits - Staff Leave - note 2	713 213	1 258 609
Contribution to Current Employee Benefits - Performance Bonuses - note 2	1 278 158	902 262
Contribution to Employee Benefits - Long Service Awards - note 2	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 2	(902 470)	(694 228)
Total Employee Related Costs	57 616 608	48 673 026

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
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 Fund:	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 Fund:	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 Fund:	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	396 271	299 100
Performance Bonuses	105 053	104 667
Contributions to UIF, Medical and Pension Fund:	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 Fund:	-	-
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 Fund:	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 Fund:	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

In-kind Benefits

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	31 675 745	29 458 231
Investment Property	159 778	155 015
Intangible Assets	30 527	27 957
Total Depreciation and Amortisation	31 866 051	29 641 203
Less: Depreciation and Amortisation associated with Plant Income - note 2:	(992 811)	(429 639)
Total Depreciation and Amortisation	30 873 240	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	6 064 999	3 267 453
Land and Buildings	679 541	2 068 123
Other Assets	1 451 404	1 241 987
Total Repairs and Maintenance	8 195 944	6 577 563
Less: Repairs and Maintenance associated with Plant Income - note 2:	-	(99 614)
Total Repairs and Maintenance	8 195 944	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 Site:	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	461 726	532 227
Conferences and Seminars	378 170	406 641
Consulting, Professional and Legal Fees	4 827 585	7 796 159
Entertainment and Catering	947 624	827 427
Fraud Prevention Plan	38 500	39 480
Fuel and Oil	3 056 285	2 604 999
Gifts	121 968	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	791 973	584 450
Promotions and Sponsorships	922 067	1 598 481
Protective Clothing	452 724	175 307
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	928 720	375 817
Special Programmes	4 166 486	4 206 367
Subscriptions and Membership Fees	918 157	875 222
Telephone and fax	2 057 708	2 039 216
Town Planning and Property Valuation Fee:	722 423	1 672 044
Traffic Department Costs	113 705	120 436
Training	1 698 599	1 264 791
Travel and Subsistence	6 698 295	6 101 175
Ward Committees	1 486 503	597 517
Other Expenditure	1 639 521	1 735 025
Total General Expenses	39 503 475	40 378 671
Less: General Expenses associated with Plant Income - note 22	(1 661 557)	(532 930)
Total General Expenses	37 841 918	39 845 741
As previously reported		39 742 994
Correction of error restatement - note 43.02		102 747
Restated balance		39 845 741
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.		
<u>The effect of Discontinued Operations on the Statement of Financial Performance is as follows:</u>		
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

ELUNDINI LOCAL MUNICIPALITY

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

2013
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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	279 862
	Property, Plant and Equipment - note 43.04	(9 908 302)
	Investment Property - note 43.05	745 559
	Total	<u><u>(8 882 880)</u></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	147 710
	Refer to Taxes - note 9	29 405
	Refer to General Expenses - note 39	102 747
	Refer to Accumulated Surplus - 1 July 2012 - note 43.01	(279 862)
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 R957 037. 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.	
	Also 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.	
	Refer to Property, Plant and Equipment (Cost - Opening Balance) - note 10	(20 987 347)
	Refer to Property, Plant and Equipment (Accumulated Depreciation - Opening Balance) - note 11	1 884 685
	Refer to Property, Plant and Equipment (Accumulated Depreciation - Depreciation Charge) - note 11	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 Depreciation and Amortisation - note 31	72 860
	Refer to Repairs and Maintenance - note 38	1 236 714
	Refer to Accumulated Surplus - 1 July 2012 - note 43.01	9 908 302

ELUNDINI LOCAL MUNICIPALITY

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

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43.05 Investment Property

In the current year it was noted that Investment Property with a book value of R740 452 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)

	2014 R	2013 R
44 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Deficit for the year	(8 231 309)	(15 653 516)
Adjustments for:		
(Gain)/Loss on disposal of Property, Plant and Equipmen	(453 424)	(333 944)
(Gain)/Loss on disposal of Investment Property	163 904	152 772
Contribution from/to employee benefits - non-curren	565 625	665 223
Contribution from/to employee benefits - non-current - expenditure incurre	(236 784)	(352 490)
Contribution from/to employee benefits - non-current - loss/(actuarial gains	95 449	(205 050)
Contribution to employee benefits – curren	4 726 058	4 404 374
Contribution to employee benefits – current - expenditure incurre	(3 401 822)	(5 817 934)
Contribution to provisions – non-curren	258 601	280 148
Contribution of provisions – Allowance for Doubtful Deb	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	31 866 051	29 641 203
Impairments	(5 416)	1 482 468
Discontinued Operations - Assets and Liabilities Transferrec	-	869 136
Operating Surplus before changes in working capita	6 701 976	26 344 603
Changes in working capital - Restated for prior year	31 328 866	(9 983 836)
Increase in Payables from Exchange Transactions	3 356 746	1 271 410
Increase in Taxes	(4 490 276)	(7 480 917)
Decrease in Inventory	245 180	394 753
(Increase)/Decrease in Receivables from exchange transactions	34 981 211	(2 632 065)
(ncrease in Receivables from non-exchange transactions	(2 763 995)	(1 537 016)
Cash generated by operations	38 030 842	16 360 767
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
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

ELUNDINI LOCAL MUNICIPALITY

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

		2014 R	2013 R
47	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - note 2	343 303	590 891
	Used to finance property, plant and equipment - at cos	(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 - capita	511 082	394 901
Unauthorised expenditure current year - operating	4 248 922	31 148 950
Approved by Council or condoned	(68 142 893)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	4 760 004	68 142 893

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

	2014 Actual R	2014 Final Budget R	2014 Variance R	2014 Unauthorised Expenditure R
Operating Expenditure by Vote				
Executive Council	28 051 166	28 378 207	(327 041)	-
Budget & Treasury	32 920 249	31 108 061	1 812 188	1 812 188
Corporate Services	17 815 024	19 789 312	(1 974 288)	-
Community Services	26 125 645	23 688 911	2 436 734	2 436 734
Strategic Planning & Development	8 473 102	9 266 394	(793 292)	-
Technical services	61 808 315	71 899 010	(10 090 695)	-
Total Expenditure	175 193 500	184 129 895	(8 936 395)	4 248 922
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	35 492 451	(6 663 088)	-
Total Expenditure	36 436 790	45 538 852	(9 102 062)	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	62 444	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	-	1 018 164

Incident	Disciplinary steps/criminal proceedings
<i>Interest charged by creditors</i>	<i>Disciplinary steps have been taken.</i>
<i>Workmen's Compensation penalty for late submission</i>	<i>None yet.</i>

	23 237	282 893
	39 207	-
	-	282 893

ELUNDINI LOCAL MUNICIPALITY

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

	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
Condonement supported by council	(1 372 022)	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonemen	-	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.

49 MATERIAL LOSSES

Electricity distribution losses

Kwh purchased	18 283 864	19 316 961
Less: Kwh sold	(15 896 585)	(13 727 878)
Kwh losses	2 387 279	5 589 083
% Losses	13.06%	28.93%
Average cost per Kwh unit	0.8300	0.6931
Losses in Rand Value	1 981 442	4 196 127

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 Contribution	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 Contribution	12 115 999	10 175 263
Amount paid - current year	(11 196 066)	(10 175 263)
Balance unpaid (included in creditors)	919 934	-

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 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	2 879 417	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
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:		
Approved and contracted for:		
Infrastructure	27 590 788	3 858 234
	27 590 788	3 858 234
Total	27 590 788	3 858 234
This expenditure will be financed from		
Government Grants	24 005 309	3 035 027
Own funding	3 585 479	823 207
	27 590 788	3 858 234

ELUNDINI LOCAL MUNICIPALITY

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

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FINANCIAL RISK MANAGEMENT

2014
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2013
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The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions

(b) Price risk

The Municipality is not exposed to price risk

(c) Interest Rate Risk

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

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

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

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

0.5% (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:				
<u>Non-Exchange Receivables</u>				
Rates	100%	3 853 558	100%	2 514 417
	100%	3 853 558	100%	2 514 417
<u>Exchange Receivables</u>				
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

ELUNDINI LOCAL MUNICIPALITY

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

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

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

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

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

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

	2014 R	2013 R
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 facilities:

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
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	20 998 822	-	-	20 998 822
Unspent conditional government grants and receipts:	14 935 910	-	-	14 935 910
	<u>36 024 754</u>	<u>-</u>	<u>9 402 377</u>	<u>45 427 131</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	18 926 068	-	-	18 926 068
Unspent conditional government grants and receipts:	11 679 274	-	-	11 679 274
	<u>30 904 574</u>	<u>368 949</u>	<u>9 283 741</u>	<u>40 557 285</u>

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
53 FINANCIAL INSTRUMENTS		
In accordance with GRAP 104 the financial instruments of the Municipality are classified as follow:		
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	34 066 718	38 035 284
53.2 Financial Liability		
Financial Instruments at Amortised Cost		
Long-term Liabilities	68 594	343 302
Payables from Exchange Transactions	23 133 835	19 777 089
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	39 020 714	32 047 254

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

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 is 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 R950 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.

ELUNDINI LOCAL MUNICIPALITY

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

	2014 R	2013 R
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 Moroa - Public Amenities Supervisor)	-	24 125
Imbokodo Women Trading (Mother of official Tshaka)	13 975	-
Siphehile Trading (Daughter of official Sahlulo)	33 921	-
Zilwa Contractors CC (Spouse of official Sahlulo)	467 108	-
	672 434	263 131

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 take 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

ELUNDINI LOCAL MUNICIPALITY

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

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 an 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.

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

**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)